# THE TRADEMARK OF Quality

ACL PLASTICS

ACL Plastics PLC | Annual Report 2017/18

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Annual Report
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## The trademark of quality

For nearly three decades of operation, ACL Plastics has become synonymous with products that deliver peak performance. Our portfolio of cable grade PVC compounds is designed and manufactured to fulfill the demands of our discerning customers. That is why we make no compromises on the standard of our products. Every day, we create enduring value for our stakeholders by being the trademark of quality in our industry.

ACL PLASTICS

# Contents

## Our Vision

To be a professional organisation which manufactures the highest quality performance polymers while enhancing our relationship with all our stakeholders.

## Our Mission

ACL Plastics PLC is committed to a policy of continuous improvement & shall strive for excellence in all its endeavours while each individual in the team shall work towards a total quality culture aiming to delight the customers.

# Group Financial Highlights

| Year ended 31 March 2018 | 2018 Rs.Mn | 2017 Rs.Mn |
|---|---|---|
| Turnover | 1,355.6 | 1,449.0 |
| Gross Profit | 110.6 | 259.0 |
| Finance Cost | 22.1 | 18.3 |
| Profit Before Tax | 95.3 | 244.7 |
| Profit After Tax | 74.3 | 169.7 |
| Total Equity | 1,199.5 | 1,127.8 |
| **Key Financial Indicators** | | |
| Gross Profit Margin | 8.2% | 17.9% |
| Net Profit Margin Before Tax | 7.0% | 16.9% |
| Interest Cover (Times) | 6.2 | 19.8 |
| Return on Equity | 4.8% | 15.0% |
| Current ratio (Times) | 10.2 | 16.7 |

Rs. 1,356Mn
Revenue

Rs. 110.6Mn
Gross Profit

Rs. 17.65
Earnings Per Share

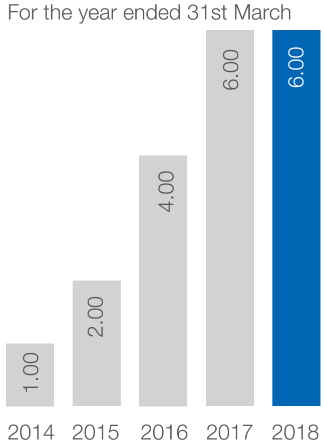
Rs. 6.00
Dividend Per Share

Rs. 1,377Mn
Total Assets

Rs. 1,199Mn
Share Holders' Fund

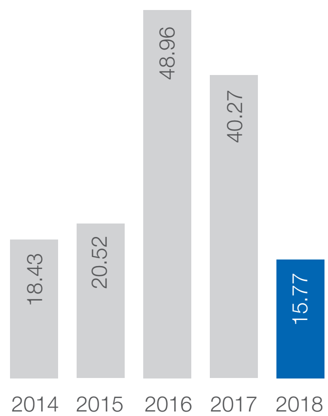
## Earning per Share

For the year ended 31st March



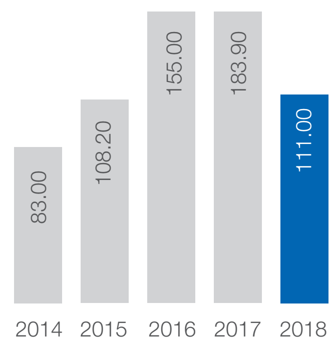

## Earning per Share

For the year ended 31st March



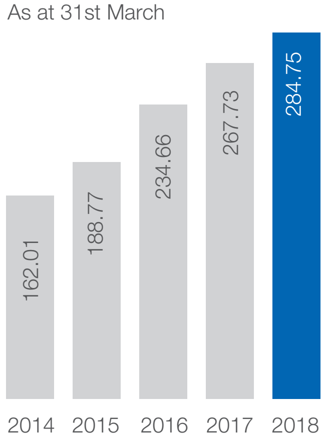

## Market Value per Share

As at 31st March



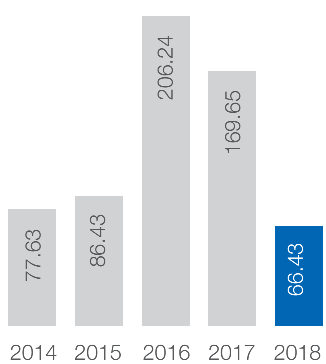

## Net Assets per Share

As at 31st March



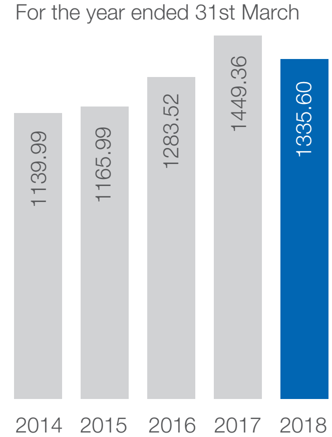

## Net Profit Attributable

For the year ended 31st March




## Revenue

For the year ended 31st March



# Chairman's Statement

## Despite the challenges in the operating environment, your company was able to safeguard shareholder interest and ensure sustained growth.

