The strength **of a leader**

ACL CABLES

ANNUAL REPORT 2016/17

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Financial Information

The strength **of a leader**

At ACL Cables we have just completed another excellent year, the details of which are analysed further along in this report. Yet again, we are pleased to see that your company has lived up to its reputation as Sri Lanka's No 1 cable manufacturer, delivering growing and sustainable value to the many stakeholders we serve.

Since 1962, we have grown and expanded your company through strategic acquisitions, product expansion, technology and quality, to become who we are today; Sri Lanka's No 1 cable manufacturer owning a 70% industry market share.

Today, we are confident of our capacity for long-term growth and expansion as we go forward, driven by the commitment, passion and strength of a true leader.

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.

Group Financial **Highlights**

Net Revenue

14,670Mn

Profit to Equity Holders

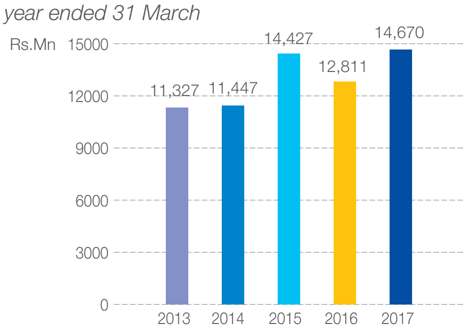
11.98%

Profit to Equity Holders

1,118Mn

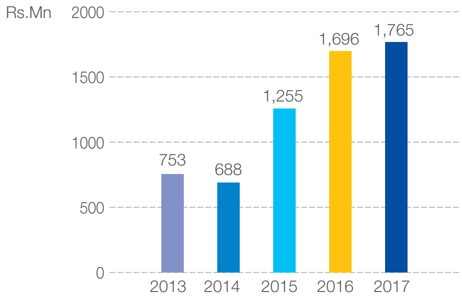
Revenue

for the year ended 31 March



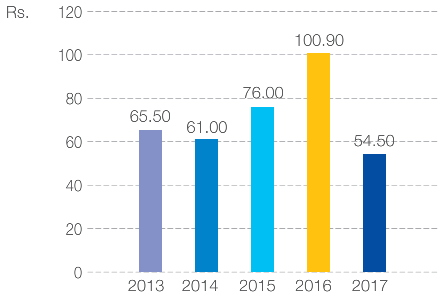
Net Profit before Tax

for the year ended 31 March



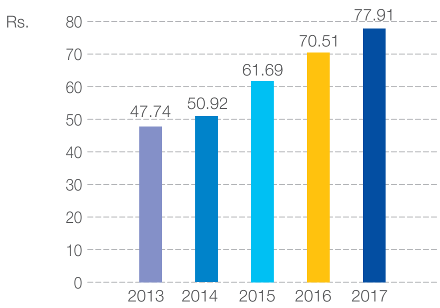
Market Value per Share

as at 31 March



Net Assets per Share

as at 31 March



	2017 LKR Million	2016 LKR Million
Operations		
Turnover	14,670	12,811
Gross Profit	3,243	3,057
Finance Costs - net	219	252
Profit before Tax	1,765	1,696
Profit after Tax	1,255	1,269
Total Equity	10,467	9,472
Key Financial Indicators		
Gross Profit Margin	22.10%	23.86%
Net Profit Margin before Tax	12.03%	13.24%
Interest Cover (Times)	7.09	7.25
Return on Equity	11.99%	13.40%
Current Ratio (Times)	2.29	2.43

Chairman's **Message**

ACL as a Group experienced an increase in Turnover to Rs. 14.6 billion compared to Rs. 12.8 billion in the previous year. This is mainly due to the increased activity shown by the Construction Sector.

U. G. Madanayake
Chairman

Group Profits before Tax increased to Rs. 1,765 million compared to Rs.1,695 million in the previous year. Stability of raw material prices during the first of the year helped us to improve our profitability up to this level.

I welcome you to the 55th Annual General Meeting of ACL Cables PLC and take the opportunity to present to you the Annual Report and Audited Financial Statements for the year ended 2016/17. We witnessed another excellent performance by your Company and the Companies in the Group during the year under review.

I am pleased to inform that both the Group Turnover and Operating Results increased above our expectations.

Economic Outlook

The Sri Lankan economy grew by 4.4% in 2016 in comparison to 4.8% in the previous year. The drop in growth of GDP is mainly due to the adverse weather conditions which resulted in negative growth in the agricultural sector. Continuous decline in exports and increased demand for imports in certain sectors, also contributed to reduction in growth of GDP in 2016. I also notice that the upward trend in interests rates also impacted negatively on consumer spending. The pressure on the Exchange Rate to depreciate, remained a challenge to the growth of the economy. However, it should be noted that industry related activities of Sri Lanka have recorded 6.7% growth. As a subsector of industry related activities, the construction sector grew by 14.9% which was very beneficial for the ACL Group of Companies, as reflected in the results. However, it is sad to see that the manufacturing sector has shown only a marginal growth of 1.7% and this would have recorded a negative figure if not for the 14.9% growth in the construction sector. I am of the view that the growth of the manufacturing sector is of the utmost importance if a country is to display sustainable growth & development.

Gross Profit - Group

3,243 Mn

22.10%

Net Profit - Group

1,255 Mn

8.56%

Fortunately, during the early part the financial year under consideration, uncertainties in the global political and economic climate led to reduced raw material prices which also helped the Group to earn better results in the early part of the year.

The regaining of GSP Plus from European Union may help Sri Lankan exporters to boost export turnover and increase Sri Lankan market share in the world market. Furthermore, I believe that it will attract more Foreign Direct Investments to Sri Lanka thereby boosting export turnover and GDP. An increase in FDI due to GSP Plus and the general increase projected for GDP growth by the Government of Sri Lanka would lead to an increase in demand for Cables and Electrical items in the years to come.

Group Performance

I am pleased to inform you that ACL as a Group experienced an increase in turnover to Rs.14.6 billion compared to Rs.12.8 billion in the previous year. This is mainly

Chairman's **Message**

In view of the increase in demand for cables in the years to come, the Group has planned to increase production capacity keeping in mind efficiencies, productivity and latest technological developments.

due to the increased activity shown by the construction sector. In addition, Group Profits before Tax increased to Rs.1,765 million compared to Rs.1,695 million in the previous year. Stability of raw material prices during the first of the year helped us to improve our profitability up to this level.

Challenges

A continued upward trend in interest rates will have a direct negative impact on consumer spending and construction related activities. This may also lead to a decline in demand for cables and an increase in competition in the dealer market which caters to house builders. The pressure on the exchange rate will continue to be a challenge to our cost structures.

We have been experiencing an increase in wage structures due to increase in demand for labour from Construction and Service sectors. Therefore, it is imperative that we invest in new technologies to improve productivity and efficiency.

Changing weather patterns has continued to be devastating on Sri Lanka. This will have a negative impact on the investment climate since many more resources would be spent on reconstruction and damage control rather than on new development projects.

Since 2008, we have not seen an impressive economic growth - either in the Western world or in the Asian countries. This is one reason why our exports have not shown an impressive growth. Therefore, the challenge facing Sri Lankan exporters is to look for niche markets while maximising the benefits of GSP Plus.

New Developments

In view of the increase in demand for cables in the years to come, the Group has planned to increase production capacity keeping in mind efficiencies, productivity and latest technological developments.

The results of these developments will be beneficial to shareholders in the years to come.

Appreciations

First of all I wish to thank all our valuable customers including the CEB who have continued to rally round the ACL Group and support us to contribute to the development of our nation and increase shareholder value. We are proud that our customers have continued to appreciate the very high standards of quality of our cables and that alone has propelled us to introduce newer cables with greater vigor. I also take this opportunity to thank numerous Government Departments which continue to pave way for a conducive business environment for all local industries. It gives me great pleasure to appreciate and thank all our employees - past and present for their tireless efforts to bring our company to this level of achievement. I would also like to thank all members of the Boards of Directors of the Group for their valuable contribution by way of advice and guidance.

U. G. Madanayake
Chairman

10 July 2017

Managing Director's **Report**

Suren Madanayake
Managing Director

Your Company achieved a turnover of Rs 8.05 billion compared to Rs 6.8 billion in the previous year. This is an increase of 18% over the last year. Profit before Taxes recorded Rs 1.2 billion compared to Rs 0.7 billion recorded in the previous year. This is an increase of 71%.

During the early part of the Financial Year, ACL obtained a rating of A+ (stable) which was assigned by ICRA Lanka Ltd - a Group Company of Moody's Investors. I am happy to say that achievement of this rating reflects on the Financial Health of ACL Cables PLC. This is the first time a Cable Manufacturer obtained such a rating in Sri Lanka.

I take a lot of pride and pleasure in presenting to you the Annual Report of your company for the year 2016/17 - which you will agree is another year of excellent performance where both the turnover and profits exceeded targets. Your Company achieved a turnover of Rs 8.05 billion compared to Rs 6.8 billion in the previous year. This is an increase of 18% over the last year. Profit before Taxes recorded Rs 1.2 billion compared to Rs 0.7 billion recorded in the previous year. This is an increase of 71%.

FACTORS WHICH WERE FAVORABLE

The growth in the local Construction sector helped ACL to record an increase in turnover. Increased Purchases by Government Organizations and the Private Sector Contractors and investors boosted company turnover. Favorable metal prices at the London Metal Exchange (LME) during the first half of the financial year significantly helped us to improve our profit margins. Increased dividend income from subsidiaries also helped ACL to increase the bottom line.

Revenue - Company

8,054 Mn

Some of the popular sizes of Cable which were discontinued by Sri Lanka Standards Institution were allowed to be marketed by them as a result of continued lobbying by Cable manufacturers. This also helped us to increase the turnover.

During the early part of the Financial Year, ACL obtained a rating of A+ (stable) which was assigned by ICRA Lanka Ltd - a Group Company of Moody's Investors. I am happy to say that achievement of this rating reflects on the Financial Health of ACL Cables PLC. This is the first time a Cable Manufacturer obtained such a rating in Sri Lanka.

CHALLENGES FACED BY THE COMPANY

Interest rates continued to climb in the year under review and weather patterns were not favorable for the Agricultural sector - both of which resulted in less than expected growth in the local house construction segment. Upward trend in LME during the latter part of the financial year led to a gradual erosion of margins, It is likely, that this trend will continue in the new Financial year as well.

Higher Working Capital needs were witnessed during the year under review, but we managed to keep our Net Finance costs below that of the previous year.

Managing Director's **Report**

Higher Working Capital needs were witnessed during the year under review, but we managed to keep our Net Finance costs below that of the previous year.

Our associate company Resus Energy PLC recorded a loss during the year under review. This was mainly due to severe drought which prevailed throughout the financial year.

FUTURE OUTLOOK

Metal prices have shown an upward trend and we may see volatility of prices in the coming year. This will have a direct impact on our margins.

The demand for cables is likely to remain at a satisfactorily level due to positive growth momentum in the Construction sector. However, this growth momentum can be disturbed by adverse weather conditions which disrupt normal life and economic activities of people.

Furthermore, regaining of GSP Plus facility from the European Union may fuel economic activity of the country due to increased Exports and inflow of FDI. This we believe will have a very positive impact on the local demand for Cables.

In preparation of the increased demand and market needs, your company is planning to enhance and modernize Production Capacity in certain sectors. This we believe will help ACL to improve Response Time to Customers.

APPRECIATIONS

I take this opportunity to thank the Chairman and the Board of Directors for continuous guidance and support given during the year. I also wish to extend my sincere appreciation to all past and present employees of the company who has worked tirelessly to make ACL a leading organization of the country during the last 55 years.

It is my duty to thank all the Customers and well-wishers of the company for their continued support by using and promoting ACL Cables. Special appreciation is due to our largest Customer - Ceylon Electricity Board for its continued support by buying ACL Cables of Quality. I also take this opportunity to thank all Government Organization who have helped ACL directly or indirectly to carry out our activities in a fair and feasible manner. My thanks are also due to all other stakeholders and Suppliers of Products & Services including Financial Institutions.

I wish to thank the employees of ACL who worked tirelessly to achieve this level of performance in the year under review.

Suren Madanayake
Managing Director

10 July 2017

Board of **Directors**

1. Mr. U. G. Madanayake - *Chairman*
2. Mr. Suren Madanayake - *Managing Director*
3. Mrs. N. C. Madanayake - *Director*
4. Mr. Ajit Jayaratne - *Director*
5. Mr. Hemaka Amarasuriya - *Director*
6. Mr. Daya Wahalatantiri - *Executive Director*
7. Mr. Rajiv Casie Chitty - *Director*
8. Dr. Sivakumar Selliah - *Director*

7
8
3
4

Board of **Directors**

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 as Chairman of Kelani Cables PLC.

Mr. U.G Madanayake is also the Chairman of Fab Foods (Pvt) Ltd., Ceylon Tapioca Ltd., ACL Plastics PLC and Lanka Olex Cables (Pvt.) Ltd. He is also a Director of ACL Metals & Alloys (Pvt.) Ltd., ACL Polymers (Pvt) Ltd., Ceylon Copper (Pvt.) Ltd., ACL-Kelani Magnet Wire (Pvt) Ltd., Ceylon Bulbs & Electricals Ltd., ACL Electric (Pvt.) Ltd. and RESUS Energy PLC He has over 50 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 Kelani Cables PLC and Lanka Olex Cables (Private) Ltd which is the holding Company of Kelani Cables PLC. In 2003 he was appointed as Deputy Chairman of Kelani Cables PLC. In 2014, he was appointed as a Chairman of Resus Energy PLC.

He also serves as the Managing Director of ACL Plastics PLC and Director of Ceylon Bulbs & Electricals Ltd., ACL Metals & Alloys (Pvt.) Ltd., ACL Polymers (Pvt.) Ltd., ACL-Kelani Magnet Wire (Pvt.) Ltd., Ceylon Copper (Pvt.) Ltd., ACL Electric (Pvt.) Ltd., SM Lighting (Pvt) Ltd., Fab Foods (Pvt.) Ltd. and Ceylon Tapioca Ltd. In 2015, he was appointed to the Board of National Asset Management Ltd (NAMAL). He also serves as Trustee of 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 & Electricals Ltd., Lanka Olex Cables (Pvt) Ltd. and Ceylon Tapioca Ltd. Mrs. N.C Madanayake is a pioneering Director of Fab Foods (Pvt) Ltd.

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 member of the Institute of Chartered Accountants, England & Wales and also a fellow member of the Institute of Chartered Accountants, Sri Lanka. Mr. Jayaratne was the Chairman of Forbes & Walker Limited, The Colombo Stock Exchange, The Ceylon Chamber of Commerce and The Finance Commission. Mr. Jayaratne also served as the High Commissioner of Sri Lanka in Singapore. He is a Director of other Public Quoted Companies in Sri Lanka. Mr. Jayaratne was appointed to the Board of Directors of ACL Cables PLC in November 2005.

Mr. Hemaka Amarasuriya

Director

Mr. Hemaka Amarasuriya is a fellow member of the Institute of Chartered Accountants of Sri Lanka and of the Chartered Institute of Management Accountants, U.K. He also holds an Honorary Fellowship from the Chartered Institute of Marketing, U.K. and a Diploma in Marketing Strategy from the University of New York.

He is currently the Chairman of Sri Lanka Insurance Corporation Limited and is on the directorate of several other listed and unlisted private companies. He held the chair of the Singer Group in Sri Lanka for a period of 30 years.

He was recognized by the Asia Retails Congress 2007 with the "Retail Leadership Award" for his contribution to retailing in Asia and by the Chartered Institute of Marketing U.K. as a "Visionary Business Leader" for his invaluable contribution to the Marketing Profession in initiating revolutionary changes in the Consumer Market. His association with local industry goes back to 1992 from which time he chairs the Regional Industry Service Committee – Southern Province of the Ministry of Industry & commerce. He is a former Chairman of the Employers' Federation of Ceylon and was previously responsible for the Human Resource Development Function of Singer Asia and also chaired the Singer Worldwide Business Council, policy implementation body of one of the oldest multinationals.

His contribution to the profession was recognized by the Institute of Chartered Accountants of Sri Lanka when conferred with the "Lifetime Award for Excellence in 2011", while the Institute of Chartered Management Accountants (CIMA) selected him as the Business Icon of the year for 2013.

Mr. Daya Wahalatantiri

Executive Director

Mr. Daya Wahalatantiri had his early education at Holy Cross College, Kalutara and Royal College, Colombo. He is a Graduate in Chemistry (Special) from the University of Ceylon, Peradeniya. In 1990, he obtained his Masters in Business Administration from the University of Sri Jayewardenepura. Having gained sufficient exposure in marketing of industrial products to institutional customers, he joined ACL Cables PLC as its first Marketing Manager in 1982. In 1999, with the acquisition of Kelani Cables PLC, he was promoted as the Group Marketing Manager. He was appointed to the Board of Directors of ACL Cables PLC in November 2005.

Mr. Rajiv Casie Chitty

Director

Mr. Rajiv Casie Chitty is a fellow of the Association of Chartered Certified Accountants (ACCA), UK and a 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 as a Director of ACL Cables PLC in November 2005. He is the Chief Operating Officer of Commercial Credit & Finance PLC and Non-Executive Independent Director of Tangerine Beach Hotels PLC, Royal Palms Beach Hotels PLC, Ceylon Printers PLC and Office Equipment PLC. He is a former President of the ACCA Sri Lanka panel. He has over 20 years of experience in Senior Managerial positions in the private sector.

Dr Sivakumar Selliah

Director

Dr Selliah holds an MBBS Degree and a Master's Degree (M.Phill), and has over two decades of experience in diverse fields, which include manufacturing, healthcare, plantations, packaging, insurance, retail and logistics.

Dr. Selliah is currently the Deputy Chairman of Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Central Hospitals Private Ltd. He is a Director of Lanka Tiles PLC, HNB Assurance PLC, Softlogic Holdings PLC, ODEL PLC, Lanka Walltiles PLC, Lanka Ceramic PLC, Horana Plantation PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium Pvt Ltd. Dr. Selliah is also the Chairman of JAT Holdings Pvt Ltd , Vydexa (Lanka) Power Corporation Pvt Ltd and Cleanco Lanka Pvt Ltd.

Dr.Selliah also serves on the Audit Committee, Investment committee, Strategic planning committee, Related party transaction committee and Remuneration committee which are sub committees of the board, of some of the companies listed above.

Left to Right

Champika Coomasaru - *Group Financial Controller,* Rohitha Amarasekara - *General Manager Operation*
Sumudu Thanthirigoda - *General Manager Marketing,* Lakshman Bandaranayake - *Deputy General Manager Marketing*
Mrs.Senila Rupasingha - *Import/Export Manager,* Manohara De Zoysa - *Group Logistic Manager*
Mrs. Helen De Fonseka - *Systems Manager*

Management **Team**

Left to Right

Padmana Wijesundara - *Quality Assurance Manager,*

R Nandakumara - *Engineering Manager/Mechanical,* A G U K Abeynayake - *Electrical Engineer*

Indunil Perera - *Security Manager,* S M Welihinda - *Plant Manager Copper Cable Factory,*

Mrs.Kanchana Gunasekara - *Credit Control Manager*

Products **Portfolio**

ACL cables comply with most local and international test certificates including ISO 9002, ISO 9001-2000 & ISO 14001 environmental management system certificate.

CABLES

ACL Cables evolved as the No. 1 cable in Sri Lanka since inception in 1962. During its 55 year operation the company has groomed to become a specialized manufacturer and supplier of an extensive range of cables and conductors with superior quality and standard unmatched by any other in the island. Excelling itself through advanced technology,quality control and continues research and development ACL Cables produces a range over 250 cables across 20 categories. ACL continued to expand its sector through innovation and dominate the market with the introduction of new products and many industry firsts. ACL cables comply with most local and international test certificates including ISO 9002, ISO 9001-2000 & ISO 14001 environmental management system certificate.

House Wiring Cables

Earth Cables

Telecommunication Cables

Fire Resistance Circuit Integrity Power Cables.(LSHF-CI)

33KV Covered Conductors

Flexible Cables

Auto Cables

Low Voltage – Aerial Bundled Cables

Fire Retardant Power Cables

ACSR & AAAC Conductors

All Aluminum Conductors

Customized Cu Power Cables

Multi Core Al Power Cables with Cu Wire Screen

Unarmored Control Cables

Three Phase Cu Concentric Cable

Products
Portfolio


Single Core Unarmored Cu Power Cables


Multi Core Unarmored Al Power Cables


Multi Core Armored Cu Power Cables


Single Core Armored Cu Power Cable


Unsheathed Cu Power Cables


Armored Control Cables


Single Phase Al Concentric Cable


ACL SAX AMO 33kV Covered Conductor

ELECTRIC

Commencing its operation in 2014 ACL Electric was formed in marketing high quality electrical switches, sockets, breakers and accessories. This complied with the company objective to move ACL Cables PLC in a bid to strengthen its value chain and to become a comprehensive one-stop shop for electrical requirements.

One Gang One Way Switch

Two Gang One Way Switch

Three Gang One Way Switch

Four Gang One Way Switch

Five Gang One Way Switch

5A Switched Socket

5A Switched Socket with Neon

13A Switched Socket

13A Switched Socket with Neon

Products
Portfolio


15A Switched Socket


15A Switched Socket with Neon


Blank Plate


Bell Press (20A, AC 250V)


Telephone Socket (4Wire, RJ11)


TV Outlet (750hm, co-axial)


Light Dimmer (500W)


Double Pole (20A, AC 250V)


Data Socket

Ceiling Rose

Lamp Holder

5A Plug Top

13A Plug Top

15A Plug Top

Led Indicating Light Blue MCB Single Pole

Led Indicating Light Green MCB Single Pole

Led Indicating Light Red MCB Single Pole

Led Indicating Light Yellow MCB Single Pole

Products **Portfolio**


Main Switch (Isolator) Double Pole

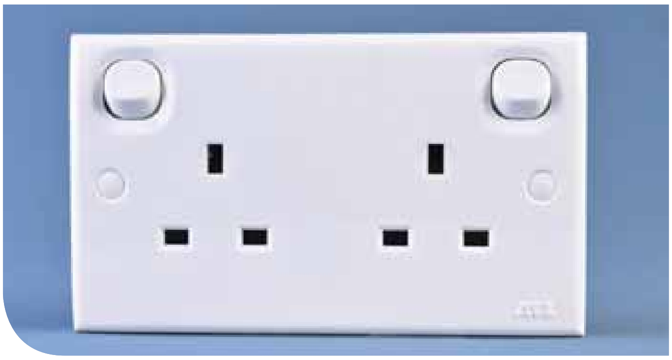

Trip Switch (RCD) Double Pole


Circuit Breaker (MCB) Single Pole


Bell For MCB


USB Charger 5V 2.5A


Universal Socket


13A Twin Socket

CEILING FAN

ACL Ceiling fans were introduced to local market with superior quality and a product with value for money. Complying with international criterions ACL ceiling fans are manufactured under ISO certification. The product comes in two models as Metal blade and Aluminum blade fans. Designed with broader width of blades ACL Ceiling fans ensure higher air delivery than most other fans in market. The aluminum blade ceiling fan is designed especially to cater the need of anti-corrosion. Both ranges possess a two year one-to- one replacement warranty on motor defects.

Aluminium Blade Fan

Metal Blade Fan

Fan Speed Controller

5 Step Fan Controller

Corporate Social Responsibility **at ACL Cables**

As a result ACL Cables PLC invested to become the largest shareholder of a major hydro power company in Sri Lanka, Resus Energy PLC, contributing ourselves to become a 'Green Company'.