**During the year under review group has achieved a turnover of Rs. 1.3 billion.**

It is my pleasure to welcome you to the 27th Annual General meeting and to present the Annual Report of ACL Plastics PLC for the financial year ended 31st March 2018.

Despite a challenging year, the company remained optimistic and continued to make profits in the financial year 2017/18. The financial results for the year clearly demonstrates the all-round performance of ACL Plastics Group. We have also strengthened our capacity to maintain our position, to ensure that we deliver on our strategic goals, building a robust foundation for creating long term value to our shareholders.

### A CHALLENGING OPERATING ENVIRONMENT

From an economic perspective 2017/18 was another challenging year. The Sri Lankan Economy grew by 3.1 % in the year 2017 in comparison to 4.5% in the previous year. Since Sri Lanka is an agriculture based economy the drop in GDP growth adversely affected by the weather conditions, which resulted in continuation of negative growth in the agricultural sector which came into being in 2016.

I am of the view that Growth of the Manufacturing sector is of utmost importance if a country is to display Sustainable Growth & Development. The favourable performance of export oriented products and good performance in apparel sectors is very encouraging in this context.

The marginal growth in performance of the Construction sector and global upward trend in PVC row material prices were not favourable for us in the year under review. I noticed that the continuation of higher Interest rates also impacted negatively on consumer spending and affected our bottom line growth. The pressure on the exchange rate remained a challenge on the growth of the economy and our industry.

### GROUP FINANCIAL PERFORMANCE

Despite the above challenges in the operating environment, your company was able to safeguard shareholder interest and ensure sustained growth, continuing the past trend, during the year under review, the group achieved a turnover of Rs. 1.3 billion. This is mainly consisting with the downstream players of the supply chain most of which are our group companies. The quality of the products we offer is ever increasing which is evidenced by the lesser number of sales returns and customer complaints in the year.

The group's Gross Profit has decreased to Rs. 110 Mn, which is 8% of the total turnover compared to Rs. 259 Mn Gross Profit in the previous year. The Profit before tax is recorded as Rs. 95 Mn compared to the profit before tax of Rs. 245 Mn in the last year.

The Group's bottom line has eroded as a result of the volatile economic conditions experienced during the year. Higher interest rates and higher exchange rates have contributed to the increase in finance costs and raw material costs which deteriorated the

## Total Assets

| | |
|---|---|
| Current Assets | 77% |
| Non Current Assets | 23% |

Rs. **247** Mn

Group Value Addition

Rs. **6.00**

Dividend Per Share

profitability of the company. However, we were able to manage all the controllable factors to optimize the profitability of the company which ultimately was overwhelmed by the unfavourable effects of some uncontrollable macro-economic variables giving mixed results for the year under review.

Still the Group’s Profit After Tax of Rs. 74 Mn is a good achievement considering the industry averages for the past few years including the year under review.

In line with the expectations, the serious focus paid on cash flow management has paid off as the cash generated from operating activities has grown tremendously by 70 Million this year and we hope that your company will continue this trend in the coming years too.

It is with a great pleasure that I remind you that your company is still the market leader in this industry and looking forward to remain the same with impressive performances as above in the years to come.

### CHALLENGING ENVIRONMENT

The political stability is very vital for a good business climate. The present volatile environment may not be best suited to have sustainable economic growth. It is understood that the debt burden of the country has to be cleared by fiscal policy directions.

The continuation of two digit interest rates will have a direct negative impact on consumer spending and construction related activities in the private sector. This may lead to decline in demand for cables and increase in competition in the dealer market which caters to house builders. These factors may result a declined demand in PVC. The pressure on exchange rate will continue to be a challenge on our cost structures.

The implementation of new Inland Revenue Act will also come into effect from the financial year 2018. The increase direct income tax rate may post on challenges to middle class income segment and curtail spending. This may have an indirect negative impact on our direct and indirect customers.

Change in weather patterns and various epidemics have continued to be devastating Sri Lanka. This will have a negative impact on the investment climate since much more resources would be spent on re-construction and damage control rather than on new development projects which might have a negative impact on all industries in the country as a whole.

# Chairman's Statement

## SHAREHOLDER RETURNS

We are happy to announce that in the face of our strong performance, ACL Plastic PLC's net assets per share increased during the year and recorded as Rs. 285 while the net asset per share for the same period in the previous year was Rs. 268.

The company paid a dividend of Rs. 6 per share which is on par with the previous dividend.

In keeping with our commitment to operate as a good corporate citizen, your company ensured compliance with mandatory corporate governance requirements.

## FUTURE OUTLOOK

As the leading corporate in the industry, we adopt a stakeholder approach, to build and strengthen our relationship with all our key stakeholders, based on a win-win formula.

A clear strategic direction has been set for the growth of your company and in the new financial year we will continue to strive towards sustaining strong growth through the process of market expansion and prudent cost controls. This will enable us to exploit more business opportunities which still remain untapped.

## APPRECIATIONS

In acknowledgement of another successful financial year, I would like to express my gratitude to the Board of Management for their outstanding leadership, drive to take on each challenge as an opportunity and who has worked diligently towards creating greater value for our shareholders.

I would also like a record a special appreciation of all our employees for their commitment towards the company and their support in achieving company goals.

As a leading corporate in the industry, we adopted a stakeholder approach, to build and strengthen our relationship with all our key stakeholders, based on a win-win formula.

Further I would like to extend my appreciation towards our business partners, including our banks, who have been supportive of our entire endeavours and also to thank our valued customers and suppliers, for their valuable contribution during the year.

Last but not least, I thank our shareholders for the continued trust they have placed in us. We are well-positioned to continue delivering exceptional value for all our stakeholders.

**U.G.MADANAYAKE**
Chairman

02 July 2018

# 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 a 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.

Mr. U.G Madanayake has been the Chairman of ACL Plastics PLC from its inception in 1991. He is also the Chairman of ACL Cables PLC, Fab Foods (Pvt) Ltd., Ceylon Tapioca Ltd. 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 Plastics PLC., in 1991 and appointed as Managing Director in September 1994.

He also serves as the Chairman of Resus Energy PLC, Deputy Chairman of Kelani Cables PLC, Managing Director of ACL Cables PLC, Lanka Olex Cables (Private) Ltd and Director of Ceylon Bulbs and 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 a Trustee of CCC Foundation Sri Lanka, which is an approved charity.

## Mrs. N. C. Madanayake

*Non-Executive Director*

Mrs. N.C. Madanayake was appointed to the Board of ACL Plastics PLC in July 1991. She is also a Director of Kelani Cables PLC, ACL Cables PLC, Ceylon Bulbs and 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. Das Miriyagalla

*Independent Non-Executive Director*

Mr. Das Miriyagalla is a Chartered Accountant by profession and holds a Physical Science Degree from the University of Ceylon, offering subjects of Physics, Pure and Applied Mathematics.

After obtaining Associate Membership (1968) and fellow Membership of the Institute of Chartered Accountants of Sri Lanka, he held positions of the first Chief Accountant of Ceylon Steel Corporation and the first Finance Manager of Sri Lanka State Trading Corporation, both of which were pioneering ventures in the industrial and trading sectors of Sri Lanka. He performed in both institutions as the head of finance during the period 1965 to 1978.

Thereafter he served Zambia Industrial and Mining Corporation which was the holding conglomerate for over 100 public sector corporations from 1978 to 1995 as the Group Chief Internal Auditor. The group controlled several operating sectors such as industrial, mining, trade, energy, transport and agriculture. He then served the United Nations Development Program, Asia Development Bank and International Labour Organization as a senior consultant. Thereafter he served the Parliament of Sri Lanka as National Consultant to the Committee on Public Enterprises (COPE) under its World Bank project covering the preparation of its final reports.

# Board of Directors

Some of his other assignments included the preparation of the Corporate Plan for the Ministry of Finance (2007 - 2010), serving as a member of the governing council of the Institute of Chartered Accountants at its formative period in 1974/75 and as a member of the National Review Committee of the Ministry of Finance in 2002/2003.

Mr. Miriyagalla was appointed to the Board as Independent Non-Executive Director of ACL Plastics PLC in February 2013.

## Dr. Kamal Weerapperuma

*Independent Non-Executive Director*

Dr. Kamal Weerapperuma held positions of CEO/ Director of Delmege Forsyth Group, Central Industries PLC, Kelani Cables PLC, Executive Director, Haycarb Ltd. and Research Fellow in Chemical Engineering, Imperial College, University of London.

He currently serves on the Ethics Review Committee of the Sri Lanka Medical Association and the Ethics Committee of Asiri Group of Hospitals. Dr. Weerapperuma served on the Prime Ministers advisory Committee on Power and Energy, and on several public sector committees including those in the Ministries of Science and Technology, the Ministry of Industry & as a consultant to several Industries. He also served as an examiner/scrutineer for Chartered Engineer (UK) and Fellowship reviews of the Institute of Materials, Mining, and Minerals (UK).