We, as the No. 1 cable in Sri Lanka are committed to being a responsible company and making a positive contribution to society and the environment. This helps us inspire trust in our brand, develop strong relationships with our stakeholders, and create long-term value for society and our business. Like everything else we do, CSR at ACL Cables PLC is founded on ethical business practices and effective governance. We strive to work with our clients, suppliers and stakeholders to manufacture and operate responsibly; create an engaging workplace for our employees; and develop technologies to manufacture products with superior standards that create positive social, environmental, and business impacts.

Of course there are challenges to thrive as a socially responsible corporate entity, and we work diligently to address these challenges. By doing so, we believe that ACL Cables will become a stronger, even more responsible and resilient business. We regularly talk with our stakeholders to help us understand their views on the most important social and environmental issues appealing for them, in the building material and electrical wiring sector, and for our business.

ACL Cables currently promotes CSR initiatives in line with its CSR agenda, which sets 03 key areas of focus:

I. Environmental Responsibility
II. Employee Responsibility
III. Community Engagement

Environmental Responsibility

Undoubtedly ACL Cables provides a valuable product, which is part and parcel of people's overall life that helps them to engage in day-to-day activities with maximum protection and safety. While we acknowledge that the creation and consumption in some of our cables do have consequences at times on the environment and communities, we are looking at behaviors and technologies we can adopt and invest in to reduce our negative impact. Thereby in return we help to make our environment a better place to live for every one of us.

As a result ACL Cables PLC invested to become the largest shareholder of a major hydro power company in Sri Lanka, Resus Energy PLC, contributing ourselves to become a 'Green Company'. Further the most significant being the disbursement of the scrap stocks at ACL Plastics Factory. The plastic scrap was not used for cables and instead was given for recycling. This same principle is applied to every industrial by-product and we make sure that we do not contaminate our environment with our industrial produce.

With the increasing threat of dengue and breeding of mosquitos, ACL Cables has taken key action to maintain a pleasant and clean

Scrap Recycling

An employee working at factory

environment to exterminate breeding grounds for mosquitos. We have incorporated such action item in our ISO standards manual, to maintain the plant and equipment as per nationally and globally approved environmental safety levels.

Employee Responsibility

This finds out how we offer engaging development opportunities, recognize achievements, and foster an inclusive and healthy workplace to help employees achieve their full potential. Life at ACL, for an employee is as joining a family. Our values underpin the company culture and support a great employee experience. Employee responsibility at ACL Cables aligns on four key pillars.

- **A Safe and Healthy Work Environment:** We invest in our employees' health and well-being, with ethical work practices, and provide a safe workplace. One such key highlight is the insurance cover offered to all 665 employees at ACL Cables, considering the work tasks they undergo especially at our factories. Also we do practice a nondiscrimination policy for our workers, believing that the employees should conduct in moral standards.

- **Working Together:** We promote a culture of togetherness, transparent communication, seek ongoing input from our employees and provide extensive opportunities to collaborate and innovate. The major employee intimacy activity is the annual trip,

ACL Head Office trip to Amaya Beach Pasikuda

Corporate Social Responsibility **at ACL Cables**

Wayo concert at Nelum Pokuna Theatre

which even invite and gather the families of our employees as well. The factory trip becomes a parade of over 23 large buses containing 905 participants. The head office employees were taken on a two day trip inclusive of their families to Amaya Beach Pasikuda and the employees at factory were taken to Trincomalee in an opportunity to worship the sacred temple of Somavathiya.

Further the annual Avurudu Festival was organized as a cultural event gathering to create informal bond amongst employees of all tiers.

Similarly during end March 2017, we organized a fun filled day with a six-a-side cricket tournament for employees at head office. The tournament was organized with the initiation of Mr. Percy Abeysekera, the one man cheer squad for Sri Lankan National Cricket team and who is as well an employee of ACL since inception.

The company also organized a mega musical show during month of August, as an act of entertainment and raise funds for its member well-being. The concert was performed by "WAYO" musical group, led by veteran artist Sangeeth Wijesooriya. It was performed at Nelum Pokuna theater as a public show, inclusive of the participation of employees at ACL.

- **Providing Training and Development Opportunities:** We offer training, mentoring, and development programs and encourage our employees as means of skills development and career progression with ACL. All employees will be trained on our values as which are to be ethical, apolitical and law abiding, whereas new employees will be trained through special induction and familiarization on each business unit within ACL Cables in order to gain a thorough 360 degree knowledge enhancement on work practices.

- **Rewarding Our People:** ACL Cables extended its rewards for the

New year festival

Head Office cricket match

education of our employees' children through special scholarship programs. Students who got through with better scholarship results were rewarded under this scheme.

The ACL group believes in promoting good management of resources and rise in economic prosperity through smart economic living. This philosophy is communicated to the employees of ACL by its daily affairs. The human resource is empowered with morals, practices and knowledge so that their personal lives will be as good as their professional lives.

Community engagement

We use our expertise, technology, and resources to make a positive contribution to society and get them connected with us for a long standing relationship. We work with others to build thriving communities, improve people's lives, and support the long-term success of our business.

As the No.1 Cable in Sri Lanka ACL Cables PLC has for many decades been conscious in maintaining consistent quality in our products supplied to local and international markets. Locally, rural electrification projects demand high cable quantities and it is a great challenge to provide that demand in a short span of time maintaining our quality to international standards. Yet we satisfied the quality standards expected by all projects and supplied the cables requirement through an efficient in-house management system.

We also encourage our employees to share their expertise and support their communities through volunteering and knowledge sharing sessions. In FY 16/17, ACL Cables employees volunteered over 150 hours with their intellectual know-how and information sharing amongst electricians and students registered with vocational training authority (VTA). These are hours of personal visits to locations around the island. All sessions are conducted in collaboration with an in-house dedicated unit named **"Powerpack" - Electrician Club** and the sales force of ACL Cables.

Electrician Seminar

Corporate Social Responsibility **at ACL Cables**

Blood donation

Furthermore we provide an insurance cover of Rs. 1 million each for all electricians registered under ACL Cables as a measure of protection for them during their work. During the F/Y 16/17 ACL Cables has provided over Rs. 145,715 insurance claims through the electrician club for electricians on injuries occurred whilst engaged in their jobs. Thereby ACL Cables practices to be a company concerned on the health and well-being of the community we are engaged with.

As a measurement to care the well-being of electricians we organized an eye clinic exclusively for them with free eye testing and eyeglasses provided on concessionary prices. The eye clinic was conducted by professional eye specialist at premises of ACL Cables head office.

As we work with all above communities our main focus is to seek to:

- Improve access to educate on electrical wiring and equip people with the knowledge and skills to become economically self-sufficient
- Build association as a partner in advancement and consultation
- Enhance society's ability to meet a critical human need of power generation and safe power distribution

Apart from the management the ACL welfare Society also takes part in organizing events for the benefit of the society such as the **Blood Donation Campaign:**

The ACL Cables PLC head office welfare society organized a blood donation campaign in collaboration with the Sri Lanka Blood Bank of the Colombo General Hospital in May 2016. Majority of the participants were employees of ACL Cables Group which consists of more than 1000 workers. Staff of the Head Office and staff from factories located in Ja-Ela, Piliyandala, Kelaniya, Ekala, Horana and Rathmalana participated in this event. Commenting on the event, the Blood Bank of Colombo General Hospital stated that the event was a well-organized activity and of immense success, which contributed to a precious social need.

Eye clinic

Awards & **Certifications**

Crystal Award 2009

Award for the Winner of the Gold Awards over three Consecutive Years by the Ceylon National Chamber of Industries.

Asia Pacific Quality Award 2008

Won the highest award, beating participants from 46 countries, and ACL recognized as a world-class Company.

National Productivity Awards

1st Place 2007 organised by the National Productivity Secretariat.

National Quality Award Winner 2007

Global Commerce Excellence Awards 2014

in association with Central Bank of Sri Lanka

B2B Brand of the year at SLIM Brand Excellence 2015

Certification	Description
ISO 9001 : 2008	Quality Management System
ISO 14001 : 2004	Environment Management System
SLS 733	"ACL" Brand PVC Insulated And PVC Sheathed Cables
SLS 1504 -2-11	"ACL" Brand Flexible Cables With Thermoplastic PVC Insulation
SLS 1504 -2-31	"ACL" Brand Single Core Non-sheathed Cables With Thermoplastic PVC Insulation
SLS 1186	"ACL" Brand Armored Electric Cables having Thermosetting XLPE insulation
SLS 750-1	"ACL" Brand All Aluminum Stranded Conductors
Credit Rating [A+]	Obtained the issuer Rating of [SL] A+ (Stable) from ICRA Lanka Limited.

Group **Structure**

Description / Company	ACL Cables PLC	Kelani Cables PLC	ACL Plastics PLC	Ceylon Bulbs & Electricals Ltd	Lanka Olex Cables (Pvt) Ltd
Registration Number	PQ 102	PQ 117	PQ 87	PB 1283	PV 20493
Date of Incorporation	10.03.1962	18.12.1972	17.07.1991	16.10.1957	22.02.1993
Corporate Status	Public Limited Company	Public Limited Company	Public Limited Company	Limited Company	Private Limited Company
ACL Cables PLC's Effective Shareholding in the Company	Parent Company	79.30%	65.20%	95.30%	100%
Directors	U. G. Madanayake - Chairman	U. G. Madanayake - Chairman	U.G.Madanayake - Chairman	U.G.Madanayake - Director	U.G.Madanayake - Chairman
	Suren Madanayake - Managing Director	Suren Madanayake - Deputy Chairman	Suren Madanayake - Managing Director	Suren Madanayake - Director	Suren Madanayake - Managing Director
	Mrs. N. C. Madanayake - Director	Mrs. N. C. Madanayake - Director	Mrs. N. C. Madanayake - Director	Mrs. N. C. Madanayake - Director	Mrs. N. C. Madanayake - Director
	Ajit Jayaratne - Director	Dr. C. T. S. B. Perera - Director	Das Miriyagalle - Director		
	Hemaka Amarasuriya - Director	Dr. L. J. R. Cabral - Director	Dr. Kamal Weerapperuma - Director		
	Daya Wahalatantiri - Director	Mr. M. Saranapala - Director			
	Rajiv Casie Chitty - Director				
	Dr Sivakumar Selliah - Director				
Principal Activity	Manufacturing and Selling of Power Cables & Conductors, Armored Cables, Aerial Bundled Cables, Control Cables, Telephone Cables & Auto Cables	Manufacturing and selling of Power Cables, Telecommunication Cables & Enameled Winding Wires	Manufacturing Cable grade PVC Compound	Dormant	Investing Company
Auditors	PricewaterhouseCoopers Chartered Accountants	KPMG Chartered Accountants	PricewaterhouseCoopers Chartered Accountants	A. I. Macan Marker & Co. Chartered Accountants	PricewaterhouseCoopers Chartered Accountants
Secretaries	Corporate Affairs (Pvt) Ltd	Corporate Affairs (Pvt) Ltd	Corporate Affairs (Pvt) Ltd	Corporate Affairs (Pvt) Ltd	Corporate Affairs (Pvt) Ltd
Total Number of Employees as at 31st March 2017	665	520	46	None	None

ACL Kelani Magnet Wire (Pvt) Ltd	ACL Polymers (Pvt) Ltd	ACL Metals & Alloys (Pvt) Ltd	Ceylon Copper (Pvt) Ltd	ACL Electric (Pvt) Ltd	RESUS Energy PLC
PV 11996	PV 3371	PV 3811	PV 79466	PV 89241	PV 415 PB PQ
29.06.2000	06.09.2005	05.09.2005	17.06.2011	08.11.2012	11.06.2003
Private Limited Company	Private Limited Company	Private Limited Company	Private Limited Company	Private Limited Company	Public Limited Company
93.79%	65.20%	100%	100%	100%	31.71%
U. G. Madanayake - Director	U. G. Madanayake - Director	U. G. Madanayake - Director	U. G. Madanayake - Director	U. G. Madanayake - Director	Suren Madanayake - Chairman
Suren Madanayake - Director	Suren Madanayake - Director	Suren Madanayake - Director	Suren Madanayake - Director	Suren Madanayake - Director	Krishantha Nanayakkara - Director
Mrs. Maya Weerapura - Director					Vajira Kulatilaka - Director
					U. G. Madanayake - Director
					Isuru Somaratne - Director
					Professor M K Ranasinghe - Director
					U P Egalahewa PC - Director
					C.D. Coomasaru - Alternate Director
Manufacturing and export of Enameled Winding Wires	Manufacturing of PVC compounds	Manufacturing and Selling Aluminium rods, Alloys of Aluminium and Other Metals	Manufacturing of copper rods, bus bars, strips, profiles, catenary wires and tubes for local and export market	Manufacturing of electrical accessories	Power & energy Generation
PricewaterhouseCoopers Chartered Accountants	PricewaterhouseCoopers Chartered Accountants	PricewaterhouseCoopers Chartered Accountants	PricewaterhouseCoopers Chartered Accountants	PricewaterhouseCoopers Chartered Accountants	Ernst & Young Chartered Accountants
Corporate Affairs (Pvt) Ltd	Management Applications (Pvt) Ltd	Management Applications (Pvt) Ltd	Corporate Affairs (Pvt) Ltd	Corporate Affairs (Pvt) Ltd	Nexia Corporate Consultants (Pvt) Ltd
51	13	30	34	128	85

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 the two forms of risks, namely Financial and Business, is regularly reviewed to ensure the related risks are minimized where the complete elimination is not possible.

Also, we have categorized each risk exposure under high, moderate or low based on the level of the significance to the entity and mitigating actions are being taken accordingly.

Risk Exposure	Company Objectives	Company Initiatives
Financial Risk Management		
1. Liquidity & Cash Management Risk Rating – Moderate	• To maintain liquidity position.	• This is achieved by regular follow up of trade debts, planning production and utilization of short term borrowing facilities. • Company has sufficient assets to offer as collateral for future funding requirements. • Obtaining funding facilities to adequately manage liquidity position through several financial institutions.
2. Interest Rate Risk Risk Rating – High	• To minimize adverse effects of interest volatility.	• Negotiate with banks to obtain the best possible interest rate for Groups' borrowings and investments. • Negotiate and take supplier credit to mitigate the high cost and to avoid adverse fluctuations in local interest rates.
3. Currency Risk Risk Rating – High	• To minimise exposure to fluctuations in foreign currency rates of foreign currency receipts and payments.	• Use export proceeds to settle import payments wherever possible.
Business Risk Management		
1. Credit Risk Risk Rating – Moderate	• To minimise risk associated with debtors defaults.	• Export sales are done on letters of credit and advance TT remittances 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. • Disallowing credit sales for new customers initially. • Follow an assessment procedure to ensure credit worthiness of customers. • Company maintains a comprehensive policy to adequately review and provide for doubtful debts.
2. Asset Risk Risk Rating – Low	• To minimise losses caused by machine breakdown and damages from fire or theft.	• Obtain comprehensive insurance covers for plant and machinery. • Carry out planned preventive maintenance programs.

Risk Exposure	Company Objectives	Company Initiatives
3. Internal Controls Risk Rating – Low	• To maintain a sound system of internal controls to safeguard Company assets.	• Carry out continuous internal audits by an independent firm.
4. Human Resources Risk Rating – Low	• To reduce labor turnover. • To ensure smooth flow of operations without interruptions. • To ensure adaptability through training and adopting best practices.	• Maintain an employee evaluation scheme to reward them. • Maintain healthy and cordial relationship with employees at all levels through joint consultative committees. • Provide various employee benefits through the Welfare Society. • Provide specific and general training wherever necessary.
5. Technological and Quality Related Risk Risk Rating – Low	• To keep pace with current technological developments and quality standards to avoid obsolescence. • To minimise production of stocks that do not meet the standards.	• 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 is in place.
6. Inventory Management Risk Risk Rating – Low	• To reduce stock out situations. • To reduce the accumulation of slow moving stocks. • To minimise the losses on obsolete stocks. • To minimise risk of sub-standard material being received. • To minimise inventory days.	• Plan monthly production based on budgets and sales forecasts at 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 and ensure this until the product is delivered. • Stocks that are not up to standard are separated and disposed as scrap. • Continuous stock verification systems to identify non-moving stocks. • Regularly monitor inventory days. • Review periodically and provide adequately for slow moving stocks.
7. Risk of Competition Risk Rating – Moderate	• To avoid losses of market share from imported low quality products.	• Ensure prevailing quality standards are met. • Strengthen 'ACL' brand through various advertising and promotional campaigns. • Maintain product availability in various parts of the country.

Risk
Management

Risk Exposure	Company Objectives	Company Initiatives
8. Investment in Capital Risk Rating – Moderate	• To reduce the risk of loss in present and future investments.	• Investments in assets are properly planned and made on timely basis. • Reduce the idle assets as far as possible.
9. Information Systems Risk Rating – Low	• To minimise possible risks associated with data security, hardware, software and communication systems.	• Data backups are taken regularly and stored in external 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 Risk Rating – Low	• To minimise adverse impact of operations to the environment.	• Comply with the standards set by the relevant authorities and ensure compliance.
11. Legal and Regulatory Issues Risk Rating – Low	• 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.	• Comply with the requirements of statutory and regulatory bodies. • Obtain advice from the Employers' Federation of Ceylon when necessary.

Corporate **Governance**

ACL Cables PLC is committed to best practices in the area of Corporate Governance. Corporate Governance is an internal system encompassing policies, processes and people, which serve the needs of shareholders and other stakeholders. Good governance facilitates effective management and control of the business, while maintaining a high level of business ethics and optimizing the value for all stakeholders. Sound Corporate Governance is reliant on external marketplace commitment and legislation plus a healthy Board culture which safeguards policies and processes. 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 dilemma of principal-agent.

The Corporate Governance Report, together with the Audit Committee Report and the Directors Remuneration Report, provides a description of the manner and extent to which ACL Cables PLC complies with 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.

The Board of Directors

The Board is collectively responsible for the success of the Company. Its role is to provide entrepreneurial leadership to the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives, and reviews management performance. It also sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met. Specific responsibilities reserved to the Board include:

- To enhance shareholder value.
- 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.

The Board comprises of Eight Directors of whom five are Non-Executive Directors. The names and profiles of the Directors are given on pages 14 to 17 of this report. The Board recognizes the need for a clear division of responsibilities in running the Company business. Accordingly, the positions of Chairman and Managing Director have been separated.

The Board Balance

The composition of the Executive and Non-Executive Directors in the Board satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange. The Board consists of five Non-Executive Directors and four of them are Independent Non-Executive Directors. The Board has determined that the four independent Non-Executive Directors satisfy the criteria for "Independence" set out in the Listing Rules.

Directors' Attendance Record

The attendance of Directors at relevant meetings of the Board and of the Audit and Remuneration Committees held during 2016/2017 was as follows.

Name of Director	Board (11 Meetings)	Audit Committee (4 meetings)	Remuneration Committee (1 meeting)	Related party Transactions Review Committee (4 meetings)
Executive Directors				
Mr. U. G. Madanayake – Chairman	11			
Mr. Suren Madanayake – Managing Director	11			
Mr. Daya Wahalatantiri – Director Export	10			
Non-Executive Directors				
Mrs. N. C. Madanayake	10			
Independent Non-Executive Directors				
Mr. Ajit Jayaratne	10	04	01	04
Mr. Hemaka Amarasuriya	08			
Mr. Rajiv Casie Chitty	10	04	01	04
Dr. Sivakumar Selliah	11			

Corporate **Governance**

Dedication of Adequate Time and Effort

Every Director dedicates adequate time and effort to matters of the Board and the Company. Adequate time is devoted at every meeting to ensure that the Board's responsibilities are discharged satisfactorily.

In addition, the Executive Directors of the Board have regular meetings with the Management when required.

Training for the Directors

Every Director receives appropriate training on the first occasion that he or she is appointed to the Board of the Company and subsequently as necessary. The policy on Directors training is, to provide adequate opportunities for continuous development subject to requirements and relevance for each Director.

Re- Election of Directors

All Directors are required to submit themselves for re-election at regular intervals and at least every three years. According to the Articles of Association, Directors Mr. Hemaka Amarasuriya, Mr. Rajiv Casie Chitty and Mr. Daya Wahalatantiri retire by rotation and are required to stand for re-election by shareholders at the Annual General Meeting.

Availability of a Nomination Committee

A Nomination Committee should be established to make recommendations to the Board on all new Board appointments. 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.

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

Accountability and Audit

The Board presents a balanced and understandable assessment of the Company's position and prospectus.

The Quarterly and Annual Financial statements, prepared and presented in conformity with Sri Lanka Accounting Standards, comply with the requirements of the Companies Act No. 07 of 2007.

The Report of the Directors is provided on pages 49 to 51 of this report. The Statements of Directors' Responsibility for financial reporting and report of the Auditors are stated on pages 52 and 57 respectively. The Going Concern Declaration by the Board of Directors in this regard is presented in the report of Directors on page 49 of this Annual Report.

Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board's policy is to have systems in place which optimize the Group's ability to manage risk in an effective and appropriate manner. The Board has delegated to the Audit Committee responsibility for identifying, evaluating and monitoring the risks facing the Group and for deciding how these are to be managed. In addition to a quarterly internal audit carried out by an external professional body, members of the Audit Committee are expected to report to the Board as necessary the occurrence of any material control issues, serious accidents or events that have had a major commercial impact, or any significant new risks which have been identified.

A summary of those risks which could have a material impact on the performance of the Group is given within the Risk Management section in the Annual Report. The objective of the Group's risk management process is to ensure the sustainable development of ACL Cables PLC through the conduct of its business in a way which:

- Satisfies its customers,
- Develops environmentally friendly products,
- Provides a safe and healthy workplace,
- Protects against losses from unforeseen causes,
- Minimizes the cost and consumption of increasingly scarce resources,
- Prevents pollution and wastage,
- Maintains proper relationship with suppliers and contractors, and
- Maintains a positive relationship with the communities in which we do business.

The Group's systems and procedures are designed to identify, manage and where practicable, reduce and mitigate effects of the risk of failure to achieve business objectives. They are not designed to eliminate such risk, recognizing that any system can only provide reasonable and not absolute assurance against material misstatement or loss.

Remuneration Committee

The Remuneration Committee consists exclusively of Non-Executive Directors who are Independent of Management. The members of the Remuneration Committee are listed each year in the Board's remuneration report to the shareholders. The Remuneration Committee comprises of the following two Independent Non-Executive Directors.

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

Further details of the Remuneration Committee are given in their report on page 54.

Audit Committee

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, whichever is higher. One Non-Executive Director shall be appointed as Chairman of the committee by the Board of Directors.

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

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

Further details of the Audit Committee are given in their report on page 53.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee (RPTRC) shall comprise a combination of non-executive directors and independent non-executive directors. The composition of the Committee may also include executive directors, at the option of the Listed Entity. One independent non-executive director shall be appointed as Chairman of the Committee by the Board of Directors.

The Related Party Transactions Review Committee comprises of the following two Independent Non-Executive Directors.

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

Further details of the Related Party Transactions Review Committee are given in their report on page 55 & 56.

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics for the Directors and members of the senior management.

The table below indicates the manner and extent to which ACL Cables PLC complies with 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.