He holds a B.Sc. Degree from the University of Ceylon, M.Sc. and Ph.D. Degrees from the UK. He is a Chartered Engineer (UK), a founder Fellow member of the Institute of Materials, Mining, and Minerals (UK), and an Alumnus of “Insead”, France.

Dr. Weerapperuma was appointed to the Board as Independent Non-Executive Director of ACL Plastics PLC in May 2013.

# Members of the Audit Committee, Remuneration Committee and Related Party Transactions Review Committee

### Mr. Ajit Jayaratne

*Independent Non-Executive Director – ACL Cables PLC*

Chairman of the Audit Committee, Remuneration Committee and Related Party Transactions Review Committee

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 in 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 (Parent Company) in November 2005.

### Mr. Rajiv Casie Chitty

*Independent Non-Executive Director – ACL Cables PLC*

Member of the Audit Committee, Remuneration Committee and Related Party Transactions Review Committee

Mr. Rajiv Casie Chitty is a fellow of the Association of Chartered Certified Accountants (ACCA), UK and Associate Member of the Chartered Institute of Management Accountants (CIMA), UK and a Chartered Financial Analyst, USA. He obtained his Masters in Economics from the University of Colombo and won the Janashakthi Gold at the 2006 CIMA Pinnacle Awards. Mr. Casie Chitty was appointed a Director of ACL Cables PLC (Parent Company) 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 ACCA Sri Lanka panel. He has over 20 years of experience in senior managerial positions in the private sector.

# Corporate Governance

## ACL Plastics 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.

**Sound Corporate Governance is reliant on external marketplace commitment and legislation plus a healthy Board culture which safeguards policies and processes.**

ACL Plastics 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 Plastics 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:

- Enhancing 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 five Directors out of whom three are Non-Executive Directors. The names and profiles of the Directors are given on pages 09 to 11 of this annual 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 three Non-Executive Directors and two of them are Independent Non-Executive Directors. The Board has determined that the two independent Non-Executive Directors satisfy the criteria for "Independence" set out in the Listing Rules.

### DIRECTORS' / COMMITTEE MEMBERS' ATTENDANCE RECORDS

The attendance of Directors / Committee members at relevant meetings of the Board and of the Audit and Remuneration Committees held during 2017/2018 was as follows,

| Name of Director / Committee member | Board (2 meetings) | Audit Committee (2 meetings) | Remuneration Committee (1 meeting) | Related Party Transactions Review Committee (4 meetings) |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| Mr. U. G Madanayake – Chairman | ● | | | ●●●● |
| Mr. Suren Madanayake – Managing Director | ●● | | | ●●●● |
| **Non-Executive Directors** | | | | |
| Mrs. N. C Madanayake | ● | | | |
| **Independent Non-Executive Directors** | | | | |
| Mr. Das Miriyagalla | ●● | | | |
| Dr. Kamal Weerapperuma | ●● | | | |
| **Members of the Audit Committee, Remuneration Committee and Related Party Transactions Review Committee** | | | | |
| Mr. Ajit Jayaratne – Chairman of Committees | | ●● | ● | ●●●● |
| Mr. Rajiv Casie Chitty - Member | | ●● | ● | ●●●● |

### DEDICATION OF ADEQUATE TIME & 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 submit themselves for re-election at regular intervals as per the Articles of Association.

# Corporate Governance

## 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 (SLFRSs / LKASs), comply with the requirements of the Companies Act No. 07 of 2007.

The Report of the Directors is provided on pages 24 to 25 of this report. The Statements of Directors' Responsibility for financial reporting and the report of the Auditors are stated on page 33. The Going Concern Declaration by the Board of Directors in this regard is presented in the report of Directors on page 28 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 the internal audits 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 Plastics PLC through the conduct of its business in a way in 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 mis-statement or loss.

## REMUNERATION COMMITTEE

The Remuneration Committee should consist exclusively of Non-Executive Directors who are Independent of Management. The members of the Remuneration Committee should be listed each year in the Board's remuneration report to the shareholders. The Remuneration Committee of the parent company functions as the Remuneration Committee of ACL Plastics PLC. The Remuneration Committee comprises of the following two Independent Non-Executive Directors of the parent company.

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

Further details of the Remuneration Committee are given in their report on page 31.

## 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 of the parent company functions as the Audit Committee of ACL Plastics PLC. The Audit Committee comprises of the following two Independent Non-Executive Directors of the parent company.

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

Further details of the Audit Committee are given in their report on page 32.

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee should comprise of 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 of the parent company functions as the Related Party Transactions Review Committee of ACL Plastics PLC. The Related Party Transactions Review Committee comprises of the following two Independent Non-Executive Directors of the parent company.

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

Further details of the Related Party Transactions Review Committee are given in their report on page 26.

## 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 Plastics 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.

## CORPORATE GOVERNANCE CHECK LIST

| 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. | C | Corporate Governance |
| 7.10.2 (a) | Independent Directors (IDS) | 2 or 1/3 of NEDs, whichever is higher, should be independent. | C | Corporate Governance |
| 7.10.2 (b) | Independent Declaration | Each NED should submit a declaration of independence. | C | 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. | C | Corporate Governance |
| | | • Names of ID's should be disclosed in the Annual Report (AR). | C | |
| 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 | C | 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. | C | 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. | C | Corporate Governance |
| 7.10.4 (a-h) | Criteria for Defining "Independence" | Requirements for meeting criteria. | C | Corporate Governance |
| 7.10.5 | Remuneration Committee (RC) | A listed company shall have a RC. | C | 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. | C | Corporate Governance |
| | | • A NED shall be appointed as the Chairman of the Committee. | C | |
| 7.10.5 (b) | Functions of Remuneration Committee (RC) | The RC shall recommend the remuneration of Executive Directors and CEO. | C | Corporate Governance |
| 7.10.5 (c) | Disclosure in the Annual Report Relating to Remuneration Committee (RC) | • Names of Directors comprising the RC. | C | Corporate Governance and Remuneration Committee Report |
| | | • Statement of Remuneration Policy | C | |
| | | • Aggregated remuneration paid to EDs and NEDs. | C | |

| CSE Rule No. | Subject | Applicable requirement Status | Compliance | Applicable section in the Annual 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. | C | Corporate Governance and the Audit Committee Report |
| | | • A NED shall be appointed as the Chairman of the Committee. | C | |
| | | • MD and Chief Financial Officer shall attend AC meetings. | C | |
| | | • The Chairman of the AC or one member should be a member of a recognized professional accounting body. | C | |
| 7.10.6(b) | Functions of Audit Committee (AC) | Overseeing of the –<br>• Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards. | C | Corporate Governance and the Audit Committee Report |
| | | • Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. | C | |
| | | • Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards. | C | |
| | | • Assessment of the independence and performance of the external auditors. | C | |
| | | • 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. | C | |

# Corporate Governance

| CSE Rule No. | Subject | Applicable requirement Status | Compliance | Applicable section in the Annual Report |
|---|---|---|---|---|
| 7.10.6 (c) | Disclosure in Annual Report Relating to Audit Committee (AC) | • Names of Directors comprising the AC.<br>• The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination.<br>• The AR shall contain a Report of the AC setting out the manner of compliance with their functions. | C<br>C<br>C | Audit Committee Report |
| 9 | Related Party Transactions Review Committee (RPTRC) | The Company shall have a RPTRC. | C | 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. | C<br>C<br>C | 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. | C | Corporate Governance and the Related Party Transactions Review Committee Report |

# Risk Management

ACL Plastics 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, are regularly reviewed to ensure the related risks are minimized where the complete elimination is not possible.

| Risk Exposure | Company Objectives | Company Initiatives |
|---|---|---|
| **Financial Risk Management** | | |
| **1. Liquidity & Cash Management** | • To maintain liquidity position. | • This is achieved by regular follow up of trade debts, planning production and utilization of short term borrowing facilities.<br>• Company has sufficient assets to offer as collateral for future funding requirements.<br>• Obtaining funding facilities to adequately manage liquid position through several financial institutions. |
| **2. Interest Rate Risk** | • To minimize adverse effects of interest volatility. | • Negotiate with banks to obtain the best possible interest rate for Groups' borrowings and investments.<br>• Negotiate and take supplier credit to mitigate the high cost and to avoid adverse fluctuations in local interest rates. |
| **3. Currency Risk** | • To minimise exposure to fluctuations in foreign currency rates of foreign currency receipts and payments. | • Closely monitor the fluctuations in exchange rates and plan import payments accordingly wherever possible. |
| **Business Risk Management** | | |
| **1. Credit Risk** | • To minimise risks associated with debtors defaults. | • Obtain bank guarantees as collateral from outside customers.<br>• Closely monitoring the credit limits periodically.<br>• Disallowing credit sales for customers with poor credit records.<br>• Follow an assessment procedure to ensure credit worthiness of customers. |