CSE Rule No.	Subject	Applicable requirement Status	Compliance	Applicable section in the Annual Report
7.10.1(a)	Non-Executive Directors (NED)	2 or 1/3 of the total number of Directors whichever is higher.	✓	Corporate Governance
7.10.2 (a)	Independent Directors (IDS)	2 or 1/3 of NEDs, whichever is higher, should be independent.	✓	Corporate Governance
7.10.2 (b)	Independent Declaration	Each NED should submit a declaration of independence.	✓	Corporate Governance

Corporate **Governance**

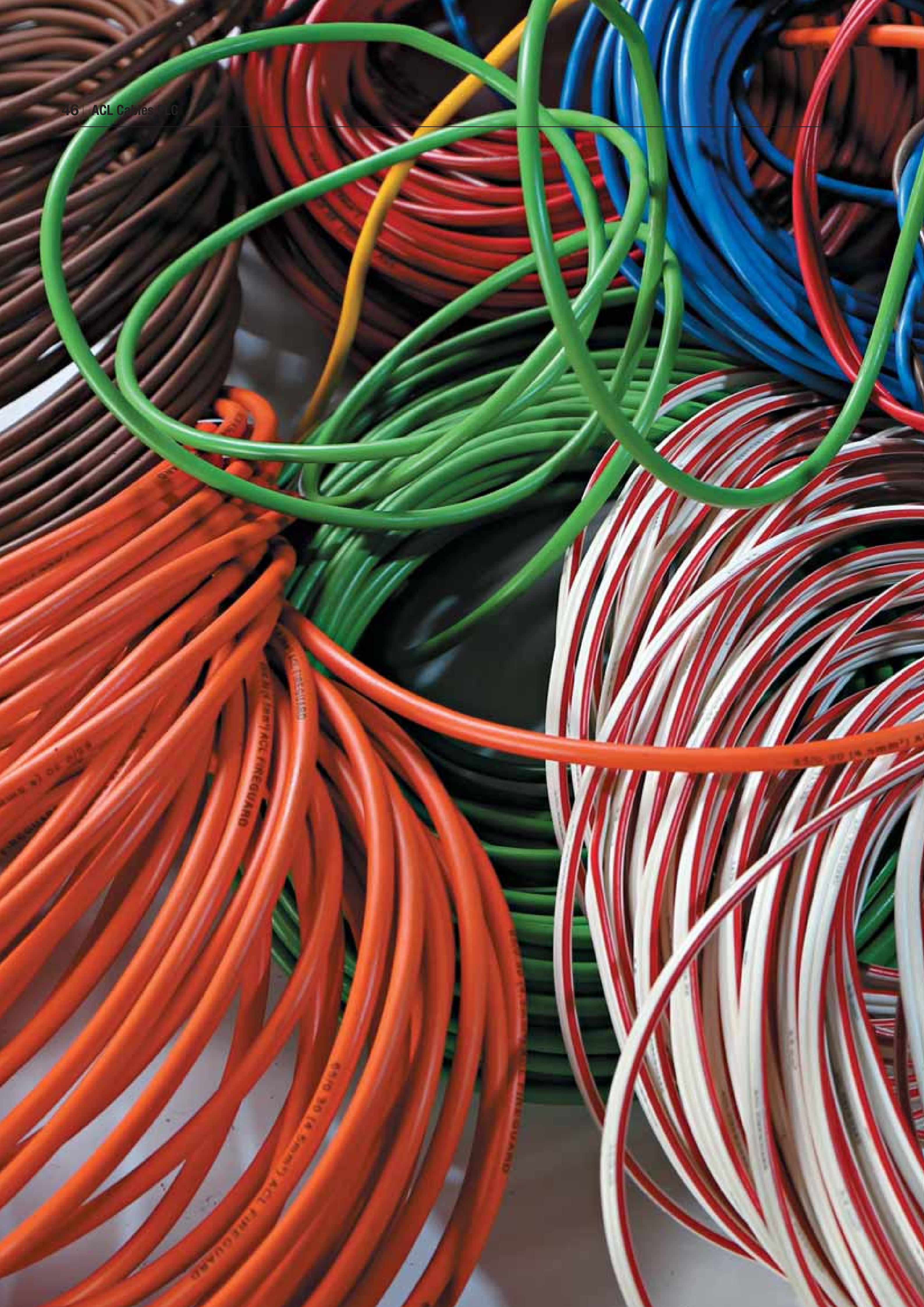
CSE Rule No.	Subject	Applicable requirement Status	Compliance	Applicable section in the Annual Report
7.10.3 (a)	Disclosures Relating to Directors	• The Board shall annually determine the independence or non-independence of each NED. • Names of IDs should be disclosed in the Annual Report (AR).	✓ ✓	Corporate Governance
7.10.3 (b)	Disclosures Relating to Directors	The basis for the Board's determination of independence, if criteria specified for independence is not met	✓	Corporate Governance
7.10.3 (c)	Disclosures Relating to Directors	A brief résumé of each Director should be included in the AR including the Director's areas of expertise.	✓	Board of Directors (profile) section in the Annual Report
7.10.3 (d)	Disclosures Relating to Directors	Provide a brief résumé of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE.	✓	Corporate Governance
7.10.4 (a-h)	Criteria for Defining "Independence"	Requirements for meeting criteria.	✓	Corporate Governance
7.10.5	Remuneration Committee (RC)	A listed company shall have a RC.	✓	Corporate Governance
7.10.5 (a)	Composition of Remuneration Committee (RC)	• RC shall comprise of a minimum of two INEDs, or of NEDs a majority of whom shall be independent, whichever shall be higher. • A NED shall be appointed as the Chairman of the Committee.	✓	Corporate Governance

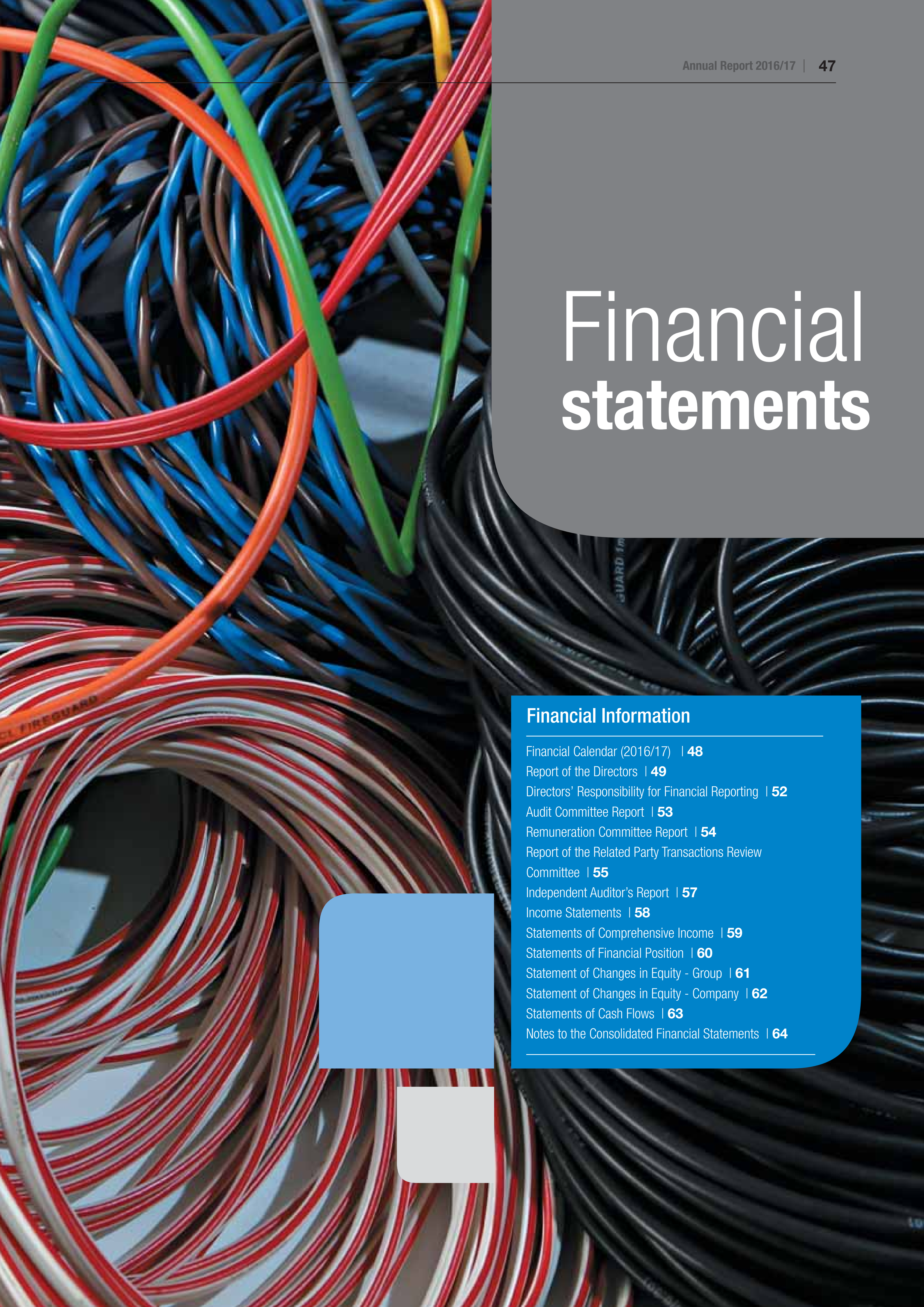
CSE Rule No.	Subject	Applicable requirement Status	Compliance	Applicable section in the Annual Report
7.10.5 (b)	Functions of Remuneration Committee (RC)	The RC shall recommend the remuneration of executive directors and CEO.	✓	Corporate Governance
7.10.5 (c)	Disclosure in the Annual Report Relating to Remuneration Committee (RC)	• Names of Directors comprising the RC. • Statement of Remuneration Policy • Aggregated remuneration paid to EDs and NEDs.	✓ ✓ ✓	Corporate Governance and Remuneration Committee Report
7.10.6	Audit Committee (AC)	The Company shall have an AC.	✓	Corporate Governance
7.10.6 (a)	Composition of Audit Committee (AC)	• AC shall comprise a minimum of two INEDs, or of NEDs a majority of whom shall be independent, whichever shall be higher. • A NED shall be appointed as the Chairman of the Committee. • MD and Chief Financial Officer shall attend AC meetings. • The Chairman of the AC or one member should be a member of a recognized professional accounting body.	✓ ✓	Corporate Governance and the Audit Committee Report

Corporate **Governance**

CSE Rule No.	Subject	Applicable requirement Status	Compliance	Applicable section in the Annual Report
7.10.6(b)	Functions of Audit Committee (AC)	Overseeing of the –		Corporate Governance and the Audit Committee Report
		• Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards.	✓	
		• Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	✓	
		• Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.	✓	
		• Assessment of the independence and performance of the external auditors.	✓	
		• Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditor.	✓	
7.10.6 (c)	Disclosure in Annual Report Relating to Audit Committee (AC)	• Names of Directors comprising the AC.	✓	Audit Committee Report
		• The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination.	✓	
		• The AR shall contain a Report of the AC setting out the manner of compliance with their functions.	✓	

CSE Rule No.	Subject	Applicable requirement Status	Compliance	Applicable section in the Annual Report
9	Related Party Transactions Review Committee (RPTRC)	The Company shall have a RPTRC.	✓	Corporate Governance
9.2.1	Functions of Related Party Transactions Review Committee (RPTRC)	• Except for transactions set out in Rule 9.5, all other Related Party Transactions should be reviewed by the "Related Party Transactions Review Committee" (the Committee) as required in terms of the provisions set out in Appendix 9A of these Rules, either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.	✓	Corporate Governance and the Related Party Transactions Review Committee Report
9.2.2	Composition of Related Party Transactions Review Committee (RPTRC)	• The Committee should comprise a combination of non-executive directors and independent non-executive directors. The composition of the Committee may also include executive directors, at the option of the Listed Entity. One independent non-executive director shall be appointed as Chairman of the Committee.	✓	Corporate Governance and the Related Party Transactions Review Committee Report


ACL FIREGUARD



Financial **statements**

Financial Information

Financial **Calendar (2016/17)**

01st Quarter Interim Financial Statements	-	05th August 2016
(30th June 2016)	-	(Unaudited)
02nd Quarter Interim Financial Statements	-	15th November 2016
(30th September 2016)	-	(Unaudited)
03rd Quarter Interim Financial Statements	-	14th February 2017
(31st December 2016)	-	(Unaudited)
04th Quarter Interim Financial Statements	-	26th May 2017
(31st March 2017)	-	(Unaudited)
Annual Report 2016/17	-	10th July 2017
55th Annual General Meeting	-	10th August 2017
First Interim Dividends Paid (Rs. 1.50 per Share)	-	15th August 2016

Report of **the Directors**

The Directors have pleasure in presenting their 55th Annual Report together with the Audited Statements of Financial Position, Income Statements and Consolidated Financial Statements of the Group for the year ended 31 March 2017.

Review of the Year

The Chairman's Message 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 34 to 35.

Future Developments

An overview of the future developments of the Company is given in Managing Director's Review on page 10.

Independent Auditor's Report

The Independent Auditors' Report on the Financial Statements is given on page 57 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 58 to 117 in this Annual Report.

Directors' Responsibilities for Financial Statements

The Statement of the Directors' Responsibilities for Financial Statements is given on page 52.

Directors

Directors of the Company are listed on pages 14 to 17 and their respective shareholdings are given below.

	Number of Shares as at 31.03.2017	% Holding as at 31.03.2017	Number of Shares as at 31.03.2016	% Holding as at 31.03.2016
U. G. Madanayake - Chairman	45,694,432	38.15	22,837,216	38.15
Suren Madanayake - Managing Director	26,604,792	22.21	13,302,396	22.21
Mrs. N. C. Madanayake	2,064,200	1.72	1,032,100	1.72
Dr. Sivakumar Selliah	700,000	0.58	350,000	0.58
A. M. S. De S. Jayaratne	-	-	-	-
Hemaka Amarasuriya	-	-	-	-
D. D. Wahalatantiri	-	-	-	-
P. S. R. Casie Chitty	-	-	-	-

Accounting policies and changes during the year

The Company and the Group prepared the financial statements in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS). The significant accounting policies adopted in the preparation of the financial statements of the Company and the Group are given in pages 64 to 82.

The accounting policies adopted by the Group are consistent with those adopted in the previous financial year.

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 as at 31 March 2017 was LKR 299 million and was unchanged during the year.

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 those disclosed in Note 39 to the Financial Statements.

Statutory Payments

All known statutory payments have been made or provided for by the Company.

Report of **the Directors**

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 38 to the Financial Statements and no Director of the Company is directly or indirectly interested in any other contracts with the Company.

Directors' Retirement by Rotation

The Directors retiring by rotation in terms of Article 85 will be Mr. Hemaka Amarasuriya, Mr. Rajiv Casie Chitty and Mr. Daya Wahalatantiri, who being eligible are recommended for re-election.

Directors' Remuneration

Remuneration received by the Directors is set out in Note 38 to the Financial Statements.

Directors Meetings

The details of Directors' meetings are set out on pages 39 to 45 under the Corporate Governance section of the Annual Report.

Dividends

Having satisfied the compliance of the solvency test required by the Companies Act No. 07 of 2007, an interim dividend of LKR 1.50 per share was paid on 15 August 2016 to the holders of the Ordinary Shares for the financial year 2016/2017.

Capital Expenditure

The capital expenditure on acquisition of property, plant and equipment of the Company and the Group amounted to LKR 21 million and LKR 116 million respectively, details of which are given in notes 12, 13 and 15 to the Financial Statements.

Property, Plant and Equipment

Details of property, plant and equipment are given in note 12(a) and note 12(b) to the Financial Statements. The Freehold properties (land and buildings) of the Group have been revalued based on independent professional valuations and written-up in the books of account to conform to market value of such properties. Further, details of such revaluations are given in Note 12 (c) and (d) to the financial statements.

Donations

Donations amounting to LKR 4 million (Group amount) were made during the year under review.

Share Information

Information relating to earnings, dividend, net assets and market price per share is given in the Information to Shareholders on page 119 of the Annual Report.

Shareholdings

As at 31 March 2017 there were 2,455 shareholders. The distribution is indicated on page 119 of the Annual Report. The twenty largest shareholders of the Company as at 31 March 2017, together with an analysis are given on page 120 of the Annual Report.

Related Party Transactions

The Directors have also disclosed the transactions if any, that could be classified as related party transactions in terms of Sri Lanka Accounting Standard-LKAS 24 "Related Party Disclosures" which is adopted in the preparation of the Financial Statements. These disclosures also comply with the disclosure requirements of the section 9 of the listing rules. Those transactions disclosed by the Directors are given in Note 38 to the Financial Statements forming part of the Annual Report of the Board.

Related Party Transactions Review Committee report is set out on pages 55 to 56 in the Financial Statements.

Recurrent related party transactions, the aggregate value of which exceeds 10% of the consolidated revenue are tabled below,

Name of the related party	Relationship	Nature of the Transaction	Aggregate value of Related Party Transactions as a % of Net Group Revenue	Terms and Conditions of the Related Party Transactions
Ceylon Copper (Private) Limited	Subsidiary	Purchase of goods	12%	ordinary course of business

A detailed disclosure of related party transactions is given in Note 38 to the financial statements.

There were no non-recurrent related party transactions which exceed 10% of the equity or 5% of the total assets as per section 9 of the listing rules, during the year.

Environmental Protection

The Company has used its best endeavors to comply with the relevant environmental laws and regulations. The Company has not engaged in any activity that is harmful or hazardous to the environment.

Corporate Governance

In the management of the Company, the Directors have placed emphasis in conforming to the best corporate governance practices and procedures. Accordingly, systems and structures have been introduced / improved from time to time to enhance risk management measures and to improve accountability and transparency. A separate report on corporate governance is given on pages 39 to 45 of the Annual Report.

Compliance with Laws and Regulations

The Company has at all times ensured that it complied with the applicable laws and regulations including the listing rules of the Colombo Stock Exchange as a listed Company.

Appointment of Auditors

The Company's auditors during the period under review were Messrs. PricewaterhouseCoopers, Chartered Accountants, who also were the auditors of certain subsidiaries of the Company.

Audit fees payable to Messrs. PricewaterhouseCoopers, by the Company and the Group amounted to LKR 0.8 million and LKR 2.2million respectively. Audit fees payable to other auditors of other subsidiaries by the Group amounted to LKR 0.8 million.

Notice of Meeting

The 55th Annual General Meeting of the Company is convened on 10th August 2017, at 9.30 am, at the Auditorium of ACL Cables PLC, No.60, Rodney Street, Colombo – 08. The Notice of the 55th Annual General Meeting is on page 126 of the Annual Report.

By Order of the Board

(Sgd.)
Corporate Affairs (Private) Limited
Secretaries

10 July 2017

Directors' Responsibility **for Financial Reporting**

The Companies Act No.7 of 2007 requires the Directors of the Company to be responsible for the preparation and presentation of the financial statements and other statutory reports.

The Board accepts responsibility for the preparation and fair presentation of Financial Statements in accordance with the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange. 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 circumstances.

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 provides reasonable and not absolute assurance of safeguarding of the Company's assets, maintenance of proper accounting records and the reliability of financial information.

The financial statements presented in the Annual Report for the year ended 31st March 2017, have been prepared based on the new Sri Lanka Accounting Standards (SLFRSs/LKASs) which came into effect for the financial periods commencing after 1st January 2012. The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the financial statements.

The Board of Directors confirm that the Company's and the Group's Consolidated Statements of Financial Position as at 31st March 2017 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2017 reflect a true and fair view of the Company and the Group respectively.

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 10th July 2017.

By Order of the Board

(Sgd.)
Corporate Affairs (Private) Limited
Secretaries

10 July 2017

Audit **Committee Report**

The Audit Committee consists of the following two Independent Non-Executive Directors, biographical details of whom are set out within the 'Profiles of the Directors' section.

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

The above members have significant recent and relevant financial experience as required by 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.

Role

The primary role of the Audit Committee, which reports its findings to the Board of Directors, is to ensure the integrity of the financial reporting and audit processes and the maintenance of sound internal controls and risk management systems. The Committee's responsibilities include monitoring and reviewing the following:

- The integrity of the Group's financial statements and the significant reporting judgments contained in them.
- The activities and effectiveness of the internal audit function.
- The effectiveness of the Group's internal control and risk management systems.
- The appropriateness of the Group's relationship with the external auditors, including auditor independence, fees and provision of non-audit services.
- The effectiveness of the external audit process and making recommendations to the Board of Directors on the appointment of the external auditors.

In the performance of its duties, the Committee has independent access to the services of Internal Audit and to the External Auditors, and may obtain outside professional advice as necessary. Comprehensive briefing papers are circulated to Committee members in advance of each meeting and made available to other Directors.

Meetings and Attendance

The Committee met on four occasions in 2016/2017 timed to coincide with the financial and reporting cycles of the Company. Members' attendance at these meetings is set out in the Corporate Governance Report. The Chairman, Managing Director and Group Financial Controller are invited to attend meetings whenever required.

Financial Reporting

The Audit Committee considered a wide range of financial reporting and related matters in respect of the 2016/2017 published Financial Statements. For quarterly statements, the Committee reviewed any significant areas of judgment that materially impacted reported results, key points of disclosure and presentation to ensure adequacy, clarity and completeness of the Interim Financial Statements.

External Auditors

The Audit Committee is responsible for the development, implementation and monitoring of the Company's policies on external audit. The policies, designed to maintain the objectivity and independence of the external auditors, regulate the appointment of former employees of the external audit firm to positions in the Group and set out the approach to be taken when using the external auditors for non-audit work.

As a general principle, the external auditors are excluded from consultancy work and cannot be engaged by ACL Cables PLC for other non-audit work unless there are compelling reasons to do so. Any proposal to use the external auditors for non-audit work must be submitted to the Managing Director, via the Group Financial Controller, for approval prior to appointment.

The Audit Committee, having evaluated the performance of the external auditors, decided to recommend to the Board of ACL Cables PLC, the re-appointment of Messrs. PricewaterhouseCoopers as auditors of the Company, subject to the approval of the Shareholders at the Annual General Meeting. Details of the fees payable to external auditors for 2016/2017 can be found in Note 6 to the financial statements.

Internal Control System

In 2016/2017 the Committee reviewed the results of the audits undertaken by Internal Auditors, Messrs. Ernst & Young Advisory Services (Pvt) Ltd., and considered the adequacy of management's response to the matters raised, including the implementation of any recommendations made.

On behalf of the Committee

(Sgd.)
Ajit Jayaratne
Chairman of the Audit Committee

10 July 2017

Remuneration **Committee Report**

The Remuneration Committee comprises of the two Independent Non-Executive Directors, namely

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

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 once in the last financial year.

Role

The Remuneration Committee formulates the Group's policy for the remuneration of the Executive Directors of ACL Cables PLC. It reviews the policy annually and recommends any changes to the Board for formal approval.

The Remuneration Committee determines the Company's Remuneration Policy of Executive Directors, with regard to performance standard and existing industry practice. No Executive Director is involved in deciding his own remuneration package.

Activities

The Committee considered a range of issues including,

- A review of the Director's remuneration and severance policies
- Determining the fees of directors and
- A formal evaluation of its own performance.

Members' attendance at meetings of the Remuneration Committee in 2016/2017 is set out in the table in the Corporate Governance Report.

Executive Directors

ACL's remuneration policy for executive directors is designed to attract, retain and motivate them to ensure that the Group is managed successfully to the benefit of shareholders. To achieve this, a competitive package of incentives and rewards linked to performance is provided.

In setting remuneration levels, the Committee takes into consideration the remuneration practices found in other leading companies and also ensures that the remuneration arrangements for executive directors are compatible with those for executives throughout the Group.

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

On behalf of the Committee

(Sgd.)
Ajit Jayaratne
Chairman of the Remuneration Committee

10 July 2017

Report of the **Related Party Transactions Review Committee**

Composition of the Committee

The Company established the Related Party Transactions Review Committee (RPTRC) on 29th February 2016 as a Board Sub-Committee. RPTRC comprises the following;

- Ajit Jayaratne
  (Independent Non-Executive Director)
  Chairman
- Rajiv Casie Chitty
  (Independent Non-Executive Director)

Objective

The Related Party Transactions Review Committee was formed to ensure that the Company complies with the requirements of the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka with effect from 1st January 2016 which is part of the CSE Listing Rules.

The objective of these related party transaction rules is to ensure that the interests of shareholders as a whole are taken into account when entering into related party transactions by the Company.