# Risk Management

| Risk Exposure | Company Objectives | Company Initiatives |
|---|---|---|
| **2. Asset Risk** | • To minimise losses caused by machine breakdown and damages from fire or theft. | • Obtain comprehensive insurance covers for plant and machinery.<br>• Carry out planned preventive<br>• Maintenance programs. |
| **3. Internal Controls** | • To maintain sound system of internal controls to safeguard company assets. | • Carry out continuous internal audits by an independent firm. |
| **4. Human Resources** | • To reduce labour turnover.<br>• To ensure smooth flow of operations without interruptions.<br>• To ensure adaptability through training and adopting best practices. | • Maintain an employee evaluation scheme to reward them.<br>• Maintain healthy and cordial relationship with employees at all levels through joint consultative committees.<br>• Provide various employee benefits through the Welfare Society.<br>• Provide specific and general training wherever necessary. |
| **5. Technological and Quality Related Risk** | • To keep pace with current technological developments and quality standards to avoid obsolescence.<br>• To minimise production of stocks that do not meet the standards. | • Develop a long term plan to replace existing machines with technologically advanced machines.<br>• Already the equipments and staff required to test the quality of products are in place. |
| **6. Inventory Management Risk** | • To reduce stock out situations.<br>• To reduce the accumulation of slow moving stocks.<br>• To minimise the losses on obsolete stocks.<br>• To minimise risk of sub standard material being received.<br>• To minimise inventory days. | • Plan monthly production based on budgets and sales forecasts at production planning meetings held monthly.<br>• Adopt various quality standards at different stages to verify the quality and ensure this until the product is delivered.<br>• Stocks that are not up to standard are separated and disposed as scrap.<br>• Continuous stock verification systems to identify non-moving stocks.<br>• Regularly monitor inventory days.<br>• Review periodically and provide adequately for slow moving stocks. |

| Risk Exposure | Company Objectives | Company Initiatives |
|---|---|---|
| **7. Risk of Competition** | • To avoid losses of market share from imported low quality products. | • Ensure prevailing quality standards are met.<br>• Strengthen 'ACL' brand through various advertising and promotional campaigns. |
| **8. Investment in Capital** | • To reduce the risk of loss in present and future investments. | • Investments in assets are properly planned and made on a timely basis.<br>• Reduce the idle assets as far as possible. |
| **9. Information Systems** | • To minimise possible risks associated with data security, hardware, software and communication systems. | • Data backups are taken regularly and stored at outside locations.<br>• Mirroring of hard disks with critical data.<br>• Vendor agreements for support services and maintenance.<br>• Regular upgrading of virus scanners, firewalls and software. |
| **10. Environmental Issues** | • 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** | • To minimise possible losses arising from non compliance with statutory and regulatory requirements.<br>• 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. |

# Report of the Directors

The Directors have pleasure in presenting their Annual Report together with the Audited Statement of Financial Position as at 31st March 2018, Income Statement and Statement of Comprehensive Income for the year then ended.

The Company commenced commercial production in March 1993.

## REVIEW OF THE YEAR

The Chairman's Statement sets out the state of affairs and performance of the Company during the year. (Page 06)

## PRINCIPAL ACTIVITIES - PARENT COMPANY

### ACL Plastics PLC

The Company carries on the business of manufacturing cable grade PVC Compound as its principal activity.

## PRINCIPAL ACTIVITIES - SUBSIDIARY COMPANY

### ACL Polymers (PVT) LTD.

The Company carries on the business of manufacturing PVC Compound as its principal activity.

## FUTURE DEVELOPMENTS

An overview of the future developments of the Company is given in the Chairman's Statement. (page 08)

## INDEPENDENT AUDITOR'S REPORT

The Independent Auditors' Report on the Financial Statements is given on page 33 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 36 to 78 in this Annual Report.

## ACCOUNTING POLICIES

The Accounting Policies adopted in preparation of the Financial Statements are given on pages 42 to 57. Where necessary, the Accounting Policies adopted by the Company have been adjusted to comply with the new Sri Lanka Accounting Standards (SLFRSs / LKASs).

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Statement of the Directors' Responsibilities for Financial Statements is given on page 28.

## GOING CONCERN

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

## STATED CAPITAL

The Stated Capital of the Company on 31st March 2018 was Rs. 79,974,555/= and was unchanged during the year.

## EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstance have arisen since the Balance Sheet date which would require adjustments to or disclosure in the Financial Statements other than those disclosed in Note 33 to the Financial Statements.

## STATUTORY PAYMENTS

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

### FINANCIAL RESULTS & APPROPRIATIONS

| Year ended 31 March 2018 | 31.03.2018 Rs. | 31.03.2017 Rs. |
|---|---|---|
| Total turnover | 1,355,597,251 | 1,449,360,564 |
| Profit before taxation | 95,379,708 | 244,715,060 |
| Profit after taxation | 74,330,296 | 169,650,822 |
| Profit attributable to shareholders of ACL Plastics PLC | 74,330,295 | 169,650,822 |
| | | |
| Un-appropriated surplus brought forward from previous year | 754,930,640 | 605,830,323 |
| Transfer from revaluation reserve | 4,558,136 | 3,212,801 |
| Other adjustments | 6,557,119 | 1,511,694 |
| Surplus available for appropriation | 832,480,554 | 780,205,640 |
| | | |
| **Your Directors recommend:** | | |
| Dividends paid | (25,275,000) | (25,275,000) |
| Transfer to general reserve | - | - |
| Un-appropriated surplus carried forward | 807,205,554 | 754,930,640 |