The Committee specifies a process to capture related party transactions and to report to the Board of Directors of ACL Cables PLC as per the Code of Best Practices on Related Party Transactions.

Scope of the Committee

- The Committee reviews in advance all proposed related party transactions to ensure they are carried out on an arm's length basis.

- At each subsequent scheduled meeting of the Committee, the management shall update the Committee as to any proposed material changes in any previously reviewed related party transactions and seek approval of the Committee for such proposed material changes prior to the completion of the transaction.

- The Committee reviews related party transactions based on rules stipulated in the Code (rules 28 – 33 in the appendix to the Code) and the need of special approval from shareholders and disclosure requirements for such transactions.

- The Committee intends to meet as and when a need arises. However, at least quarterly meetings are scheduled to review related party transactions of the Company. The minutes of all meetings are properly documented and communicated to the Board of Directors.

- The Company Secretary, Corporate Affairs (Pvt) Limited serves as the Secretary to the RPTRC.

- The Directors of the RPTRC ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed related party transactions, and where necessary, they shall obtain appropriate professional and expert advice from an appropriately qualified person.

Role of the Committee

- Recommend and develop terms of reference of the RPTRC for adoption by the Board of Directors of the Company.

- Review of related party transactions as required in terms of the provisions set out in Appendix 9A of CSE Rules, either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

- The Committee shall update the Board of Directors on the related party transactions of the Company on a quarterly basis.

- Where necessary, the Committee shall request the Board of Directors to approve the subject related party transactions. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant related party transaction.

- If a Director has a material personal interest in a matter being considered at a Directors' meeting to approve a related party transaction, such Director may not be present while the matter is being considered at the meeting or may not vote on the matter.

- Make recommendations to obtain shareholder approval for applicable related party transactions as per the provisions in the Code and Section 9 of CSE Listing Rules. Such approval shall be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.

- Obtain 'competent independent advice' from independent professional experts with regard to the value of the substantial assets of the related party transaction under consideration and circulate the same with the notice of meeting to obtain the shareholder approval.

- Make immediate market disclosures on applicable related party transactions as required by the Listing Rules of CSE.

Report of the **Related Party Transactions Review Committee**

- Make appropriate disclosures on related party transactions in the Annual Report as required by CSE Listing Rules.

- Any concerned transactions, to be highlighted to the Board.

Committee Meetings

Four Committee meetings were held during the financial year 2016/2017. The Finance Division submitted a comprehensive report on related party transactions to the Committee.

Attendance of the members of the Committee for the said meetings is provided on page 39.

Any concerns of the Committee will be reported to the Board of Directors on a continuous basis.

The Committee plans to meet at least quarterly, to monitor, review and report to the Board on matters pertaining to related party transactions.

Conclusion

The Committee confirms that all applicable rules in the Code of Best Practice on Related Party Transactions and Section 9 of CSE Listing Rules have been complied with by the Group as at the date of this Report.

(Sgd.)
Ajit Jayaratne
Chairman-Related Party Transactions Review Committee

10 July 2017

Independent **Auditor's Report**

To the Shareholders of ACL Cables PLC

Report on the financial statements

1 We have audited the accompanying financial statements of ACL Cables PLC ("the Company"), the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2017, and the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out in pages 58 to 117.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

3 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the financial statements of the Company and the consolidated financial statements of the Group give a true and fair view of the financial positions of the Company and the Group as at 31 March 2017, and of their financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

7 These financial statements also comply with the requirements of Section 151 (2) and Section 153 (2) of the Companies Act, No. 07 of 2007.

CHARTERED ACCOUNTANTS
COLOMBO

10 July 2017

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9838, 471 9838, F: +94 (11) 230 3197, www.pwc.com/lk

Partners **D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, N.R. Gunasekera FCA, S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA, T.U. Jayasinghe ACA**

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

Income **Statements**

(all amounts in Sri Lanka Rupees thousands)

		Group		Company	
		31 March		31 March	
	Note	2017	2016	2017	2016
Revenue	4	14,669,735	12,811,224	8,054,047	6,790,555
Cost of sales	6	(11,427,115)	(9,754,110)	(6,567,847)	(5,729,860)
Gross profit		3,242,620	3,057,114	1,486,200	1,060,695
Other income	5	52,432	45,017	377,054	273,715
Distribution costs	6	(843,811)	(805,233)	(348,338)	(332,877)
Administrative costs	6	(442,371)	(404,309)	(179,991)	(163,907)
Operating profit		2,008,870	1,892,589	1,334,925	837,626
Finance income		126,612	98,408	83,143	60,206
Finance costs		(345,637)	(350,110)	(205,646)	(187,277)
Finance costs - net	8	(219,025)	(251,702)	(122,503)	(127,071)
Share of (loss)/profit of investments accounted for using the equity method	18 (a)	(25,282)	54,735	-	-
Profit before income tax		1,764,563	1,695,622	1,212,422	710,555
Income tax expense	9	(509,124)	(426,394)	(210,524)	(166,221)
Profit for the year		1,255,439	1,269,228	1,001,898	544,334
Profit attributable to :					
- Owners of the parent		1,117,854	1,093,612	1,001,898	544,334
- Non-controlling interests		137,585	175,616	-	-
		1,255,439	1,269,228	1,001,898	544,334
Earnings per share - basic	10	9.33	9.13	8.36	4.54
Dividend per share	11	1.50	2.00	1.50	2.00

The notes on pages 64 to 117 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statements of **Comprehensive Income**

(all amounts in Sri Lanka Rupees thousands)

		Group		Company	
		31 March		31 March	
	Note	2017	2016	2017	2016
Profit for the year		1,255,439	1,269,228	1,001,898	544,334
Other comprehensive income;					
Subsequently re-classified to profit and loss					
Change in value of available-for-sale financial assets	19	2,425	(3,167)	910	(1,670)
Subsequently not re-classified to profit and loss					
Re-measurements of defined benefit obligations	27(c)	32,883	8,817	23,156	6,899
Share of other comprehensive income of equity accounted investee, net of tax	18(a)	(935)	306	-	-
Tax impact on re-measurement of defined benefit obligation	28	(8,267)	(1,576)	(6,484)	(1,207)
Tax impact on gains on revaluation of land and buildings	28(a)	(79,719)	63,105	(53,659)	53,659
Other comprehensive income for the year, net of tax		(53,613)	67,485	(36,077)	57,681
Total comprehensive income for the year, net of tax		1,201,825	1,336,713	965,821	602,015
Attributable to;					
- Owners of the parent		1,063,713	1,161,618	965,821	602,015
- Non-controlling interests		138,112	175,095	-	-
Total comprehensive income for the year, net of tax		1,201,825	1,336,713	965,821	602,015

The notes on pages 64 to 117 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statements of **Financial Position**

(all amounts in Sri Lanka Rupees thousands)

		Group		Company	
		31 March		31 March	
	Note	2017	2016	2017	2016
ASSETS					
Non-current assets					
Property, plant and equipment	12	3,347,709	3,466,497	1,383,290	1,457,296
Work in progress	13	31,678	32,853	653	4,548
Investment property	14	538,750	516,000	285,000	285,000
Intangible assets	15	9,138	11,487	3,144	5,493
Prepaid lease rentals	16	1,666	1,688	-	-
Investment in subsidiaries	17	-	-	576,243	576,243
Investment in equity accounted investee	18	275,286	301,503	333,454	333,454
Available-for-sale financial assets	19	34,211	31,629	11,127	10,061
Deferred income tax assets	28	1,774	-	-	-
		4,240,212	4,361,657	2,592,911	2,672,095
Current assets					
Inventories	20	4,363,337	3,986,770	1,995,157	1,791,058
Trade and other receivables	21	5,334,170	4,250,727	3,083,933	2,476,739
Prepaid lease rentals	16	22	22	-	-
Held-to-maturity financial assets	22	402,752	1,067,315	238,608	578,280
Cash and cash equivalents	23	2,224,971	1,707,305	815,363	347,268
		12,325,252	11,012,139	6,133,061	5,193,345
Total assets		16,565,464	15,373,796	8,725,972	7,865,440
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	32	299,488	299,488	299,488	299,488
Capital reserve	33	1,790,589	1,875,347	795,582	849,241
General reserve	34	1,123,825	1,123,825	680,266	680,266
Available-for-sale reserve	35	6,752	4,854	1,296	386
Retained earnings		6,110,597	5,141,742	3,107,775	2,268,886
Equity attributable to owners of the parent		9,331,250	8,445,256	4,884,407	4,098,267
Non-controlling interests		1,135,318	1,026,303	-	-
Total equity		10,466,568	9,471,559	4,884,407	4,098,267
Non-current liabilities					
Defined benefit obligations	27	241,241	253,462	139,334	148,994
Deferred income tax liabilities	28	269,252	209,370	120,089	82,728
Borrowings	25	207,841	914,591	200,000	882,750
		718,334	1,377,423	459,423	1,114,472
Current liabilities					
Trade and other payables	24	1,950,217	2,010,090	937,809	1,147,950
Current income tax liabilities	26	842,931	781,919	468,118	308,853
Borrowings	25	2,587,413	1,732,805	1,976,215	1,195,898
		5,380,561	4,524,814	3,382,142	2,652,701
Total liabilities		6,098,896	5,902,237	3,841,565	3,767,173
Total equity and liabilities		16,565,464	15,373,796	8,725,972	7,865,440

It is certified that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 7 of 2007.

Champika Coomasaru
Group Financial Controller

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were authorised for issue by the Board of Directors on 10 July 2017.

U.G.Madanayake
Chairman

Suren Madanayake
Managing Director

The notes on pages 64 to 117 form an integral part of these financial statements. Figures in brackets indicate deductions.

Statement of **Changes in Equity - Group**

(all amounts in Sri Lanka Rupees thousands)

		Attributable to owners of the parent							
	Note	Stated capital	Capital reserve	General reserve	Available for sale reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 April 2015		299,488	1,818,019	1,123,825	10,528	4,138,163	7,390,023	870,373	8,260,396
Profit for the year		-	-	-	-	1,093,612	1,093,612	175,616	1,269,228
Fair value adjustment for available-for-sale financial assets	35	-	-	-	(2,646)	-	(2,646)	(521)	(3,167)
Re-measurements of post employment benefit obligation	27(c)	-	-	-	-	8,817	8,817	-	8,817
Deferred tax on re-measurement of post employment benefit obligation	28.1(a)	-	-	-	-	(1,576)	(1,576)	-	(1,576)
Deferred tax on revaluation surplus	28.1(a)	-	63,105	-	-	-	63,105	-	63,105
Share of other comprehensive income of equity accounted investee, net of tax	18(b)	-	-	-	-	306	306	-	306
Total comprehensive income for the year		-	63,105	-	(2,646)	1,101,159	1,161,618	175,095	1,336,713
Transfers upon disposals of available-for-sale investments	35	-	-	-	(3,028)	-	(3,028)	-	(3,028)
Transfer from revaluation reserve	33(a)	-	(7,000)	-	-	7,000	-	-	-
Deferred tax on transfer from revaluation reserve	28.1(a)	-	1,224	-	-	-	1,224	-	1,224
Dividends	11	-	-	-	-	(119,787)	(119,787)	(19,165)	(138,952)
Impact on ownership change in equity accounted investee		-	-	-	-	15,205	15,205	-	15,205
Balance as at 31 March 2016		299,488	1,875,347	1,123,825	4,854	5,141,742	8,445,256	1,026,303	9,471,559
Balance at 1 April 2016		299,488	1,875,347	1,123,825	4,854	5,141,742	8,445,256	1,026,303	9,471,559
Profit for the year		-	-	-	-	1,117,854	1,117,854	137,585	1,255,439
Fair value adjustment for available-for-sale financial assets	35	-	-	-	1,898	-	1,898	527	2,425
Re-measurements of post employment benefit obligation	27(c)	-	-	-	-	32,883	32,883	-	32,883
Deferred tax on re-measurement of post employment benefit obligation	28	-	-	-	-	(8,267)	(8,267)	-	(8,267)
Deferred tax on revaluation surplus	28.1(a)	-	(79,719)	-	-	-	(79,719)	-	-79,719
Share of other comprehensive income of equity accounted investee, net of tax	18(b)	-	-	-	-	(935)	(935)	-	(935)
Total comprehensive income for the year		-	(79,719)	-	1,898	1,141,535	1,063,713	138,112	1,201,825
Transfer from revaluation reserve	33(a)	-	(7,000)	-	-	7,000	-	-	-
Deferred tax on transfer from revaluation reserve	28.1(a)	-	1,961	-	-	-	1,961	-	1,961
Dividends	11	-	-	-	-	(179,681)	(179,681)	(29,098)	(208,779)
Balance as at 31 March 2017		299,488	1,790,589	1,123,825	6,752	6,110,597	9,331,250	1,135,318	10,466,568

The notes on pages 64 to 117 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of **Changes in Equity - Company**

(all amounts in Sri Lanka Rupees thousands)

	Note	Stated capital	Capital reserve	General reserve	Available for sale reserve	Retained earnings	Total
Balance at 1 April 2015		299,488	795,582	680,266	2,056	1,838,647	3,616,039
Profit for the year		-	-	-	-	544,334	544,334
Fair value adjustment for available-for-sale financial assets	35	-	-	-	(1,670)	-	(1,670)
Re-measurements of post employment benefit obligation	27(c)	-	-	-	-	6,899	6,899
Deferred tax on re-measurement of post employment benefit obligation	28.1(a)	-	-	-	-	(1,207)	(1,207)
Deferred tax on revaluation surplus	28.1(a)	-	53,659	-	-	-	53,659
Total comprehensive income for the year		-	53,659	-	(1,670)	550,026	602,015
Dividends	11	-	-	-	-	(119,787)	(119,787)
Balance as at 31 March 2016		299,488	849,241	680,266	386	2,268,886	4,098,267
Balance at 1 April 2016		299,488	849,241	680,266	386	2,268,886	4,098,267
Profit for the year		-	-	-	-	1,001,898	1,001,898
Fair value adjustment for available-for-sale financial assets	35	-	-	-	910	-	910
Re-measurements of post employment benefit obligation	27(c)	-	-	-	-	23,156	23,156
Deferred tax on re-measurement of post employment benefit obligation	28.1(a)	-	-	-	-	(6,484)	(6,484)
Deferred tax on revaluation surplus	28.1(a)	-	(53,659)	-	-	-	(53,659)
Total comprehensive income for the year		-	(53,659)	-	910	1,018,570	965,821
Dividends	11	-	-	-	-	(179,681)	(179,681)
Balance as at 31 March 2017		299,488	795,582	680,266	1,296	3,107,775	4,884,407

The notes on pages 64 to 117 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statements of **Cash Flows**

(all amounts in Sri Lanka Rupees thousands)

		Group		Company	
		31 March		31 March	
	Note	2017	2016	2017	2016
Cash flows from operating activities					
Cash generated from operations	36	712,652	2,692,270	52,076	856,015
Interest paid	8	(345,637)	(350,110)	(205,646)	(187,277)
Defined benefit obligations paid	27	(22,727)	(22,844)	(9,881)	(18,058)
Income tax paid less refund received		(476,029)	(145,831)	(74,041)	-
Net cash generated from / (used in) operating activities		(131,741)	2,173,485	(237,492)	650,680
Cash flows from investing activities					
Interest received	8	126,612	98,408	83,143	60,206
Purchase of property, plant and equipment	12	(79,943)	(124,794)	(19,217)	(56,821)
Purchase of intangible assets	15	(396)	(361)	(396)	(361)
Cost incurred on capital work in progress	13	(36,298)	(11,429)	(1,788)	-
Dividend received	5	1,780	492	363,631	120,349
Investments in available-for-sale financial assets	19	(157)	(8,931)	(157)	(149)
Investment in held-to-maturity financial assets	22	(388,336)	(1,067,315)	(230,067)	(578,280)
Cash proceeds from held-to-maturity financial assets	22	1,073,135	-	584,100	-
Proceeds on share re-purchase		-	592,492	-	592,492
Proceeds on sale of shares		-	4,548	-	-
Proceeds on disposal of property, plant and equipment		13,632	6,173	8,452	2,785
Proceeds on disposal of capital work in progress		299	-	-	-
Net cash generated from/(used in) investing activities		710,328	(510,717)	787,701	140,221
Cash flows from financing activities					
Short-term borrowings net of payments	25	746,851	(1,053,615)	726,377	(880,709)
Long-term borrowings net of payments	25	(706,750)	(318,250)	(682,750)	(294,250)
Dividend paid by the Company	11	(179,681)	(119,787)	(179,681)	(119,787)
Dividend paid by subsidiary to non-controlling interests		(29,098)	(19,165)	-	-
Net cash used in financing activities		(168,678)	(1,510,817)	(136,054)	(1,294,746)
Net increase in cash and cash equivalents		409,909	151,951	414,155	(503,845)
Cash and cash equivalents at the beginning of the year		782,783	630,832	(426,692)	77,153
Cash and cash equivalents at the end of the year	23	1,192,692	782,783	(12,537)	(426,692)

Figures in brackets indicate deductions.

Notes to the **Consolidated Financial Statements**

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

1 General Information

General Information of the Company;

ACL Cables PLC is a public limited liability company registered under the Companies Act, No. 7 of 2007. ACL Cables PLC was incorporated on 1 March 1962 under the Companies Ordinance No. 51 of 1938 as Associated Cables Ltd and on 8 January 1991 the name was changed to ACL Cables Limited. 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. 60, Rodney Street, Colombo 08.

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

General Information of entities in the Group;

Company	Date of Incorporation	Principal Activity
Kelani Cables PLC	18.12.1972	Manufacturing and selling of power cables, telecommunication cables and enameled winding wires
ACL Plastics PLC	17.07.1991	Manufacturing cable grade PVC compound
Ceylon Bulbs & Electricals Ltd	16.10.1957	Dormant
Lanka Olex Cables (Pvt) Ltd	22.02.1993	Investing company
ACL Kelani Magnet Wire (Pvt) Ltd	29.06.2000	Manufacturing and export of enameled winding wires
ACL Polymers (Pvt) Ltd	06.09.2005	Manufacturing of PVC compounds
ACL Metals & Alloys (Pvt) Ltd	05.09.2005	Manufacturing and selling aluminium rods, alloys of aluminium and other metals
Ceylon Copper (Pvt) Ltd	17.06.2011	Manufacturing of copper rods, bus bars, strips, profiles, catenary wires and tubes for local and export market
ACL Electric (Pvt) Ltd	08.11.2012	Manufacturing of electrical accessories
RESUS Energy PLC	11.06.2003	Power and energy generation

The Company's and the Group's financial statements were authorised for issue by the Board of Directors on 10 July 2017.

2 Basis of preparation and summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (SLFRSs), Sri Lanka Accounting Standards (LKASs), relevant interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC). These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are measured at fair value and revaluation of Property, plant and equipment and Investment property. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's and the Group's financial statements are disclosed in note 2.6 to the financial statements.

2.2 Changes in accounting policy and disclosures

a) New standards, amendments and interpretations adopted by the Group

The following standards have been adopted by the Company for the first time with effect from financial year beginning on 1 April 2016.

LKAS 16, 'Property, Plant and Equipment' and LKAS 38, 'Intangible Assets', clarify that a revenue-based method of depreciation is generally not appropriate.

LKAS 38 Intangible Assets now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either

- The intangible asset is expressed as a measure of revenue (ie where a measure of revenue is the limiting factor on the value that can be derived from the asset), or
- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

Amendments to SLFRS 7, 'Financial Instruments: Disclosures', provide specific guidance for transferred financial assets to help management to determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. It further clarifies that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by LKAS 34 'Interim Financial Reporting'.

Amendments to SLFRS 10, 'Consolidated Financial Statements' and LKAS 28, 'Investments in Associates and Joint Ventures', clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitutes a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interest in the associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.

Amendments to SLFRS 11,'Joint Arrangements', require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed.

LKAS 34, 'Interim Financial Reporting', clarify what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

Amendments to LKAS 1, 'Presentation of Financial Statements', amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: materiality, disaggregation and subtotals, notes to the financial statements and OCI arising from investments accounted for under the equity method.

Amendments to LKAS 19, 'Employee Benefits', clarify that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that Company liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Company is not currently subjected to significant levies so the impact on the Company is not material.

Investment entities: Applying the consolidation exception – Amendments to SLFRS 10,SLFRS 12 and LKAS 28, Amendments made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures clarify that:

- The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities
- An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities

Notes to the **Consolidated Financial Statements**

- Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement. Early adoption is permitted.

LKAS 27, 'Separate Financial Statements', allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. LKAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. LKAS 27 introduce the equity method as a third option. The election can be made independently for each category of investment and change to the equity method must apply retrospectively.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 March 2016 are not material to the Company.

(b) New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2016 reporting periods and have not been early adopted by the Company. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

SLFRS 9 'Financial Instruments', retains but simplifies the mixed measurement model in LKAS 39 'Financial Instruments: Recognition and Measurement' and establishes a single model that has only three primary classification categories for financial assets: amortised cost, fair value through profit or loss and fair value through Other Comprehensive Income ("OCI") for certain financial assets that are debt instruments. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value. All fair value movements on financial assets are taken through the profit or loss, except for equity investments that are not held for trading, which may be recorded in the profit or loss or in reserves without subsequent recycling to the profit or loss. For financial liabilities, the standard retains most of the LKAS 39 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the profit or loss, unless this creates an accounting mismatch. The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. Further, SLFRS 9 introduces a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in LKAS 39. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. SLFRS 9 also introduces expanded disclosure requirements and a change in presentation .The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

SLFRS 15, 'Revenue from Contracts with Customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service, and a new five-step process must be applied before revenue can be recognised. SLFRS 15 replaces LKAS 18 'Revenue' and LKAS 11 'Construction Contracts' and related interpretations. The standard was originally effective for annual periods beginning on or after 1 January 2017. However, the International Accounting Standard Board ("IASB") deferred the effective date of SLFRS 15 by one year to 1 January 2018 in September 2015. Entities will have a choice of full retrospective application, or prospective application with additional disclosures and earlier application is permitted.

Amendments to LKAS 12 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value. In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences. The amendments to the standard are effective for accounting periods beginning on or after 1 January 2017.

Amendments to LKAS 7 'Statement of Cash Flows – Disclosure Initiative' introduce an additional disclosure on changes in liabilities arising from financing activities. The amendments to the standard are effective for accounting periods beginning on or after 1 January 2017.

"SLFRS 16, 'Leases' supersedes LKAS 17 'Leases' and the related interpretations. Under SLFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

SLFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). SLFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in LKAS 16 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, SLFRS 16 retains most of the requirements in LKAS 17. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted if SLFRS 15 'Revenue from Contracts with Customers' has also been applied.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.3 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with LKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been

Notes to the **Consolidated Financial Statements**

adjusted to conform with the group's accounting policies. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised in accordance with LKAS 39, in the statement of comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

(b) **Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) **Disposal of subsidiaries**

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) **Associates**

Associates are companies, partnerships or other entities in which the Group exercises significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is power to participate in financial and operating policy decisions of the associates, but not power to exercise control or jointly control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the post-acquisition results and changes of the associate's reserves in the consolidated statement of comprehensive income after the date of acquisition and net off with any accumulated impairment loss, if any. The Group's investment in associates includes goodwill identified on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Profits and losses resulting from transactions between the Group and its associates are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income in the consolidated statement of comprehensive income is reclassified to profit or loss in the consolidated statement of comprehensive income where appropriate. The cost of acquiring an additional stake in an associate is added to the carrying amount of associate and equity accounted. Goodwill arising on the purchase of additional stake is computed using fair value information at the date the additional interest is purchased. The previously held interest is not re-measured. Dilution gains and losses arising in investments in associates are recognised in the consolidated statement of comprehensive income. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the difference in the consolidated statement of comprehensive income.