### DIRECTORS

Directors of the Company are listed on pages 09 to 11 and their respective shareholdings are given below.

| | Number of shares | | | |
|---|---|---|---|---|
| | 31.03.2018 | % Holding | 31.03.2017 | % Holding |
| Mr. U. G. Madanayake | 1 | - | 1 | - |
| Mr. Suren Madanayake | 20,801 | 0.49 | 20,801 | 0.49 |
| Mrs. N. C. Madanayake | 17,751 | 0.42 | 17,751 | 0.42 |
| Mr. Das Miriyagalla | - | - | | - |
| Dr. Kamal Weerapperuma | - | - | - | - |

# 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 32 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 Director retiring by rotation in terms of Article 85 will be Mr Das Miriyagalla, who being eligible for re-election in terms of Article 86, of the Articles of Association of the Company is recommended for re-election.

## DIRECTORS' REMUNERATION

Remuneration received by the Directors is set out in Note 32 to the Financial Statements.

## DIRECTORS MEETINGS

The details of Directors' meetings are set out on page 13 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 Rs. 6.00 per share was paid on 31st July 2017 to the shareholders of the Ordinary Shares for the financial year 2016/17.

## CAPITAL EXPENDITURE

The capital expenditure on acquisition of property, plant and equipment of the Company and the Group amounted to Rs. 3,225,818, details of which are given in notes 14 to the Financial Statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment are given in Note 14 to the Financial Statements.

## DONATIONS

Donations amounting to Rs. 22,245/- (Group Amount) were made during the year under review.

## SHARE INFORMATION

Information relating to earnings, dividend, net assets, market price per share and holding is given in the Information to Shareholders on page 80 of the annual report.

## ENVIRONMENTAL PROTECTION

The Company has used its best endeavours 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.

## 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 section 9 of the listing rules. Those transactions disclosed by the Directors are given in Note 32 to the Financial Statements forming part of the Annual Report of the Board."

Related Party Transactions Committee Report is given on page 13, 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 |
|---|---|---|---|---|
| ACL Cables PLC | Parent company | Sale of goods | 58% | ordinary course of business |
| Kelani Cables PLC | Group company | Sale of goods | 54% | ordinary course of business |

A detailed disclosure of related party transactions is given in note 32 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.

### CORPORATE GOVERNANCE

In 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 12 to 18 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 year under review were Messrs. PricewaterhouseCoopers, Chartered Accountants who also were the auditors of the subsidiary Company and offer themselves for re-appointment.

Audit fees payable to Messrs. PricewaterhouseCoopers, by the Company and the Group amounted to Rs. 540,000 and Rs. 734,957 respectively.

### NOTICE OF MEETING

The Notice of the 27th Annual General Meeting is on page 83 of the Annual Report.

By Order of the Board

(Sgd.)

**Corporate Affairs (Pvt) Ltd**

Secretaries

02 July 2018

# Report of the Related Party Transactions Review Committee

## COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee (RPTRC) of the parent company functions as the RPTRC of ACL Plastics PLC which comprises of the following two Independent Non-Executive Directors of the Parent Company, brief profiles of which are set out on page no 13.

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

## 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 Plastics 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.
- 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 ending 31st March 2018 to review related party transactions. The Finance Division submitted a comprehensive report on related party transactions to the Committee.

Attendance of the members of the Committee for the said meeting is provided on page 13.

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

02 July 2018

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

The financial statements presented in the Annual Report for the year ended 31st March 2018, 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 Board of Directors confirm that the Company and the Group's Consolidated Statements of Financial Position as at 31st March 2018 and Income Statement and the Statement of Comprehensive Income for the Company and the Group for the financial year ended 31st March 2018 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 02 July 2018.

By Order of the Board

(Sgd.)

**Corporate Affairs (Private) Limited**

Secretaries

02 July 2018

# Financial Information

# Financial Calendar (2017/18)

| | |
|---|---|
| 01st Quarter Interim Financial Statements<br>(30th June 2017 – Unaudited) | 15th August 2017 |
| 02nd Quarter Interim Financial Statements<br>(30th September 2017 – Unaudited) | 15th November 2017 |
| 03rd Quarter Interim Financial Statements<br>(31st December 2017 - Unaudited) | 14th February 2018 |
| 04th Quarter Interim Financial Statements<br>(31st March 2018 – Unaudited) | 31st May 2018 |
| Annual Report 2017/18 | 02nd July 2018 |
| 27th Annual General Meeting | 2nd August 2018 |
| Interim Dividends Proposed | 11th July 2017 |
| Interim Dividends Paid | 31st July 2017 |

# Remuneration Committee Report

## Committee Composition

The Remuneration Committee of the parent company functions as the Remuneration committee of ACL Plastics PLC and consists of the following two Independent Non-Executive Directors of the Parent Company, brief profiles of whom are set out on page no 27.