2.4 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ('The functional currency'). The consolidated financial statements are presented in Sri Lankan Rupees, which is the Company's and the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'Finance income or cost'.

2.5 Statement of compliance

The Company and the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards.

2.6 Significant accounting judgements

The Group's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with SLFRS are best estimates undertaken in accordance with the applicable standards.

Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

(a) Impairment of available-for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Had all the declines in fair value below cost been considered significant or prolonged, the Group would have recognised an additional loss in its financial statements.

(b) Fair value of financial instruments

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

(c) Fair value of property, plant and equipment

The Group revalues its land and buildings which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

(d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(e) Income tax

The Group is subject to income taxes and other taxes. Significant judgement was required to determine the total provision for current, deferred and other taxes.

Notes to the **Consolidated Financial Statements**

(f) **Useful life-time of the property, plant and equipment**

The Group reviews the residual values, useful lives and methods of depreciation of assets at each reporting date. Judgement of the management estimates these values, rates, methods and hence they are subject to uncertainty.

(g) **Useful life-time of the intangible assets**

Goodwill

Goodwill on acquisitions of subsidiaries is included under intangible assets. Goodwill acquired in a business combination is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired and carried at less than costs less accumulated impairment losses.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 4 years.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 2 years.

(h) **Defined benefit plans**

The cost of defined benefit plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, etc. All assumptions are reviewed at each reporting date.

2.7 Borrowing costs

Borrowing costs are recognised as an expense in the year in which they are incurred. However, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets that take a substantial period of time to get ready for its intended use or sale, are capitalized as part of the respective assets. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

2.8 Taxation

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

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the relevant tax legislations.

2.9 Deferred taxation

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relates to income taxes levied by the same taxation authority.

2.10 Financial assets and liabilities

In accordance with LKAS 39, all financial assets and liabilities – including derivative financial instruments at Fair value through profit and loss – have to be recognised in the statement of financial position and measured in accordance with their assigned category.

2.10.1 Financial assets

The Group allocates financial assets to the following LKAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

(a) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(i) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(ii) those that the Group upon initial recognition designates as available- for- sale; or

(iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Trade and other receivables are initially recognised at fair value. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of trade and other receivables and recognised in the income statement.

(b) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than:

(i) those that the Group upon initial recognition designates as at fair value through profit or loss;

(ii) those that the Group designates as available for sale; and

(iii) those that meet the definition of trade and other receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Interest on held-to-maturity investments is included in the statement of comprehensive income statement and reported as 'Interest and similar income'. In the case of an impairment, the impairment loss is been reported as a deduction from the carrying value of the investment and recognised in the statement of comprehensive income statement as 'Net gains/(losses) on investment securities'.

(c) Available-for-sale financial assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, or equity prices or that are not classified as loans and receivables, held-to- maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initial recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised as a part of equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in the statement of comprehensive income statement. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income in 'Dividend income' when the Group's right to receive payment is established.

2.10.2 Re-classification of financial assets

The Group may reclassify financial assets within the framework of LKAS 39 at the election of management.

1 Reclassify Fair Value Through Profit & Loss (FVTP&L) financial assets other than those designated as FVTP&L upon initial recognition, only in limited circumstances as per para 50B or 50D of LKAS 39 out of the FVTP&L category and into the available for sale, loans and receivable or held to maturity.

2 As per para 50E of LKAS 39, a financial asset classified as available for sale may be reclassified out of the available for sale category to loans and receivable if the entity has the intention and ability to hold the financial asset for the foreseeable future.

2.10.3 Financial liabilities

The Group's holding in financial liabilities is at amortised cost. Financial liabilities are derecognised when extinguished.

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(a) **Other liabilities measured at amortised cost**

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are loans from banks, debt securities in issue for which the fair value option is not applied.

(b) **Determination of fair value**

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the reporting dates.

For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk.

Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

2.10.4 **De-recognition of financial assets**

Financial assets are de-recognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are de-recognised when they have been redeemed or otherwise extinguished.

2.10.5 **Impairment of financial assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) **Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

(b) **Write off of trade and other receivables**
The Group writesoff certain trade and other receivables when they are determined to be uncollectible.

(c) **Available-for-sale financial investments**
For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from other comprehensive income and recognised in arriving at the net income for the period. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

2.11 Property, plant and equipment

Property, plant and equipment of the Company includes both owned assets and leased hold assets;

2.11.1 Initial recognition

(a) **Owned assets**
Property, plant & equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 on property, plant and equipment. Initially property, plant and equipment are measured at cost excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Where an item of property, plant & equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant & equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will now to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Gains and losses on disposals are determined by comparing proceeds with carving amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(b) **Leased assets**
Property, plant & equipment on finance leases, which effectively transfer to the Group substantially all of the risk and benefits incidental to ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased property, plant & equipment, or if lower, at the present value of the minimum lease payments. Capitalised leased assets are disclosed as property, plant and equipment and depreciated consistently with that of owned assets. The corresponding principal amount payable to the lessor together with the interest payable over the period

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of the lease 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 remaining balance of the liability.

2.11.2 Subsequent measurement

Expenditure incurred to replace a component of an item of property, plant and equipment is accounted for separately, including major inception & overhaul expenditure and capitalized only when it increases the future economic benefits embodied in the item of property, plant & equipment. All other expenditure is recognized in the income statement as an expense incurred.

2.11.3 Depreciation

Depreciation is calculated on a straight line basis over the useful lives of the assets using the following rates.

Asset	Years
Factory buildings	25 - 40
Plant, machinery and accessories	8 - 45
Factory equipment	8 - 10
Electrical fittings	8 - 10
Furniture, fixtures and fittings	4 - 10
Office equipment	4 - 10
Motor vehicles	4 - 5
Tools and implements	4 - 10

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

2.11.4 Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

2.12 Intangible assets

(a) Goodwill

Goodwill represents the excess of 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 acquisitions of subsidiaries is included under intangible assets. Goodwill acquired in a business combination is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired and carried at less than costs less accumulated impairment losses. Impairment losses on goodwill are not reversed.

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.

Goodwill is allocated to 'Cash-Generating Units' (CGU) for the purpose of impairment testing. Each CGU or a group of CGUs represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination.

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 4 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These directly attributable costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 2 years.

Costs relating to development of software are carried in capital work in progress until the software is available for use.

Other development expenditures that do not meet the relevant criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.13 Investment properties

Properties held to earn rental income or properties held for capital appreciation or both and not occupied substantially for the supply of goods or services or in administration, and 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 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 Group occupies a significant portion of the investment property, such investment properties are treated as property, plant and equipment in the financial statements and accounted for as per LKAS - 16, Property, plant and equipment.

2.14 Impairment of non financial assets

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

2.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks other short term highly liquid investments with original maturities of three months or less. For the purpose of cash flow statement, cash and cash equivalents includes, cash in hand and investments with original maturities of three months or less net of outstanding bank overdrafts.

2.16 Investments in subsidiaries in separate Financial statements

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 is recognised only to the extent of dividends received.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of the inventory comprises purchase price, taxes (other than those subsequently recoverable by the Group from the tax authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods. It excludes the borrowing costs. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Notes to the **Consolidated Financial Statements**

2.18 Trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

2.19 Interest bearing loans

Interest bearing loans are recognised initially at fair value, net of transaction costs incurred. After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

2.20 Interest bearing loans Trade and other payables

Liabilities classified as trade and other payables in the balance sheet are those which fall due for payment on demand or within one year from the balance sheet date. Items classified as non-current liabilities are those which fall due for payment beyond a period of one year from the balance sheet date.

2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used the increase in the provision due to the passage of time is recognised as an interest expense.

2.22 Defined benefit plans - gratuity

All the employees of the Group are eligible for gratuity under the Gratuity Act No. 12 of 1983.The Group measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary using the Projected Unit Credit Method. The actuarial valuation involves making assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. Accordingly, the employee benefit liability is based on the actuarial valuation carried out by Messrs Actuarial & Management Consultants (Pvt) Ltd.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to comprehensive income in the year in which they arise.

Past service costs are recognised immediately in income, unless the change to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case the past service costs are amortised on straight line basis over the vesting period.

The liability is not externally funded.

2.23 Defined contribution plans - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contribution and Employees Trust Fund contribution in line with respective statutes and regulations. The company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.24 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 outflow of resources and a reliable estimate can be made of the quantum of the outflow.

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.

2.25 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. 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 income is recognised on an accrual basis. Dividend income is recognised when the shareholder's right to receive the payment is established.

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 is recognised on an accrual basis.

2.26 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the shareholders. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2.27 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

2.28 Segment reporting

A segment is a distinguishable component of the 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.

2.29 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.

2.30 Statement of cash flows

The statement of cash flows is prepared using the indirect method as stipulated in LKAS 7 Statement of Cash Flows. Cash and cash equivalents for the purpose of statement of cash flows comprise cash in hand, balances at banks, short term deposits with a maturity of three months or less net of outstanding bank overdrafts, if any.

2.31 Directors' responsibilities statement

Directors acknowledge the responsibilities for the true and fair presentation of the financial statements in accordance with the books of accounts and the Sri Lanka Accounting Standards and the requirements of the Companies Act No. 7 of 2007.

2.32 Reclassification of Financial statements

Financial statements are reclassified due to the error in classification of Intangible assets under Property, plant and equipment previously. As a result, property, plant and equipments and Intangible assets adjusted. Management believes that the correction of such error gives a fairer view.

2.33 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

Notes to the **Consolidated Financial Statements**

3 Financial risk management

3.1 Financial risk factors

The Board of Directors of the Company regularly reviews its exposure to various kinds of risk factors with the ultimate objective to deliver superior shareholder value between risk and return. The Board oversees market risk, operational risk, credit risk and liquidity risk giving special consideration in broader aspects to the Company's exposure to interest rate fluctuations and exchange rate fluctuations in the market. Based on the economic outlook and the Company's exposure to these risks, the Board of the Company approves various risk management strategies from time to time.

The Company's principal financial liabilities comprise short term borrowings, trade and other payables and bank overdrafts. The main purpose of these financial liabilities is to raise finances for the Company's operations. The Company has various financial assets such as trade and other receivables, other investments, loans and cash balances, which arise directly and indirectly from its operations.

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

(a) **Market risk**

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's profit or equity. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

(i) Foreign exchange risk

The Company is exposed to currency risk on goods sold and raw materials imported that are denominated in currencies other than Sri Lankan rupees (LKR). The Company manages its currency risk by a natural hedging mechanism to a certain extent by matching currency outflows for repayments on raw material imported with currency inflows for goods sold in foreign currencies.

Group	31 March			
	2017		2016	
	USD	LKR	USD	LKR
Trade receivables	4,929	749,060	3,245	469,460
Trade payables	(8,907)	(1,353,757)	(10,046)	(1,453,400)
Cash in bank	9,851	1,497,132	8,872	1,283,592

Company	31 March			
	2017		2016	
	USD	LKR	USD	LKR
Trade receivables	2,399	364,671	2,002	289,716
Trade payables	(599)	(91,071)	(1,732)	(250,622)
Cash in bank	5,534	840,982	5,230	756,677

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Amounts recognised in profit or loss				
Foreign exchange gain included in finance cost	(69,863)	(59,795)	(51,644)	(51,741)
Foreign exchange loss included in finance cost	48,035	67,811	-	-
Total net foreign exchange (losses)/gains recognised in profit before income tax for the period	(21,828)	8,016	(51,644)	(51,741)

As shown in the table above, the company is primarily exposed to changes in US/(presentation currency units) exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US dollar denominated financial instruments arises from foreign forward exchange contracts designated as cash flow hedges.

Impact on post tax profit	Group		Company	
	2017	2016	2017	2016
US exchange rate – change by 10%	89,243	29,965	111,458	79,577

(ii) Interest rate risk

Interest rate risk mainly arises as a result of the Group having interest sensitive assets and liabilities, which are directly, impacted by changes in the interest rates. The Group's borrowings and investments are maintained in a mix of fixed and variable interest rate instruments and periodical maturity gap analysis is carried out to take timely action and to mitigate possible adverse impact due to volatility of the interest rates.

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

	Impact on profit	
Group	2017	2016
Interest rates – increase by 1%	(2,976)	(2,823)
Interest rates – decrease by 1%	2,976	2,823

	Impact on profit	
Company	2017	2016
Interest rates – increase by 1%	(2,056)	(1,873)
Interest rates – decrease by 1%	2,056	1,873

(iii) Price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

Notes to the **Consolidated Financial Statements**

(iv) Credit risk

Credit risk is managed on Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increase shown.

Group	Change in equity price	Effect on profit	Effect on equity
31 March 2017	10%	-	3,421
31 March 2016	10%	-	3,163

Company	Change in equity price	Effect on profit	Effect on equity
31 March 2017	10%	-	1,113
31 March 2016	10%	-	1,006

The Company also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the income statement will be impacted.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation and is to maintain a balance between continuity of funding and flexibility through the use of borrowings and bank overdrafts.

The table below summarises the maturity profiles of the Group's financial liabilities based on contractual undiscounted payments.

Group	Less than 1 year	Between 1 and 2 years	Between 2 and 6 years	Over 6 years	Total
At 31 March 2017					
Financial liabilities					
Trade & other payables (excluding statutory liabilities)	1,933,310	-	-	-	1,933,310
Borrowings	1,555,134	207,841	-	-	1,762,975
Bank overdrafts	1,032,279	-	-	-	1,032,279
Total financial liabilities	4,520,723	207,841	-	-	4,728,564

Company	Less than 1 year	Between 1 and 2 years	Between 2 and 6 years	Over 6 years	Total
At 31 March 2017					
Financial liabilities					
Trade & other payables (excluding statutory liabilities)	929,580	-	-	-	929,580
Borrowings	1,148,315	200,000	-	-	1,348,315
Bank overdrafts	827,900	-	-	-	827,900
Total financial liabilities	2,905,795	200,000	-	-	3,105,795

3.2 Capital risk management

Capital comprises of equity attributable to the equity holders of the parent. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 March 2017.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings.

Borrowings	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Total borrowings (Note 25)	2,795,254	2,647,396	2,176,215	2,078,648
Less : Cash and cash equivalents (Note 23)	(2,224,971)	(1,707,305)	(815,363)	(347,268)
Net debt	570,283	940,091	1,360,852	1,731,380
Total equity	10,466,568	9,471,558	4,884,407	4,098,267
Total capital	11,036,851	10,411,649	6,245,259	5,829,647
Gearing ratio	5.17%	9.03%	21.79%	29.70%

The decrease in the gearing ratio during the year 2017 resulted primarily from the increase of the profit and decrease of borrowings during the year.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation methods. The different levels have been defined as follows;

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's assets and liabilities that are measured at fair value.

Notes to the **Consolidated Financial Statements**

	Group				Company			
	Level 1	Level 2	Level 3	Total balance	Level 1	Level 2	Level 3	Total balance
As at 31 March 2017								
Assets								
Available-for-sale financial assets	34,211	-	-	34,211	11,127	-	-	11,127
Held-to-maturity financial assets	402,752	-	-	402,752	238,608	-	-	238,608
Investment property	-	538,750	-	538,750	-	285,000	-	285,000
	436,963	538,750	-	975,713	249,735	285,000	-	534,735
Liabilities								
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
As at 31 March 2016								
Assets								
Available-for-sale financial assets	31,629	-	-	31,629	10,061	-	-	10,061
Held-to-maturity financial assets	1,067,315	-	-	1,067,315	578,280	-	-	578,280
Investment property	-	516,000	-	516,000	-	285,000	-	285,000
	1,098,944	516,000	-	1,614,944	588,341	285,000	-	873,341
Liabilities								
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

(a) **Financial instruments in Level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing 'service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity instruments classified as trading securities or available-for-sale.

(b) **Financial instruments in Level 2**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

4 Revenue

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Geographical segment turnover				
Local	12,876,067	11,658,863	7,163,347	6,029,700
Export	1,793,668	1,152,361	890,700	760,855
Net revenue	14,669,735	12,811,224	8,054,047	6,790,555

5 Other income

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Dividend income	1,780	492	363,631	120,349
Profit on disposal of property, plant and equipment	7,329	4,619	5,172	2,785
Profit on disposal of shares	-	3,296	-	-
Profit on Share re-purchase	-	-	-	147,886
Gain from revaluation of investment property	22,750	23,000	-	-
Sundry income	20,573	13,610	8,251	2,695
	52,432	45,017	377,054	273,715

6 Expenses by nature

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Directors emoluments	71,686	39,558	57,480	35,165
Auditors remuneration	3,053	2,596	880	627
Legal fees	2,242	2,668	1,865	2,157
Depreciation on property, plant and equipment (Note 12)	224,955	230,377	91,835	90,530
Amortization charge on intangible assets (Note 15)	2,745	6,160	2,745	5,037
Cost of raw material consumed	9,635,391	8,203,680	5,570,400	4,876,151
Repairs and maintenance	123,389	120,380	55,212	53,442
Donations	4,340	3,531	4,309	3,449
Amortisation of leasehold properties (Note 16)	22	22	-	-
Impairment of trade and other receivables [Note 21(a)]	63,358	18,779	63,358	18,779
Staff costs (Note 7)	1,241,475	1,139,931	548,208	513,901
Provision/(reversal) for Impairment of inventories [Note 20(a)]	3,667	18,044	(30,323)	1,258
Other expenses	1,336,974	1,177,926	730,207	626,148
Total cost of sales, distribution costs and administrative costs	12,713,297	10,963,652	7,096,176	6,226,644
Classified as:				
Cost of sales	11,427,115	9,754,110	6,567,847	5,729,860
Distribution cost	843,811	805,233	348,338	332,877
Administrative costs	442,371	404,309	179,991	163,907
Total	12,713,297	10,963,652	7,096,176	6,226,644

Notes to the **Consolidated Financial Statements**

7 Staff costs

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Salaries, wages and related cost	1,110,408	1,019,576	481,437	451,645
Defined contribution plan	87,677	77,951	43,394	38,414
Defined benefit plan [Note 27(b)]	43,389	42,404	23,377	23,842
	1,241,475	1,139,931	548,208	513,901
Average number of employees during the year	1,572	1,402	665	646

8 Finance costs - net

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Finance income:				
Interest income	(56,749)	(38,613)	(31,499)	(8,465)
Exchange gain	(69,863)	(59,795)	(51,644)	(51,741)
Finance income	(126,612)	(98,408)	(83,143)	(60,206)
Finance cost:				
Interest on bank borrowings, concern loans and current accounts	297,602	282,299	205,646	187,277
Exchange loss	48,035	67,811	-	-
Finance cost:	345,637	350,110	205,646	187,277
Net finance costs	219,025	251,702	122,503	127,071

9 Income tax expenses

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Current tax (Note 26)	497,660	451,111	233,306	170,227
Over provision in respect of prior years	(1,436)	-	-	-
Deferred tax release (Note 28)	(27,917)	(38,327)	(22,782)	(4,006)
WHT on dividend paid by subsidiaries	40,817	13,610	-	-
	509,124	426,394	210,524	166,221

The tax on the Company's and Group's profit before tax differs from the theoretical amount that would arise using the effective tax rate applicable to profits of the Company and Group as follows :

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Profit before tax	1,764,563	1,695,622	1,212,422	710,555
Tax calculated at effective tax rate of 28%	494,078	474,775	339,478	198,955
Tax effect of income liable at concessionary rate	(26,059)	(21,822)	(15,686)	(8,579)
Tax effect of income not subject to tax	(25,042)	(88,302)	(111,101)	(77,476)
Tax effect of expenses not deductible	103,673	96,810	47,122	44,812
Tax effect of allowable deductions	(54,251)	(55,803)	(26,507)	(31,462)
Utilisation of previously unrecognised tax losses	41	-	-	-
WHT on dividend paid by subsidiaries	40,817	13,610	-	-
Income tax under provision - 2012/13	-	31,474	-	31,474
Income tax under provision - 2013/14	-	12,503	-	12,503
Deferred tax (reversal) / charge	(27,917)	(38,327)	(22,782)	(4,006)
Tax effect of adjustment on consolidation	3,785	1,475	-	-
Tax charge	509,124	426,394	210,524	166,221

10 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders by the weighted average number of ordinary shares as at end of the year.

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Net profit attributable to equity holders	1,117,854	1,093,612	1,001,898	544,334
Weighted average number of ordinary	119,787,360	119,787,360	119,787,360	119,787,360
Basic earning per share (Rs.)	9.33	9.13	8.36	4.54

The shareholders of the Company ratified the proposed share sub-division of one into two of the issued ordinary shares at the extra ordinary general meeting held on 28 June 2016. The share sub-division increased the number of shares two-fold from 59,893,680 to 119,787,360 shares. Therefore Basic earning per share for 2016 has been restated in accordance with LKAS 33.

11 Dividend per share

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Dividends paid	179,681	119,787	179,681	119,787
Number of ordinary shares in issue (Note 32)	119,787,360	59,893,680	119,787,360	59,893,680
Dividend per share (Rs.)	1.50	2.00	1.50	2.00

Notes to the **Consolidated Financial Statements**

12 Property, plant and equipment

(a) Group

	Land and buildings	Plant, machinery and accessories	Equipment, tools and implements	Furniture, fittings and office equipment	Motor vehicles	Total
At 31 March 2015						
Cost / valuation	2,740,147	1,717,629	135,268	116,262	162,587	4,871,893
Accumulated depreciation	(157)	(1,074,796)	(80,835)	(86,928)	(97,564)	(1,340,279)
Net book amount	2,739,991	642,833	54,433	29,334	65,023	3,531,614
Year ended 31 March 2016						
Opening net book amount	2,739,991	642,833	54,433	29,334	65,023	3,531,614
Additions	35	71,683	3,811	3,343	45,922	124,794
Transfer from work in progress (Note 13)	7,462	34,733	-	-	-	42,195
Disposals / transfers						
- cost	-	(180)	-	-	(9,401)	(9,581)
- depreciation	-	5	-	-	7,847	7,852
Depreciation charge (Note 06)	(65,388)	(126,587)	(7,387)	(7,480)	(23,534)	(230,377)
Closing net book amount	2,682,099	622,487	50,857	25,197	85,857	3,466,497
At 31 March 2016						
Cost / valuation	2,747,644	1,823,865	139,079	119,605	199,108	5,029,301
Accumulated depreciation	(65,545)	(1,201,378)	(88,222)	(94,408)	(113,251)	(1,562,804)
Net book amount	2,682,099	622,487	50,857	25,197	85,857	3,466,497
	-	-	-	-	-	-
Year ended 31 March 2017						
Opening net book amount	2,682,099	622,487	50,857	25,197	85,857	3,466,497
Additions	-	55,387	4,257	5,961	14,338	79,943
Transfer from work in progress (Note 13)	11,101	19,922	-	-	1,504	32,527
Disposals / transfers						
- cost	-	-	-	-	(17,961)	(17,961)
- depreciation	-	-	-	-	11,658	11,658
Depreciation charge (Note 06)	(65,752)	(118,438)	(7,402)	(6,705)	(26,658)	(224,955)
Closing net book amount	2,627,448	579,358	47,712	24,453	68,738	3,347,709
At 31 March 2017						
Cost / valuation	2,758,745	1,899,174	143,336	125,566	196,989	5,123,810
Accumulated depreciation	(131,297)	(1,319,816)	(95,624)	(101,113)	(128,251)	(1,776,101)
Net book amount	2,627,448	579,358	47,712	24,453	68,738	3,347,709

(b) Company

	Land and buildings	Plant, machinery and accessories	Equipment, tools and implements	Furniture, fittings and office equipment	Motor vehicles	Total
At 31 March 2015						
Cost / valuation	1,102,056	850,494	13,609	64,470	66,639	2,095,468
Accumulated depreciation	-	(530,411)	(10,233)	(47,266)	(39,716)	(625,826)
Net book amount	1,102,056	320,083	3,376	17,204	26,923	1,469,642
Year ended 31 March 2016						
Opening net book amount	1,102,056	320,083	3,376	17,204	26,923	1,469,642
Additions	35	51,304	60	1,866	3,556	56,821
Transfer from work in progress (Note 13)	-	21,363	-	-	-	21,363
Disposals / transfers						-
- cost	-	-	-	-	(5,495)	(5,495)
- depreciation	-	-	-	-	5,495	5,495
Depreciation charge (Note 06)	(23,018)	(53,017)	(700)	(5,212)	(8,583)	(90,530)
Closing net book amount	1,079,073	339,733	2,736	13,858	21,896	1,457,296
At 31 March 2016						
Cost / valuation	1,102,091	923,161	13,669	66,336	64,700	2,169,957
Accumulated depreciation	(23,018)	(583,428)	(10,933)	(52,478)	(42,804)	(712,661)
Net book amount	1,079,073	339,733	2,736	13,858	21,896	1,457,296
	-	-	-	-	-	-
Year ended 31 March 2017						
Opening net book amount	1,079,073	339,733	2,736	13,858	21,896	1,457,296
Additions	-	10,862	-	3,855	4,500	19,217
Transfer from work in progress (Note 13)	1,892	-	-	-	-	1,892
Disposals / transfers						
- cost	-	-	-	-	(10,361)	(10,361)
- depreciation	-	-	-	-	7,081	7,081
Depreciation charge (Note 06)	(23,019)	(55,095)	(704)	(4,295)	(8,722)	(91,835)
Closing net book amount	1,057,946	295,500	2,032	13,418	14,394	1,383,290
At 31 March 2017						
Cost / valuation	1,103,983	934,023	13,669	70,191	58,839	2,180,705
Accumulated depreciation	(46,037)	(638,523)	(11,637)	(56,773)	(44,445)	(797,415)
Net book amount	1,057,946	295,500	2,032	13,418	14,394	1,383,290

Notes to the **Consolidated Financial Statements**

(c) Property, plant and equipment includes assets at valuation as follows.

Assets	Valued on	Name of the valuer	Valued amount
Company			
Land	31 March 2015	Mr J M Senanayaka Bandara	526,611
Buildings	31 March 2015	Mr J M Senanayaka Bandara	575,445
Group			
Land			
ACL Cables PLC	31 March 2015	Mr J M Senanayaka Bandara	526,611
Kelani Cables PLC	31 March 2015	Mr J M Senanayaka Bandara	266,000
ACL Plastics PLC	31 March 2015	Mr J M Senanayaka Bandara	87,438
Ceylon Bulbs and Electricals Limited	31 March 2015	Mr J M Senanayaka Bandara	590,500
ACL Kelani Magnet Wire (Private) Limited	31 March 2015	Mr J M Senanayaka Bandara	88,000
Ceylon Copper (Private) Limited	31 March 2015	Mr J M Senanayaka Bandara	36,388
ACL Electric (Private) Limited	31 March 2015	Mr J M Senanayaka Bandara	16,987
Buildings			
ACL Cables PLC	31 March 2015	Mr J M Senanayaka Bandara	575,445
Kelani Cables PLC	31 March 2015	Mr J M Senanayaka Bandara	194,000
ACL Plastics PLC	31 March 2015	Mr J M Senanayaka Bandara	90,741
ACL Kelani Magnet Wire (Private) Limited	31 March 2015	Mr J M Senanayaka Bandara	123,000
ACL Metals & Alloys (Private) Limited	31 March 2015	Mr J M Senanayaka Bandara	85,085
Ceylon Copper (Private) Limited	31 March 2015	Mr J M Senanayaka Bandara	24,310
ACL Electric (Private) Limited	31 March 2015	Mr J M Senanayaka Bandara	35,640

(d) If revalued assets were stated on the historical cost basis, the amounts would be as follows:

		31 March 2017		
	Valued on	Cost	Accumulated depreciation	Net book value
Company				
Land	31March2015	250,972	-	250,972
Building	31March2015	207,024	103,937	103,087
Group				
Land				
ACL Cables PLC	31March2015	194,738	-	194,738
Kelani Cables PLC	31March2015	163,005	-	163,005
ACL Plastics PLC	31March2015	7,509	-	7,509
Ceylon Bulbs and Electricals Limited	31March2015	296	-	296
ACL Kelani Magnet Wire (Private) Limited	31March2015	38,227	-	38,227
Ceylon Copper (Private) Limited	31March2015	25,199	-	25,199
ACL Electric (Private) Limited	31March2015	16,987	-	16,987

		31 March 2017		
	Valued on	Cost	Accumulated depreciation	Net book value
Buildings				
ACL Cables PLC	31March2015	214,800	101,600	113,200
Kelani Cables PLC	31March2015	72,671	35,851	36,820
ACL Plastics PLC	31March2015	41,084	27,719	13,365
Ceylon Bulbs and Electricals Limited	31March2015	1,625	1,625	-
ACL Kelani Magnet Wire (Private) Limited	31March2015	57,518	22,945	34,573
ACL Metals & Alloys (Private) Limited	31March2015	34,141	12,058	22,083
Ceylon Copper (Private) Limited	31March2015	15,860	3,165	12,695
ACL Electric (Private) Limited	31March2015	37,751	6,040	31,711

(e) The initial cost of fully depreciated property, plant and equipment which are still in use at the balance sheet date are as follows;

	31 March	
	2017	2016
ACL Cables PLC	603,552	589,281
ACL Plastics PLC	55,020	46,265
ACL Polymers (Private) Limited	19,276	19,276
Kelani Cables PLC	225,312	138,244
Ceylon Bulbs & Electricals Limited	14,064	14,064
ACL Kelani Magnet Wire (Private) Limited	96,315	95,904
ACL Metals & Alloys (Private) Limited	276	276

13 Work in progress

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Balance at the beginning of the year	32,853	64,127	4,548	25,911
Cost incurred during the year	36,298	11,429	1,788	-
Amount transferred to property, plant and equipment (Note 12)	(32,527)	(42,195)	(1,892)	(21,363)
Impairment on capital work in progress	-	(508)	-	-
Capital work in progress written-off	(4,647)		(3,791)	-
Disposal of capital work in progress	(299)	-	-	-
Balance at the end of the year	31,678	32,853	653	4,548

Notes to the **Consolidated Financial Statements**

14 Investment property

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Balance at the beginning of the year	516,000	493,000	285,000	285,000
Revaluation surplus	22,750	23,000	-	-
Balance at the end of the year	538,750	516,000	285,000	285,000

(a) Details of land and buildings under investment property

Location	Extent	Carryingvalue
Piliyandala	13A. 0R. 2.5P	66,000
Piliyandala	1A. 0R. 32.8P	53,000
Piliyandala	0A. 0R. 17P	7,000
Piliyandala	2A. 2R. 28.27P	100,000
Kalutara	2A. 3R. 1P	59,000
Total of the Comapny		285,000
Ekala	13A. 0R. 2P	253,750
Total of the Group		538,750

(b) Amounts recognised in the income statement for investment properties.

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Rent income	2,720	2,260	2,720	2,260
Direct Operating expenses from property generated rental income	-	-	-	-
Direct Operating expenses from property that did not generated rental income	-	-	-	-
Fair value gain recognised in other income	22,750	23,000	-	-

(c) Market Value

Investment properties of the Group are accounted for on the revaluation value model. The value has been determined on fair value basis using market evidence. The last Valuation of the Company was carried out by an independent professional Valuer Mr. Senanayake Bandara, a Fellow Member of the Institute of Valuers of Sri Lanka, as at 31 March 2015 and Kelani Cables PLC as at 31 March 2017.

15 Intangible assets

(a) Group

	31 March 2017			31 March 2016		
	Goodwill	Computer software	Total	Goodwill	Computer software	Total
At 31 March						
Balance at the beginning of the year	38,945	36,661	75,606	38,945	36,300	75,245
Additions	-	396	396	-	361	361
Balance at the end of the year	38,945	37,057	76,002	38,945	36,661	75,606
Accumulated amortisation						
Balance at the beginning of the year	32,951	31,168	64,119	32,951	25,008	57,959
Amortization charge	-	2,745	2,745	-	6,160	6,160
Balance at the end of the year	32,951	33,913	66,864	32,951	31,168	64,119
Net book amount	5,994	3,144	9,138	5,994	5,493	11,487

(b) Company

	31 March 2017			31 March 2016		
	Goodwill	Computer software	Total	Goodwill	Computer software	Total
	Goodwill	software	Total	Goodwill	software	Total
At 31 March						
Balance at the beginning of the year	-	30,838	30,838	-	30,477	30,477
Additions	-	396	396	-	361	361
Balance at the end of the year	-	31,234	31,234	-	30,838	30,838
Accumulated amortisation						
Balance at the beginning of the year	-	25,345	25,345	-	20,308	20,308
Amortization charge	-	2,745	2,745	-	5,037	5,037
Balance at the end of the year	-	28,090	28,090	-	25,345	25,345
Net book amount	-	3,144	3,144	-	5,493	5,493

Notes to the **Consolidated Financial Statements**

Goodwill arising on consolidation of subsidiaries is as follows;

Year	Subsidiary Company	Goodwill on consolidation
1994/95	ACL Plastics PLC	6,090
1995/96	Lanka Olex Cables (Private) Limited and Kelani Cables PLC	26,035
1997/98	Ceylon Bulbs and Electricals Limited	459
2004/05	ACL Kelani Magnet Wire (Private) Limited	917
2006/07	Ceylon Bulbs and Electricals Limited	5,441
2007/08	Ceylon Bulbs and Electricals Limited	2

Goodwill arising from business combinations after 1 June 2005, is no longer amortised but tested for impairment annually as per SLFRS 3.
Gain on bargain purchase arising on consolidation of subsidiaries is as follows;

Year	Subsidiary Company	Gain on bargain purchase arising on consolidation
1998/99	ACL Plastics PLC	5,127
1999/00	Lanka Olex Cables (Private) Limited and Kelani Cables PLC	17,502
1999/00	Ceylon Bulbs and Electricals Limited	2
2009/10	Ceylon Bulbs and Electricals Limited	6,265

Negative goodwill arising from business combinations after 1 June 2005, is no longer amortised but charged to income statement fully in the year of acquisition.

16 Prepaid lease rentals

	Group 31 March	
	2017	2016
Balance at the beginning of the year	1,710	1,732
Amortisation during the year	(22)	(22)
Balance at the end of the year	1,688	1,710
Amount to be amortised within one year	22	22
Amount to be amortised after one year	1,666	1,688
	1,688	1,710

Property on operating lease:	Victoria Golf Course and Country Resort in Kandy
Land extent:	R 01 - P9
Lease period:	92 years from 24 March 2002
Lease rentals:	
from 2002 to 2011	Rs 21,935 per annum
from 2012 to 2094	Rs 22,203 per annum

17 Investment in subsidiaries

	31 March 2017			31 March 2016		
	Number of shares	Cost	Market value	Number of shares	Cost	Market value
Company						
Quoted						
ACL Plastics PLC	2,746,969	33,300	505,168	2,746,969	33,300	425,780
Kelani Cables PLC	933,756	10,753	109,716	933,756	10,753	105,048
Total investment in quoted companies		44,053	614,884		44,053	530,828
Unquoted						
Ceylon Bulbs and Electricals Limited	1,051,345	58,515		1,051,345	58,515	
Lanka Olex Cables (Private) Limited						
"A" Class ordinary shares	99			99		
"B" Class ordinary shares	3,065,610	291,180		3,065,610	291,180	
Preference shares	161,818			161,818		
ACL Kelani Magnet Wire (Private) Limited	11,950,000	119,500		11,950,000	119,500	
ACL Metals and Alloys (Private) Limited	2,500,000	25,000		2,500,000	25,000	
Ceylon Copper (Private) Limited	3,000,001	30,000		3,000,001	30,000	
ACL Electric (Private) Limited	10,000,001	100,000		10,000,001	100,000	
Total investment in unquoted companies		624,195			624,195	
Provision for impairment [17(a)]		(92,005)			(92,005)	
Total investment in unquoted companies		532,190			532,190	
Total cost of investments in subsidiaries		576,243			576,243	

ACL Cables PLC acquired a controlling interest in Lanka Olex Cables (Private) Limited in October 1999. Kelani Cables PLC is a subsidiary of Lanka Olex Cables (Private) Limited.

In the Company's financial statements, investments in subsidiaries have been accounted for at cost.

Notes to the **Consolidated Financial Statements**

(a) **Provision for impairment for investment**

	Company 31 March 2017	Company 31 March 2016
Balance as at 1 April	92,005	92,005
Provision for the year	-	-
Balance as at 31 March	92,005	92,005

18 Investment in equity accounted investee

	Group 31 March 2017	Group 31 March 2016	Company 31 March 2017	Company 31 March 2016
Investment in equity accounted investee (at cost)	301,503	823,749	333,454	778,060
Share of profit /(loss) [Note 18(b)]	(25,282)	54,735	-	-
Share of other comprehensive income [Note 18(b)]	(935)	306	-	-
Share of revaluation surplus	-	2,704	-	-
Share of other equity adjustments	-	(2,601)	-	-
Re-purchase of shares	-	-	-	(444,606)
Impact on share re-purchase	-	(508,449)	-	-
Impact on change of ownership	-	(68,941)	-	-
Carrying amount of interest in associates	275,286	301,503	333,454	333,454

In December 2014, ACL Cables PLC acquired 34.51% of the voting rights of Resus Energy PLC. The acquisition has been accounted for using the equity method.

Resus Energy PLC, an equity accounted investee of ACL Cables PLC re-purchased 24,687,204 ordinary shares held by ACL Cables PLC on 14 August 2015 at a price of LKR 24 per ordinary share on the basis of four ordinary shares for every seven ordinary shares held in Resus Energy PLC. Total proceeds received and the profit on share re-purchase were LKR 592 million and LKR 148 million respectively. At the year end the Company hold 31.71% share of Resus Energy PLC.

Provisional fair values of the identifiable assets and liabilities of Resus Energy PLC were used when arriving to the results of the acquisition.

(a) **Total comprehensive income from equity accounted investee**

	Resus Energy PLC 31 March	
	2017	2016
Share of (loss)/profit	(25,282)	54,735
Amount recognised in the income statement	(25,282)	54,735
Other comprehensive (expenses)/income for the year, net of tax	(935)	306
Total comprehensive income for the year	(26,217)	55,041

(b) **Summarised financial information of equity accounted investee**

	Resus Energy PLC 31 March	
	2017	2016
Revenue and loss		
Revenue	240,043	393,050
(Loss)/profit	(88,546)	200,316
Assets and liabilities		
Total assets	2,091,353	2,097,448
Total liabilities	(1,226,801)	(1,140,788)
Non-controlling interest	3,587	(5,845)
Net assets	868,139	950,815

19 Available-for-sale financial assets

(a) **Movement of available-for-sale financial assets**

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Balance at the beginning of the year	31,629	30,145	10,061	11,581
Fair value adjustment	2,425	(3,167)	910	(1,670)
Cost of share purchased	157	8,931	157	149
Disposal of shares	-	(4,280)	-	-
	34,211	31,629	11,127	10,061

Notes to the **Consolidated Financial Statements**

(b) Company

	31 March 2017			31 March 2016		
	Number of shares	Cost	Market value	Number of shares	Cost	Market value
Banking finance and insurance						
Merchant Bank of Sri Lanka PLC	18,379	1,546	250	18,379	1,546	187
Nations Trust Bank PLC	18,432	450	1,491	18,432	450	1,368
Telecommunication						
Dialog Axiata PLC	390,000	4,143	4,095	390,000	4,143	3,978
Diversified holdings						
John Keells Holdings PLC	25,856	1,430	3,749	21,702	1,430	3,212
John Keells Holdings PLC - Share warrants	-	-	-	923	-	9
Lanka Century Investments PLC	130,700	13,250	1,542	130,700	13,250	1,307
Total cost of investments by the Company		20,819	11,127		20,819	10,061

(c) Investments by subsidiary companies

	31 March 2017			31 March 2016		
	Number of shares	Cost	Market value	Number of shares	Cost	Market value
Banking finance and insurance						
Nations Trust Bank PLC	25,592	512	1,894	25,592	512	1,899
DFCC Bank	13	2	1	13	2	3
People's Insurance PLC	585,500	8,782	10,714	585,500	8,782	9,896
Plantation						
Maskeliya Plantations PLC	8,200	375	63	8,200	375	63
Kotagala Plantations PLC	10,000	477	101	10,000	477	151
Diversified holdings						
Hayleys PLC	38,907	2,953	10,310	38,907	2,953	9,559
Total cost of investments by subsidiaries		13,101	23,083		13,101	21,568
Total cost of investments by Group		33,920	34,211		33,920	31,629

(d) Available-for-sale financial assets include the ordinary share investments.

20 Inventories

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Raw materials	1,331,955	1,068,184	503,764	375,077
Work-in-progress	831,334	736,842	509,416	533,816
Finished goods	2,002,309	1,965,051	930,090	860,265
Goods in transit	134,859	161,245	-	-
Other stocks	243,852	241,835	120,712	121,048
	4,544,309	4,173,157	2,063,982	1,890,206
Provision for obsolete stock [20(a)]	(180,972)	(186,387)	(68,825)	(99,148)
Net book amount	4,363,337	3,986,770	1,995,157	1,791,058

(a) **Provision for obsolete stock**

Balance at the beginning of the year	177,305	168,343	99,148	97,890
Provision/(reversal) for the year	3,667	18,044	(30,323)	1,258
Balance at the end of the year	180,972	186,387	68,825	99,148

21 Trade and other receivables

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Trade receivables	4,533,691	3,590,810	2,289,310	1,834,145
Provision for impairment of trade and other receivables [Note 21(a)]	(210,085)	(145,226)	(119,302)	(53,553)
Trade receivables - net	4,323,606	3,445,584	2,170,008	1,780,592
Receivable from related companies [Note 38.13(b)]	-	50	244,486	192,673
Loan given to related companies [Note 38.13(c)]	-	-	32,075	32,075
Advance and prepayments	51,737	104,473	27,138	27,649
Other receivables	958,827	700,620	610,226	443,750
	5,334,170	4,250,727	3,083,933	2,476,739

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

Notes to the **Consolidated Financial Statements**

(a) **Impairment of trade and other receivables**

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Balance at the beginning of the year	145,226	131,888	53,553	34,774
Provision for the year	63,358	18,779	63,358	18,779
Recovery of written off debtors	2,391	-	2,391	-
Debtors written off	(890)	(5,441)	-	-
Balance at the end of the year	210,085	145,226	119,302	53,553

(b) **Trade receivables, receivables from related parties, loans to related parties, advance and prepayments and other receivables by credit quality:**

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Neither past due nor impaired	4,802,642	3,590,458	2,798,368	2,059,676
Past due but not impaired	741,613	805,495	404,867	470,616
Impaired	(210,085)	(145,226)	(119,302)	(53,553)
	5,334,170	4,250,727	3,083,933	2,476,739

Past due but not impaired

Debtors with a carrying amount of LKR 742 million (2015/2016 - LKR 805 million) and LKR 405 million (2015/2016 - LKR 471 million), which are past due for the Group and the Company respectively at the end of the reporting period but which the Company has not impaired as there has not been a significant change in credit quality and the Directors of the Company believe that overdue amounts are fully recoverable.

Impaired

The trade receivables impaired were LKR 210 million (2015/2016 - LKR 145 million) and LKR 119 million (2015/2016 - LKR 54 million) for the Group and the Company respectively at the end of the reporting period.

22 Held-to-maturity financial assets

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Balance at the beginning of the year	1,067,315	-	578,280	-
Investment in held-to-maturity financial assets	388,336	1,067,315	230,067	578,280
Cash proceeds from held-to-maturity financial assets	(1,073,135)	-	(584,100)	-
Exchange gain on revaluation	20,236	-	14,361	-
Balance at the end of the year	402,752	1,067,315	238,608	578,280

The fair value of the Sri Lanka Development Bonds is LKR 403 million (2015/2016 - LKR 1,067 million). Fair value was determined by reference to published price quotations in an active market.

(a) **Details of the investment in Sri Lanka Development Bonds:**

Investment	Maturity date	Interest rate	Value (USD)
Sri Lanka Development Bonds	30.06.2017	LIBOR+4.45% p.a	500,000
Sri Lanka Development Bonds	30.06.2017	LIBOR+4.45% p.a	500,000
Sri Lanka Development Bonds	30.06.2017	LIBOR+4.45% p.a	500,000
Sri Lanka Development Bonds	30.06.2017	LIBOR+4.45% p.a	10,000
Sri Lanka Development Bonds	30.06.2017	LIBOR+4.45% p.a	10,000
Sri Lanka Development Bonds	30.06.2017	LIBOR+4.45% p.a	10,000
Sri Lanka Development Bonds	30.06.2017	LIBOR+4.45% p.a	10,000
Sri Lanka Development Bonds	30.06.2017	LIBOR+4.45% p.a	10,000
Sri Lanka Development Bonds	30.06.2017	LIBOR+4.45% p.a	10,000
Sri Lanka Development Bonds	30.06.2017	LIBOR+4.45% p.a	10,000
Total of the Company			1,570,000
Sri Lanka Development Bonds	30.06.2017	LIBOR+4% p.a	1,080,000
Total of the Group			2,650,000

23 Cash and cash equivalents

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Cash at bank	2,222,697	1,704,813	815,005	346,910
Cash in hand	2,274	2,492	358	358
	2,224,971	1,707,305	815,363	347,268

For the purposes of the statements of cash flows, the year end cash and cash equivalents comprise the following:

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Cash at bank and in hand	2,224,971	1,707,305	815,363	347,268
Bank overdraft (Note 25)	(1,032,279)	(924,522)	(827,900)	(773,960)
	1,192,692	782,783	(12,537)	(426,692)

24 Trade and other payables

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Trade payables	1,622,099	1,712,423	96,821	254,990
Payables to related parties [Note 38.13 (a)]	-	-	615,317	665,148
Loans from related parties [Note 38.13 (d)]	-	-	123,193	123,193
Accrued expenses and other payable	328,118	297,667	102,478	104,619
	1,950,217	2,010,090	937,809	1,147,950

Notes to the **Consolidated Financial Statements**

25 Borrowings

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Long term borrowings				
Amount payable after one year	207,841	914,591	200,000	882,750
	207,841	914,591	200,000	882,750
Short term borrowings				
Amount payable within one year	1,555,134	808,283	1,148,315	421,938
Bank overdraft	1,032,279	924,522	827,900	773,960
	2,587,413	1,732,805	1,976,215	1,195,898
Total borrowings	2,795,254	2,647,396	2,176,215	2,078,648

(a) **Analysed by lenders**

		Group 31 March		
Lender	Interest Rate	2017	2016	Security
Hatton National Bank PLC	Linked to AWPLR	7,841	614,591	Land
State Bank of India	Linked to AWPLR	200,000	300,000	Land, building and stocks
Total long-term borrowings		207,841	914,591	
Standard Chartered Bank	Linked to AWPLR	1,258,880	1,111,974	Stocks and Book Debts/ Lien over call account funds
Hatton National Bank PLC	Linked to AWPLR	454,768	517,108	Demand promissory note/ Stocks / book debts and land
Nations Trust Bank PLC	Linked to AWPLR	773,765	143	Stocks and book debts
Hongkong and Shanghai Banking Corporation	Linked to AWPLR	-	3,580	No assets pledged
State Bank of India		100,000	100,000	Land, building and stocks
Total short-term borrowings		2,587,413	1,732,805	
Total borrowings		2,795,254	2,647,396	

Lender	Interest Rate	Company 31 March 2017	2016	Security
State Bank of India	Linked to AWPLR	200,000	300,000	Land, Building and stocks
Hatton National Bank PLC	Linked to AWPLR	-	582,750	Board resolution
Total long-term borrowings		200,000	882,750	
Standard Chartered Bank	Linked to AWPLR	876,061	763,909	Stocks and Book Debts/ Lien over call account funds
Hatton National Bank PLC	Linked to AWPLR	226,389	331,845	Demand promissory note/ Stocks and book debts
Nations Trust Bank PLC	Linked to AWPLR	773,765	144	Stocks and book debts
State Bank of India	Linked to AWPLR	100,000	100,000	Land, Building and stocks
Total short-term borrowings		1,976,215	1,195,898	
Total borrowings		2,176,215	2,078,648	

26 Current income tax liabilities

	Group 31 March 2017	2016	Company 31 March 2017	2016
Balance at the beginning of the year	781,919	463,029	308,853	138,626
Provision for the current year (Note 9)	497,660	451,111	233,306	170,227
Over provision in respect of prior years	(1,436)	-	-	-
Payments made during the year	(435,212)	(132,221)	(74,041)	-
Balance at the end of the year	842,931	781,919	468,118	308,853

27 Defined benefit obligations

(a) **The amounts recognised in the balance sheet are determined as follows:**

	Group 31 March 2017	2016	Company 31 March 2017	2016
Balance at the beginning of the year	253,462	242,719	148,994	150,109
Current service cost	16,781	18,299	7,733	8,831
Interest cost	26,608	24,105	15,644	15,011
Actuarial gain during the year	(32,883)	(8,817)	(23,156)	(6,899)
	263,968	276,306	149,215	167,052
Benefits paid	(22,727)	(22,844)	(9,881)	(18,058)
Balance at the end of the year	241,241	253,462	139,334	148,994

Notes to the **Consolidated Financial Statements**

(b) **The amounts recognised in the income statement are as follows:**

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Current service cost	16,781	18,299	7,733	8,831
Interest cost	26,608	24,105	15,644	15,011
Recognised in income statement	43,389	42,404	23,377	23,842

(c) **The amounts recognised in the statement of comprehensive income are as follows:**

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Actuarial gain	(32,883)	(8,817)	(23,156)	(6,899)
Recognised in statement of comprehensive income	(32,883)	(8,817)	(23,156)	(6,899)

The Company maintains an unfunded defined benefit plan providing for gratuity benefits to employees expressed in terms of final monthly salary and number of years of service.

As at 31 March 2017, the gratuity liability was actuarially valued under the Projected Unit Credit (PUC) method by a professionally qualified actuary firm, Actuarial & Management Consultants (Private) Limited.

(d) **The key assumptions used by the actuary include the following :**

	Group/ Company 31 March	
	2017	2016
Rate of discount	12.5%	10.5%
Salary increment rate	10.0%	10.0%
Retirement age	55 years	55 years

Sensitivity analysis :

The following table demonstrates the sensitivity to reasonably possible changes at the reporting date in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

(e) The sensitivity of the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the employment benefit obligation for the year.

	2017				
		Group		Company	
	Change	Financial position-liability	Comprehensive income-(charge) / credit for the year	Financial position-liability	Comprehensive income-(charge) / credit for the year
Discount rate	+1	(13,522)	13,522	(7,895)	7,895
	-1	15,093	(15,093)	8,814	(8,814)
Future salary increases	+1	15,787	(15,787)	9,051	(9,051)
	-1	(14,353)	14,353	(8,225)	8,225

	2016				
		Group		Company	
	Change	Financial position-liability	Comprehensive income-(charge) / credit for the year	Financial position-liability	Comprehensive income-(charge) / credit for the year
Discount rate	+1	(16,237)	16,237	(9,393)	9,393
	-1	18,357	(18,357)	10,587	(10,587)
Future salary increases	+1	19,019	(19,019)	10,899	(10,899)
	-1	(17,078)	17,078	(9,821)	9,821

28 Deferred income tax

28.1 Deferred income tax liability

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 28%.

(a) **Movement in deferred income tax liability**

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Balance at the beginning of the year	209,370	310,450	82,728	139,186
Reversal of temporary differences recognised in income statement	(26,037)	(38,327)	(22,782)	(4,006)
Origination of temporary differences recognised in Other Comprehensive Income	8,161	1,576	6,484	1,207
Effect on surplus on revaluation of buildings	79,719	(63,105)	53,659	(53,659)
Deferred tax on amount transferred from retained earnings	(1,961)	(1,224)	-	-
Balance at the end of the year	269,252	209,370	120,089	82,728

Notes to the **Consolidated Financial Statements**

(b) **Composition of deferred income tax liabilities**

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Property, plant and equipment	414,433	304,324	211,777	135,524
Defined benefit obligations	(66,093)	(53,400)	(39,013)	(26,074)
Provision for impairment of inventories	(22,678)	(19,595)	(19,271)	(17,351)
Provision for impairment of trade receivables	(33,404)	(9,372)	(33,404)	(9,372)
Provision for payment in lieu of employee share issue scheme	(405)	(423)	-	-
Tax losses carried forward	(22,600)	(12,164)	-	-
	269,252	209,370	120,089	82,728

28.2 Deferred income tax asset

(a) **Movement in deferred income tax asset**

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Balance at the beginning of the year	-	-	-	-
Origination/(reversal) of temporary differences recognised in Income Statement	(1,880)	-	-	-
Origination/(reversal) of temporary differences recognised in Other Comprehensive Income	106	-	-	-
Balance at the end of the year	(1,774)	-	-	-

(d) **Composition of deferred income tax asset**

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Defined benefit obligations	(400)	-	-	-
Tax losses carried forward	(1,374)	-	-	-
	(1,774)	-	-	-

29 Financial instruments by category

(a) Financial instruments

Group	Loans and receivables	Fair value through profit or loss	Available-for-sale financial assets	Held to maturity investments	Total
31 March 2017					
Assets as per the statement of financial position					
Held-to-maturity financial assets	-	-	-	402,752	402,752
Available-for-sale financial assets	-	-	34,211	-	34,211
Trade and other receivables (excluding pre-payments)	5,282,433	-	-	-	5,282,433
Cash and bank balances (Note 23)	2,224,971	-	-	-	2,224,971
	7,507,404	-	34,211	402,752	7,944,367

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
31 March 2017			
Liabilities as per the statement of financial position			
Trade and other payables (excluding statutory liabilities)	-	1,933,310	1,933,310
Other borrowed funds (Note 25)	-	2,795,254	2,795,254
	-	4,728,564	4,728,564

Company	Loans and receivables	Fair value through profit or loss	Available-for-sale financial assets	Held to maturity investments	Total
31 March 2017					
Assets as per the statement of financial position					
Held-to-maturity financial assets	-	-	-	238,608	238,608
Available-for-sale financial assets	-	-	11,127	-	11,127
Trade and other receivables (excluding pre-payments)	3,056,795	-	-	-	3,056,795
Cash and bank balances (Note 23)	815,363	-	-	-	815,363
	3,872,158	-	11,127	238,608	4,121,893

Notes to the **Consolidated Financial Statements**

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
31 March 2017			
Liabilities as per the statement of financial position			
Trade and other payables (excluding statutory liabilities)	-	929,580	929,580
Other borrowed funds (Note 25)	-	2,176,215	2,176,215
	-	3,105,795	3,105,795

Group	Loans and receivables	Fair value through profit or loss	Available-for-sale financial assets	Held to maturity investments	Total
31 March 2016					
Assets as per the statement of financial position					
Held-to-maturity financial assets	-	-	-	1,067,315	1,067,315
Available-for-sale financial assets	-	-	31,629	-	31,629
Trade and other receivables (excluding pre-payments)	4,146,254	-	-	-	4,146,254
Cash and bank balances (Note 23)	1,707,305	-	-	-	1,707,305
	5,853,559	-	31,629	1,067,315	6,952,503

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
31 March 2016			
Liabilities as per the statement of financial position			
Trade and other payables (excluding statutory liabilities)	-	1,996,464	1,996,464
Other borrowed funds (Note 25)	-	2,647,396	2,647,396
	-	4,643,860	4,643,860

Company	Loans and receivables	Fair value through profit or loss	Available-for-sale financial assets	Held to maturity investments	Total
31 March 2016					
Assets as per the statement of financial position					
Held-to-maturity financial assets	-	-	-	578,280	578,280
Available-for-sale financial assets	-	-	10,061	-	10,061
Trade and other receivables (excluding pre-payments)	2,449,090	-	-	-	2,449,090
Cash and bank balances (Note 23)	347,268	-	-	-	347,268
	2,796,358	-	10,061	578,280	3,384,699

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
31 March 2016			
Liabilities as per the statement of financial position			
Trade and other payables (excluding statutory liabilities)	-	1,140,779	1,140,779
Other borrowed funds (Note 25)	-	2,078,648	2,078,648
	-	3,219,427	3,219,427

(b) Credit quality by class of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Group				Company			
	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
31 March 2017								
Held-to-maturity financial assets	402,752	-	-	402,752	238,608	-	-	238,608
Available-for-sale Financial assets	34,211	-	-	34,211	11,127	-	-	11,127
Trade and other receivables (excluding pre -payments)	4,750,905	741,613	210,085	5,492,518	2,771,230	404,867	119,302	3,176,097
Cash and bank balances	2,224,971	-	-	2,224,971	815,363	-	-	815,363
	7,412,839	741,613	210,085	8,154,452	3,836,328	404,867	119,302	4,241,195

Notes to the **Consolidated Financial Statements**

Cash at bank and short-term bank deposits	Group 31 March		Company 31 March	
	2017	2016	2017	2016
AAA(lka)	1,217,822	1,054,312	300,272	279,217
AA+(lka)	462,134	7,103	460,797	129
AA(lka)	1,267	5,068	1,267	5,068
A+(lka)	14,629	17,012	13,129	16,929
A(lka)	11,314	3,943	6,502	994
AA-(lka)	515,385	617,308	32,891	44,506
BBB-	147	67	147	67
Total	2,222,697	1,704,813	815,005	346,910

30 Contingent Liabilities

Company

(a) The Department of Inland Revenue raised assessments on income tax for the year of assessments 2006/2007,2007/2008 ,2008/2009 ,2011/2012, 2012/2013, 2013/2014 and 2014/2015 relating to the exemption claimed for profits under section 17 of the Inland Revenue Act No. 10 of 2006. The Company submitted appeals against the said assessments within the stipulated time frame in accordance with the Inland Revenue Act. The matters pertaining to the year of assessments 2006/2007, 2007/2008 and 2008/2009 are referred to the Court of Appeal for their opinion. The year of assessment 2011/2012 is pending before the Tax Appeal Commission for their determination. Management of the Company is of the view that no liability would arise since the Company is entitled for the Income Tax exempt under section 17 of the Inland Revenue Act No. 10 of 2006.

(b) The Company has issued corporate guarantees to secure the banking facilities obtained by the following Companies from Standard Chartered Bank.

- ACL Kelani Magnet Wire (Private) Limited amounting to USD 2 million or equivalent in LKR
- ACL Metals and Alloys (Private) Limited amounting to LKR. 800 million
- ACL Electric (Private) Limited amounting to LKR 230 million
- Ceylon Copper (Private) Limited amounting to LKR 1,350 million

(c) Bank guarantees amounting to LKR 389 million have been given to the suppliers as at 31 March 2017.

Group

(a) **ACL Metals and Alloys (Private) Limited**

The Department of Inland Revenue raised assessments on income tax for the year of assessments 2007/2008, 2010/2011,2011/2012,2012/2013 and 2013/2014 relating to the exemption claimed for profits under section 17 of the Inland Revenue Act No. 10 of 2006. The Company submitted appeals against the said assessments within the stipulated time frame in accordance with the Inland Revenue Act. The matters pertaining to the year of assessments 2007/2008 and 2010/2011 are referred to the Court of Appeal for their opinion. The year of assessments 2011/2012 and 2012/2013 are pending before the Tax Appeal Commission for their determination. Management of the Company is of the view that no liability would arise since the Company is entitled for the income tax exemption under section 17 of the Inland Revenue Act No. 10 of 2006.

Bank guarantees amounting to LKR 36 million have been given to the suppliers as at 31 March 2017.

(b) **ACL Polymers (Pvt) Ltd**

The Department of Inland Revenue raised an assessment on income tax for the year of assessment 2007/2008 relating to the exemption claimed for profits under section 17 of the Inland Revenue Act No. 10 of 2006. The Company submitted an appeal against the said assessment within the stipulated time frame in accordance with the Inland Revenue Act. The matter is referred to the Court of Appeal for their opinion. Management of the Company is of the view that no liability would arise since the Company is entitled for the Income Tax exempt under section 17 of the Inland Revenue Act No. 10 of 2006.

(c) **Kelani Cables PLC**
Bank guarantees amounting to LKR 124 million have been given to third parties as at 31 March 2017.

(d) **ACL Kelani Magnet Wire (Private) Limited**
Bank guarantees amounting to LKR 20 million have been given to the suppliers as at 31 March 2017.

(e) **ACL Plastics PLC**
Bank guarantees amounting to LKR 25 million have been given to the suppliers as at 31 March 2017.

31 Commitments

Financial commitments

Company

The Company has a commitment on Letter of Credits amounting to LKR 428 million as at 31 March 2017.

There were no other material commitments outstanding as at 31 March 2017.

Group

(a) **Kelani Cables PLC**
Kelani Cables PLC has a commitment on Letter of Credits amounting to LKR 243 million as at 31 March 2017.

(b) **ACL Plastics PLC**
ACL Plastics PL has a commitment on Letter of Credits amounting to LKR 17 million as at 31 March 2017.

(c) **Ceylon Copper (Private) Limited**
Ceylon Copper (Private) Limited has a commitment on Letter of Credits amounting to LKR 16 million as at 31 March 2017.

(d) **ACL Metals and Alloys (Private) Limited**
ACL Metals and Alloys (Private) Limited has a commitment on Letter of Credits amounting to LKR 7 million as at 31 March 2017.

(e) **ACL Electric (Private) Limited**
ACL Electric (Private) Limited has a commitment on Letter of Credits amounting to LKR 17 million as at 31 March 2017.

Capital commitments

Company

There were no material capital commitments outstanding at the balance sheet date.

Group

(a) **Kelani Cables PLC**
The following commitments for the capital expenditure was approved by the Board of Directors as at reporting date was not provided in the financial statements.

	Group 31 March	
	2017	2016
Approximate amount approved but not contracted for	15,660	40,411

Notes to the **Consolidated Financial Statements**

32 Stated capital

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Number of ordinary shares issued and fully paid				
Balance at the end of the year	119,787,360	59,893,680	119,787,360	59,893,680
Stated capital				
Balance at the beginning of the year	299,488	299,488	299,488	299,488
Balance at the end of the year	299,488	299,488	299,488	299,488

The Company effected a sub-division of its issued ordinary shares. The share sub-division increased the number of shares by two fold.

33 Capital reserve

(a) Capital reserve comprises profit on sale of property, plant and equipment and investments, Capital Redemption Reserve Fund (CRRF) created consequent to redemption of shares and revaluation surplus arising from net surplus on revaluation of property plant and equipment in 2015.

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Balance at the beginning of the year	1,875,347	1,818,019	849,241	795,582
Deferred tax on revaluation surplus	(79,719)	63,105	(53,659)	53,659
Transfer to retained earnings from revaluation reserve	(7,000)	(7,000)	-	-
Deferred tax on transfer	1,961	1,224	-	-
Balance at the end of the year	1,790,589	1,875,347	795,582	849,241

(b) **Group capital reserve as at balance sheet date consists of the following;**

	Group 31 March	
	2017	2016
Capital redemption reserve fund	2,625	2,625
Surplus on revaluation of property, plant and equipment	1,786,154	1,870,912
Profit on sale of property, plant and equipment and investment	1,810	1,810
	1,790,589	1,875,347

34 General reserve

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/Group for general applications.

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Balance at the beginning of the year	1,123,825	1,123,825	680,266	680,266
Balance at the end of the year	1,123,825	1,123,825	680,266	680,266

35 Available-for-sale reserve

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Balance at the beginning of the year	4,854	10,528	386	2,056
Fair value adjustment for available for-sale financial assets	1,898	(2,646)	910	(1,670)
Transfers upon disposals of AFS investments	-	(3,028)	-	-
Balance at the end of the year	6,752	4,854	1,296	386

36 Cash generated from operations

Reconciliation of profit/ (loss) before tax to cash generated from/ (used in)operations:

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Profit before tax	1,764,563	1,695,622	1,212,422	710,555
Adjustments for:				
Depreciation of property, plant and equipments (Note 12)	224,955	230,377	91,835	90,530
Amortization of intangible assets (Note 15)	2,745	6,160	2,745	5,037
Share of profit from equity accounted investee, net of tax [Note 18(a)]	25,282	(54,735)	-	-
Dividend income (Note 5)	(1,780)	(492)	(363,631)	(120,349)
Interest expense (Note 8)	345,637	350,110	205,646	187,277
Interest income (Note 8)	(126,612)	(98,408)	(83,143)	(60,206)
Exchange gain on investment in held-to-maturity financial assets (Note 22)	(20,236)	-	(14,361)	-
Profit on disposal of property, plant and equipment (Note 5)	(7,329)	(4,619)	(5,172)	(2,785)
Amortization of leasehold properties (Note 16)	22	22	-	-
Impairment for capital work in progress (Note 13)	-	508	-	-
Capital work in progress written-off (Note 13)	4,647	-	3,791	-
Gain on revaluation of investment property (Note 14)	(22,750)	(23,000)	-	-
Profit on disposal of shares (Note 5)	-	(3,296)	-	-
Profit on share re-purchase (Note 5)	-	-	-	(147,886)
Defined benefit obligations [Note 27(b)]	43,389	42,404	23,377	23,842
Changes in working capital:				
Increase in inventories	(376,567)	1,112,506	(204,099)	241,513
Increase in receivables and prepayments	(1,083,441)	717,835	(607,193)	903,687
Increase in trade and other payables	(59,873)	(1,278,724)	(210,141)	(975,200)
Cash generated from operations	712,652	2,692,270	52,076	856,015

Notes to the **Consolidated Financial Statements**

37 Segment information

(a) Business Segment information

	Manufacturing cables 2017	Manufacturing PVC compound 2017	Others 2017	Group 2017	Group 2016
Revenue					
Total revenue	15,246,451	1,449,361	3,589,958	20,285,770	18,273,403
Inter-segment sales	(1,074,883)	(1,323,631)	(3,217,521)	(5,616,035)	(5,462,179)
External sales	14,171,568	125,730	372,437	14,669,735	12,811,224
Results					
Profit before other income and finance cost	1,407,903	253,668	294,867	1,956,438	1,847,572
Other income	50,969	1,463	-	52,432	45,017
Finance cost	(114,139)	(10,416)	(94,470)	(219,025)	(251,702)
Share of profit of equity accounted investee and gain on bargain purchase (Power and energy)	-	-	-	(25,282)	54,735
Taxation	(360,774)	(75,064)	(73,286)	(509,124)	(426,394)
Profit after taxation	983,959	169,651	127,111	1,255,439	1,269,228
Assets					
Segment assets	13,549,564	777,410	1,647,327	15,974,301	14,782,638
Unallocated corporate assets				591,163	591,157
Total assets				16,565,464	15,373,796
Liabilities					
Segment liabilities	4,865,195	100,108	1,129,445	6,094,748	5,897,593
Unallocated corporate liabilities				4,148	4,644
Total liabilities				6,098,896	5,902,237
Capital expenditure					
Segment capital expenditure	85,990	3,226	27,421	116,637	136,584
Total capital expenditure				116,637	136,584
Depreciation and amortisation					
Segment depreciation and amortisation	178,865	17,408	31,427	227,700	236,537
Total depreciation and amortisation				227,700	236,537

(b) **Geographical segment information**

Geographical segment turnover is given in Note 4.

38 Directors' interests in contracts and related party transactions

38.1 Mr. U.G. Madanayake, Mr. Suren Madanayake and Mrs. N.C. Madanayake who are Directors of the Company, are also Directors of ACL Plastics PLC which is a 65.2% owned subsidiary of ACL Cables PLC.

38.2 Mr. U.G. Madanayake, Mr. Suren Madanayake and Mrs. N.C. Madanayake who are Directors of the Company are also the Directors of Lanka Olex Cables (Private) Limited which is a 100% owned subsidiary of ACL Cables PLC.

38.3 Mr. U.G. Madanayake, Mr. Suren Madanayake and Mrs.N.C.Madanayake who are Directors of the Company are also the Directors of Kelani Cables PLC which is a 79.2% owned subsidiary of ACL Cables PLC .

38.4 Mr. U.G. Madanayake and Mr. Suren Madanayake who are Directors of the Company are also the Directors of ACL Kelani Magnet Wire (Private) Limited which is a 93.79% owned subsidiary of ACL Cables PLC.

38.5 Mr. U.G. Madanayake and Mr. Suren Madanayake who are Directors of the Company are also the Directors of ACL Metals and Alloys (Private) Limited which is a 100% owned subsidiary of ACL Cables PLC.

38.6 Mr. U.G. Madanayake and Mr. Suren Madanayake who are Directors of the Company are also the Directors of ACL Polymers (Private) Limited which is a 65.2% owned subsidiary of ACL Cables PLC.

38.7 Mr U.G. Madanayake, Mr. Suren Madanayake and Mrs N. C. Madanayake who are Directors of the Company are also the Directors of Ceylon Bulbs and Electricals Limited which is a 95.3% owned subsidiary of ACL Cables PLC.

38.8 Mr. U. G. Madanayake and Mr. Suren Madanayake who are Directors of the Company are also the Directors of Ceylon Copper (Private) Limited which is a 100% owned subsidiary of ACL Cables PLC.

38.9 Mr. U. G. Madanayake and Mr. Suren Madanayake who are Directors of the Company are also the Directors of ACL Electric (Private) Limited which is a 100% owned subsidiary of ACL Cables PLC.

38.10 Mr. Suren Madanayake who is a Director of the Company is also a Director of S M Lighting (Private) Limited.

38.11 Mr. Suren Madanayake who is a Director of the Company is also a Director of Resus Energy PLC which is a 31.71% owned associate of ACL Cables PLC.

38.12 The Company had the following business transactions in the ordinary course of business during the year :

(a) Sales of goods and services (inclusive of taxes)

	Company 31 March 2017	2016
Kelani Cables PLC	983,443	884,554
ACL Metals and Alloys (Private) Limited	9,633	13
ACL Plastics PLC	26	705
ACL Kelani Magnet Wire (Private) Limited	40	56
Ceylon Copper (Private) Limited	81,157	139,653
ACL Electric (Private) Limited	110	96
	1,074,409	1,025,077

Notes to the **Consolidated Financial Statements**

(b) **Purchase of goods and services (inclusive of taxes)**

	Company 31 March 2017	2016
ACL Kelani Magnet Wire (Private) Limited	32,832	14,511
ACL Plastics PLC	826,039	717,660
Kelani Cables PLC	103,561	203,226
Ceylon Bulbs and Electricals Limited	1,200	1,200
ACL Metals and Alloys (Private) Limited	1,124,970	948,775
Ceylon Copper (Private) Limited	2,066,534	1,956,520
S M Lighting (Private) Limited	-	362
ACL Electric (Private) Limited	464	660
	4,155,600	3,842,254

(c) **Interest on loans from related party**

	Company 31 March 2017	2016
ACL Plastics PLC	4,798	3,601
Kelani Cables PLC	3,603	2,704
ACL Polymers (Private) Limited	2,152	1,615
	10,553	7,920

(d) **Interest on loans to related party**

	Company 31 March 2017	2016
ACL Kelani Magnet Wire (Private) Limited	2,761	-
	2,761	-

(e) **Dividends received from related party**

	Company 31 March 2017	2016
ACL Metals and Alloys (Private) Limited	38,250	36,495
Kelani Cables PLC	3,782	2,521
Lanka Olex Cables (Private) Limited	65,842	43,894
ACL Plastics PLC	15,141	10,180
Ceylon Copper (Private) Limited	240,300	27,000
	363,315	120,091

(f) There were no dividend payments to related parties during the year ended 31 March 2017.

(g) **Key management compensation**

	Group 31 March		Company 31 March	
	2017	2016	2017	2016
Short-term benefits	71,686	39,558	57,480	35,165
	71,686	39,558	57,480	35,165

38.13 Balances arising from above related party transactions as at the balance sheet date are as follows;

(a) **Payable to related parties**

	Company 31 March	
	2017	2016
Kelani Cables PLC	43,285	23,462
ACL Metals and Alloys (Private) Limited	202,926	70,353
ACL Plastics PLC	202,003	168,203
Ceylon Copper (Private) Limited	165,998	402,486
ACL Electric (Private) Limited	1,105	644
	615,317	665,148

(b) **Receivable from related parties**

	Company 31 March	
	2017	2016
Kelani Cables PLC	102,215	36,638
ACL Kelani Magnet Wire (Private) Limited	138,461	136,030
Ceylon Bulbs and Electricals Limited	3,809	4,354
ACL Plastics PLC	-	20
Ceylon Copper (Private) Limited	-	15,576
ACL Electric (Private) Limited	1	5
S M Lighting (Private) Limited	-	50
	244,486	192,673

(c) **Receivable on loans**

	Company 31 March	
	2017	2016
ACL Kelani Magnet Wire (Private) Limited	32,075	32,075
	32,075	32,075

Notes to the **Consolidated Financial Statements**

(d) **Payable on loans**

	Company 31 March 2017	2016
Kelani Cables PLC	41,854	41,854
ACL Plastics PLC	55,745	55,745
ACL Polymers (Private) Limited	25,000	25,000
Lanka Olex Cables (Private) Limited	594	594
	123,193	123,193

There were no other related parties or related party transactions during the year ended 31 March 2017 other than those disclosed above.

38.14 Interest in related entities

(a) Material Subsidiaries

The group's principal subsidiaries at 31 March 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. Sri Lanka is the country of incorporation or registration is also their principal place of business.

		Ownership interest held by the Group		Ownership interest held by non-controlling interest	
Name of entity	Place of incorporation	2017	2016	2017	2016
ACL Plastics PLC	Colombo	65.20%	65.20%	34.80%	34.80%
Kelani Cables PLC	Kelaniya	79.30%	79.30%	20.70%	20.70%
Ceylon Bulbs and Electricals Limited	Colombo	95.30%	95.30%	4.70%	4.70%
Lanka Olex Cables (Private) Limited	Colombo	100%	100%	-	-
ACL Kelani Magnet Wire (Private) Limited	Colombo	93.79%	93.79%	6.21%	6.21%
ACL Metals and Alloys (Private) Limited	Colombo	100%	100%	-	-
Ceylon Copper (Private) Limited	Colombo	100%	100%	-	-
ACL Electric (Private) Limited	Colombo	100%	100%	-	-

(b) Interest in associates

Set out below is the associate of the group as at 31 December 2016 which, in the opinion of the directors, are material to the group. The entity listed below has share capital consisting solely of ordinary shares, which are held directly by the group. Sri Lanka is the country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

		Ownership interest held by the Group		Carrying amount	
Name of entity	Place of incorporation	2017	2016	2017	2016
RESUS Energy PLC	Colombo	31.71%	31.71%	275,286	301,503

38.15 All the transactions with related parties are carried out in the ordinary course of business, on an arms' length basis and charge interest at quarterly review Treasury Bill rate. These are to be settled on demand.

38.16 Going concern

The Directors have made an assessment of the Company's and the Group's ability to continue as a going concern and they do not intend either to liquidate or to cease operations.

39 Events after the reporting period

Company

No circumstances have arisen since the balance sheet date other than above, which would require adjustments to, or disclosure in, the financial statements.

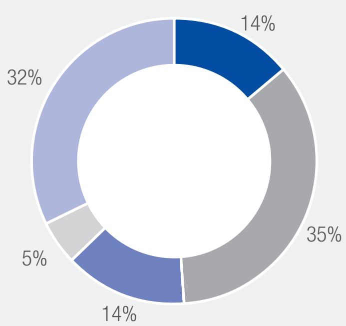
Group

No circumstances have arisen since the balance sheet date other than above, which would require adjustments to, or disclosure in, the financial statements.

Statement of **Value Added - Group**

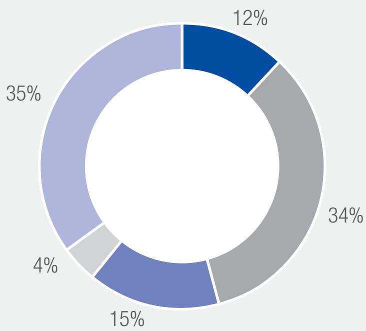
		2017 Rs. '000		2016 Rs. '000
Total revenue		14,669,735		12,811,224
Other operating & interest income		153,762		198,160
		14,823,497		13,009,384
Cost of material and services bought in		(11,246,869)		(9,562,019)
Total value added by the Group		3,576,628		3,447,365
Value added shared with				
Government of Sri Lanka	14%	509,124	12%	426,394
(Taxes)				
Employees	35%	1,241,473	34%	1,171,256
(Salaries and other costs)				
Lenders	14%	483,222	15%	525,726
(Interest on loan capital & minority interest)				
Shareholders	5%	179,681	4%	119,787
(Dividends)				
Retained in the business	32%	1,163,128	35%	1,204,202
(Depreciation & retained profits)				
	100%	3,576,628	100%	3,447,365

2017



Government of Sri Lanka	14%
Employees	35%
Lenders	14%
Shareholders	5%
Retained in the business	32%

2016



Government of Sri Lanka	12%
Employees	34%
Lenders	15%
Shareholders	4%
Retained in the business	35%

Information to **Shareholders**

(a) **Distribution of shareholders as at 31 March 2017**

Share range	Number of Shareholders	Number of ordinary shares	% of holding
01 to 1,000	1,413	435,693	0.36
1,001 to 5,000	554	1,426,664	1.19
5,001 to 10,000	191	1,489,793	1.24
10,001 to 50,000	190	4,133,897	3.45
50,001 to 100,000	45	3,227,527	2.69
100,001 to 500,000	45	9,473,481	7.91
500,001 to 1,000,000	5	3,590,734	3.00
Over 1,000,000	12	96,009,571	80.15
Total	2,455	119,787,360	100.00

(b) **Analysis report of shareholders as at 31 March 2017**

	Number of shares	% of holding
Institutional	32,636,587	27.25
Individuals	87,150,773	72.75
Total	119,787,360	100.00

(c) **Market and other information.**

	31 March 2017	31 March 2016
Company		
a) Earnings per share (LKR)	8.36	4.54
b) Dividends per share (LKR)	1.50	2.00
c) Net assets value per share (LKR)	40.78	34.21
d) Market value per share		
- Highest value (LKR)	127.00	122.00
- Lowest value (LKR)	52.70	88.00
- Value as at the end of financial year (LKR)	54.50	100.90
e) Number of trades	6,356	4,387
f) Total number of shares traded	13,791,665	10,434,064
g) Total turnover (LKR)	1,071,256,772	797,570,010
h) Percentage of shares held by the public	37.34%	37.94%
i) Number of public shareholders	2,451	2,259
j) Number of foreign shareholders	39	29
Consolidated		
a) Earnings per share (LKR)	9.33	9.13
b) Net assets value per share (LKR)	87.39	79.08

Information to **Shareholders**

(d) **Twenty largest share holders list as at**

		31 March 2017		31 March 2016	
	Share Holder Name	No. Shares	%	No. Shares	%
1	Mr. U. G. Madanayake	45,694,432	38.15	22,847,216	38.15
2	Mr. Suren Madanayake	26,604,792	22.21	13,302,396	22.21
3	Employees Provident Fund	5,907,432	4.93	3,093,716	5.17
4	Employees Trust Fund Board	4,427,057	3.70	430,475	0.72
5	Deutsche Bank AG -National Equity Fund	2,264,314	1.89	430,475	0.72
6	Mrs. N.C. Madanayake	2,064,200	1.72	1,032,100	1.72
7	Bnymsanv Re-Compass Asia Partners,L.P.	2,000,000	1.67	1,132,157	1.89
8	Seylan Bank Ltd/Govindasami Ramanan	1,676,258	1.40	2,350,914	3.93
9	FAB Foods (Private) Ltd	1,535,040	1.28	767,520	1.28
10	Deutsche Bank AG AS Trustee for Namal Acuity	1,500,000	1.25	750,000	1.25
11	Bank of Ceylon-No 2 A/C	1,320,800	1.10	741,900	1.24
12	Bank Of Ceylon No. 1 Account	1,015,246	0.85	389,075	0.65
13	Mellon Bank N.A.-Commonwealth Of Massachuse	780,956	0.65	390,478	0.65
14	Ceylon Investment PLCA/C # 01	725,842	0.61	-	-
15	Perera R.D.M.	701,864	0.59	350,932	0.59
16	Selliah A & Selliah S	700,000	0.58	350,000	0.58
17	Sir Cyril De Zoysa Trust	682,072	0.57	341,036	0.57
18	Arunodhaya (Private) Limited	500,000	0.42	250,000	0.42
19	Arunodhaya Industries (Private) Limited	500,000	0.42	250,000	0.42
20	Arunodhaya Investments (Private) Limited	500,000	0.42	250,000	0.42

Five Year **Summary - Group**

(all amounts in Sri Lanka Rupees thousands)

Trading Results

Year Ended	31 March 2017 LKR '000	31 March 2016 LKR '000	31 March 2015 LKR '000	31 March 2014 LKR '000	31 March 2013 LKR '000
Turnover	14,669,735	12,811,224	14,427,236	11,446,862	11,326,520
Profit before tax	1,764,563	1,695,622	1,254,738	687,625	753,438
Taxation	(509,124)	(426,394)	(300,651)	(176,412)	(162,954)
Profit after tax	1,255,439	1,269,228	954,087	511,213	590,484

Balance Sheet

As At	31 March 2017 LKR '000	31 March 2016 LKR '000	31 March 2015 LKR '000	31 March 2014 LKR '000	31 March 2013 LKR '000
Stated capital	299,488	299,488	299,488	299,488	299,488
Capital reserve	1,790,589	1,875,347	1,818,019	1,357,957	1,443,836
Revenue reserve	7,241,173	6,270,421	5,272,516	4,442,265	3,975,037
	9,331,250	8,445,256	7,390,023	6,099,710	5,718,361
Non-controlling interests	1,135,318	1,026,303	870,373	745,123	683,959
Non-current liabilities	718,334	1,377,423	1,786,010	516,034	513,383
	11,184,902	10,848,983	10,046,406	7,360,867	6,915,703
Property, plant & equipment	3,347,709	3,466,497	3,531,614	2,949,216	3,104,485
Leasehold properties - pre-payments	1,666	1,688	1,710	1,732	1,754
Capital work in progress	31,678	32,853	64,127	49,764	37,952
Intangible assets	9,138	11,487	17,286	14,060	5,994
Investment property	538,750	516,000	493,000	317,000	130,000
Available for sale financial assets	34,211	31,629	30,145	25,832	26,925
Investment in equity accounted investee	275,286	301,503	823,749	-	-
Deferred tax asset	1,774	-	-	-	-
Current assets	12,325,252	11,012,139	11,106,443	8,690,869	7,602,055
Current liabilities	(5,380,561)	(4,524,814)	(6,021,667)	(4,687,606)	(3,993,462)
Capital employed	11,184,902	10,848,983	10,046,406	7,360,867	6,915,703
Ratios					
Gross profit margin	22.10%	23.86%	17.67%	16.81%	16.46%
Net profit margin after tax	8.56%	9.91%	6.61%	4.47%	5.21%
Sales growth	14.51%	-11.20%	26.04%	1.06%	9.90%
Profit growth	4.07%	35.14%	82.47%	-8.74%	-2.37%
Current ratio	2.29	2.43	1.84	1.85	1.90
Net asset per share	87.39	79.08	61.69	50.92	47.74
Dividend per share	1.50	1.00	0.50	0.50	0.50
Earning per share	9.33	9.13	7.18	3.69	4.47
Market value per share	54.50	100.90	76.00	61.00	65.50
Price earning ratio	5.84	5.35	5.30	8.28	7.34
Dividend cover ratio	6.22	9.13	14.35	7.37	8.93
Dividend payout ratio	0.16	0.11	0.07	0.14	0.11

Real Estate **Portfolio - Group**

Name of the Owning Company and Location	Land (Acres) Freehold	Buildings (Sq. Ft)	Net Book Value 2017 Rs. 000	2016 Rs. 000
ACL Cables PLC				
Welithotuwa Road, Batakettara, Piliyandala	16.93	244,216	1,087,566	1,105,633
Sarabhoomi Housing Scheme, Batakettara, Piliyandala	0.11	1,107	7,000	7,000
Ensalwatta, Madapatha Road, Piliyandala	1.21	-	53,000	53,000
AMW Premises, Nagoda, Kaluthara	2.76	-	59,000	59,000
Venivelkole Mukalana, Korala Ima, Kahathuduwa	13.02	-	66,000	66,000
60, Rodney Street, Colombo 08	-	15,288	70,380	73,440
	34.01	260,611	1,342,946	1,364,073
Kelani Cables PLC				
Wewelduwa, Kelaniya	6.16	96,360	352,525	374,064
Mahena Road, Siyambalape	1.08	25,350	65,939	64,297
Cinco Watta, Raja Mawatha, Ekala, Ja-Ela	13.00	-	253,750	231,000
	20.24	121,710	672,214	669,361
ACL Plastics PLC				
Temple Road, Ekala, Ja-Ela	3.21	36,039	159,868	164,463
Niwasipura, Ekala, Ja-Ela	0.06	1,690	11,596	10,662
	3.28	37,729	171,464	175,125
ACL Kelani Magnet Wire (Pvt) Ltd				
No.07, Raja Mawatha, Ekala, Ja-Ela	3.53	50,074	201,563	206,080
Ceylon Bulbs & Electricals Ltd				
60, Rodney Street, Colombo 08	1.69	24,506	590,501	590,501
ACL Metals & Alloys (Pvt) Ltd				
Welithotuwa Road, Batakettara, Piliyandala	-	23,460	78,985	82,035
Ceylon Copper (Pvt) Ltd				
Welithotuwa Road, Batakettara, Piliyandala	0.99	7,150	58,753	59,726
ACL Electric (Pvt) Ltd				
Miriseatte Estate, Millewa, Moragahahena, Horana	1.51	12,960	49,772	51,198
Total value of land and buildings - (Note 12 and 14)	65.25	538,200	3,166,198	3,198,099

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 an intangible asset over its useful life.

Available-for-Sale

Any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

AWDR

The Average Weighted Deposit Rate is calculated by the Central Bank monthly and half yearly based on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates.

AWPLR

The Average Weighted Prime Lending Rate is calculated by the Central Bank weekly, monthly and half yearly based on commercial bank's lending rates offered to their prime customers.

Basic Earnings Per Share

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

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 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 repair its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Risk that the counterparty to a transaction fails to meet its contractual obligations in accordance to the agreed terms and conditions.

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.

Debt /Equity

Debt as a percentage of total equity less minority interest if any.

Deferred Taxation

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

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

Derivatives

Financial contracts whose values are derived from the values of underlying assets.

Earnings per Share

Earnings Per Ordinary Share (EPS) Profits attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

Effective Tax Rate

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

Equity

Shareholders' funds.

Fair Value

The amount at which an asset is exchanged or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Glossary of **Financial Terms**

Fair Value Through Profit or Loss (FVPL)
Financial instruments that are held for trading and are designated as at fair value through profit and loss.

Financial Asset
Any asset that is cash or an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity or a contractual right to exchange financial instruments with another entity under conditions that are potentially favorable.

Financial Instruments
Any contract that gives rise to a financial assets of one entity and financial liability or equity instrument of another entity.

Financial Liability
A contractual obligation to deliver cash or another financial asset to another entity or exchange financial instruments with another entity under conditions that are potentially unfavourable.

Gearing
Proportion of total interest bearing borrowings to capital employed.

Held-to-Maturity
A financial asset with fixed and determinable payments and fixed maturity, other than loan and receivables, for which there is a positive intention and ability to hold to maturity.

Impairment
Occurs when recoverable amount of an asset is less than its carrying amount.

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

Liquidity Risk
The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loans and receivables
A financial asset with fixed and determinable payments that are not quoted in an active market and do not qualify as trading assets.

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

Market Risk
Possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Net Assets Per Share
Shareholders' funds divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

Net Worth
Total equity less minority interest if any.

Operating Profit
Profit before tax, share of profit of associates 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 judgment 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 less minority interest if any.

Return on Total Assets
Profit before tax plus finance cost divided by total average assets.

Revenue Reserves
Reserves considered as being available for distribution and investments.

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 and calls 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.

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

1981
Joint Venture with Aluminium Industries Ltd, India for the manufacture of 1400 M/Ts of Aluminium conductors.

1982
Establishment of own distribution network island wide.

1986
Production of Armored 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 Aluminium 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 Organization beating participants from 46 countries. Recognized as a world-class Company.

Awarded Super Brand status for the ACL brand.

2012
Incorporation of Ceylon Copper (Pvt) Ltd. to manufacture copper rods.

ACL secured SLS Certification for Armored Cables this year for the first time in Sri Lanka.

2013
Incorporation of ACL Electric (Pvt) Ltd. to manufacture electrical accessories.

2014
Introduction of Fire Resistance Circuit Integrity Power Cables.

2015
ACL Cables PLC acquired 35% stake of Hemas Power PLC & renamed company as RESUS Energy PLC. As a result of share buyback by RESUS Energy PLC during 2015/2016, ACL Cables PLC's stake was reduced to 31.71%.

2016
ICRA Lanka Limited, Subsidiary of ICRA Limited, group company of Moody's Investors Service has assigned an Issuer rating of [SL] A+ (pronounced S L A plus) with stable outlook to ACL Cables PLC.

Notice of **Meeting**

NOTICE IS HEREBY GIVEN that the Fifty Fifth Annual General Meeting of ACL Cables PLC will be held at the Auditorium of ACL Cables PLC, No. 60, Rodney Street, Colombo - 08, on Wednesday,10th August 2017, at 9.30a.m. for the following purposes.

01. To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2017 with the report of the Auditors thereon.

02. (a) To re–elect Mr. Hemaka Amarasuriya who retires by rotation in terms of article No. 85 and being eligible for re-election in terms of Article No. 86 of Articles of Association of the Company.

(b) To re–elect Mr. Rajiv Casie Chitty who retires by rotation in terms of article No. 85 and being eligible for re-election in terms of Article No. 86 of Articles of Association of the Company.

(c) To re–elect Mr. Daya Wahalatantiri who retires by rotation in terms of article No. 85 and being eligible for re-election in terms of Article No. 86 of Articles of Association of the Company.

03. To re–appoint Messrs. PricewaterhouseCoopers, as Auditors of the Company and authorize the Directors to determine their remuneration.

04. To consider and if thought fit to pass the following Ordinary Resolutions, 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 Mrs. N. C. Madanayake, who has passed the age of 70 years in August 2013, 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 her"

(c) "that Mr. Ajit Jayaratne, who has passed the age of 70 years in April 2010, 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"

(d) "that Mr. Hemaka Amarasuriya, who has passed the age of 70 years in November 2013, 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"

05. To authorize the Directors to determine donations to charities.

BY ORDER OF THE BOARD
(Sgd.)
Corporate Affairs (Private) Limited
Secretaries
10 July 2017

Note:

(a) FORM OF PROXY
A Shareholder is entitled to appoint a Proxy to attend and vote in his stead and a Form of Proxy is attached to this Report for that purpose. A Proxy need not be a Shareholder of the Company.

(b) ATTENDANCE SLIP
Shareholders are kindly requested to hand-over the duly perfected and signed Attendance Slip attached to this Report for that purpose, to the Registration Counter.

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 represent me/us, to speak and vote whether on a show of hands or on a poll for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on10th of August 2017 at 9.30 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 2017 with the report of the Auditors thereon.	☐	☐
02.	(a) To re–elect as Director Mr. HemakaAmarasuriya who retires by rotation	☐	☐
	(b) To re–elect as Director Mr. Rajiv Casie Chitty who retires by rotation	☐	☐
	(c) To re–elect as Director Mr. Daya Wahalatantiriwho retires by rotation	☐	☐
03.	To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and authorize the Directors to determine their remuneration.	☐	☐
04.	(a) Ordinary Resolution (a) relating to the appointment of Mr. U. G. Madanayake	☐	☐
	(b) Ordinary Resolution (b) relating to the appointment of Mrs. N. C. Madanayake	☐	☐
	(c) Ordinary Resolution (c) relating to the appointment of Mr. Ajit Jayaratne	☐	☐
	(d) Ordinary Resolution (d) relating to the appointment of Mr. Hemaka Amarasuriya	☐	☐
05.	To authorize the Directors to determine donations to charities.	☐	☐

Signed this ……………………………......................…… day of ……………………………………….. 2017

…………………………..
Signature
*instructions for filling Form of Proxy are given over-leaf.

ACL CABLES PLC – ATTENDANCE AT ANNUAL GENERAL MEETING

I/We hereby record my/our presence at the Fifty Fifth 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 Shareholder : ……………………………………………………………………………………………..
    Signature of Proxy (If Applicable) : ……………………………………………………………………………………………..

Shareholders are kindly requested to bring this Attendance Slip with them when attending the Meeting and hand over same to the Registration Counter.

INSTRUCTIONS FOR COMPLETION

1. The instrument appointing a Proxy shall in the case of an individual be signed by the appointer or by his Attorney and in the case of a Corporation be either under its Common Seal or signed by its Attorney or by an Officer on behalf of the Corporation.
2. A Proxy need not be a Shareholder of the Company.
3. The full name and address of the Proxy and the Shareholder appointing the Proxy should be entered legibly in the Form of Proxy.
4. The completed Form of Proxy should be deposited at No. 60, Rodney Street, Colombo 08, not less than 48 hours before the scheduled starting time of the Meeting.

Corporate **Information**

COMPANY NAME
ACL Cables PLC

REGISTRATION NUMBER
PQ 102

REGISTERED OFFICE
60, Rodney Street, Colombo 08

CONTACT DETAILS
Tel : +94 11 2697652
Fax : +94 11 2699503
E-mail : info@acl.lk
Website : www.acl.lk

BOARD OF DIRECTORS
U. G. Madanayake - Chairman
Suren Madanayake - Managing Director
Mrs. N. C. Madanayake
A. M. S. De S. Jayaratne
Hemaka Amarasuriya
D. D. Wahalatantiri
P. S. R. Casie Chitty
Sivakumar Selliah

GROUP FINANCIAL CONTROLLER
Champika Coomasaru

SECRETARIES
Messrs. Corporate Affairs (Private) Limited
68/1, Dawson Street, Colombo 02

AUDITORS
Messrs. PricewaterhouseCoopers
Chartered Accountants
100, Braybrooke Place, Colombo 02

BANKERS
Standard Chartered Bank
Hatton National Bank PLC
Nations Trust Bank PLC
National Development Bank PLC
Sampath Bank PLC
Commercial Bank of Ceylon PLC
People's Bank
Hongkong & Shanghai Banking Corporation

Designed & produced by
emagewise
Printed by Printage (Pvt) Ltd

ACL
CABLES
www.acl.lk