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

## Role

The role of the Committee is to formulate the Group's policy for the remuneration of the Executive Directors of ACL Plastics PLC and review the policy annually and recommend any changes to the Board for formal approval.

## Executive Directors

Executive Directors of the Company have acted in an honorary capacity and no remuneration was paid to them.

On behalf of the Committee

(Sgd.)

**Mr. Ajit Jayaratne**

Chairman of the Remuneration Committee

02 July 2018

# Audit Committee Report

### Committee Composition

The Audit Committee of the parent company functions as the audit committee of ACL Plastics PLC which comprises of the following two Independent Non-Executive Directors of the Parent Company, brief profiles of whom are set out on page no 28.

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

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. Their financial knowledge and business acumen are brought to bear on their deliberations and judgments on matters that come within the Committee's purview.

### Role of the Committee

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 system. The Committees` 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 & attendance

The Committee met on two occasions during the year timed to coincide with the financial and reporting cycle of the Company. All the members of the Audit Committee attended the meetings and the Chairman, Managing Director & Group Financial Controller were also invited to attend the meetings.

### Financial Reporting system

The Audit Committee reviewed the financial reporting system adopted and related matters in respect of the 2017/2018 Financial Statements to ensure the reliability of the Financial Statements. The Committee also reviewed the interim financial statements for the adequacy and accuracy of the content of the reports.

### External Audit

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.

The Audit Committee, having evaluated the performance of the external auditors, decided to recommend to the Board of ACL Plastics 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 2017/2018 are given in Note 08 to the financial statements.

### Internal Audit

The Committee reviewed the process to assess the effectiveness of internal financial controls and the results of the internal audits undertaken by the Internal Auditors, Messrs Ernst & Young Advisory Services (Pvt) Ltd.  The Committee considered the adequacy of management's response to the matters raised by the internal auditors, including the implementation of any recommendations made.

### Conclusion

The committee received information and support from the management to carry out its duties and responsibilities effectively and is satisfied that the Group's accounting policies and controls provide reasonable assurance that the affairs of the Group are managed in accordance with Group policies and Group assets are properly accounted for and adequately safeguarded.

On behalf of the Committee

(Sgd.)
**Mr. Ajit Jayaratne**
Chairman of the Audit Committee

02 July 2018

# Independent Auditor's Report

**To the Shareholders of ACL Plastics PLC**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### Our opinion

In our opinion, the financial statements of ACL Plastics PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### What we have audited

The financial statements of the Company and the consolidated financial statements of the Group, which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

### Independence

We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

### Key audit matters

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

### The Company

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Valuation of land and buildings<br>(Refer note 14 in the financial statements)<br><br>The Company owns a property in Ekala which comprise land and buildings. As of 31 March 2018 the cost of land was LKR 87,438,200 and buildings were LKR 91,494,014.<br><br>The Company engaged an independent valuer to measure the value of land and buildings and the resulting surplus from the valuation for the year ended 31 March 2018 amounted to LKR 63,195,173. | Our audit approach mainly included test of details which covered the following:<br><br>• We assessed the work as well as competence, independence and integrity of the external valuer.<br><br>• We obtained the external valuation report and performed the following:<br><br>- Verified the accuracy of the information provided to the valuer; |

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

# Independent Auditor's Report

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| The valuation of land and buildings is an area of significant judgement and includes a number of assumptions, including market prices of comparable properties in close proximity after adjusting for differences in key attributes such as property size, site improvements and access to public roads. | - Evaluated relevance and reasonableness of significant assumptions used in the valuation [i.e. price ranges at which adjoining land and buildings are transacted, consideration of other factors such as access to main roads, physical state of land and buildings, architectural design of buildings etc.] based on our understanding of the real estate markets and property valuation methodologies; and<br>- We used independent and publicly available information of similar property and locations to assess the reasonableness of the values determined by the valuer.<br><br>Based on our work, we found the surplus balance from land and buildings recorded for the year ended 31 March 2018 to be appropriate. |

## Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's/ Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate/ consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

- audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company/ Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### Report on other legal and regulatory requirements

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

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number [2857]
COLOMBO

02 July 2018

# Statement of Profit or Loss

(all amounts in Sri Lanka Rupees)

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | Year ended 31 March | | Year ended 31 March | |
| | | **2018** | 2017 | **2018** | 2017 |
| Revenue | 6 | 1,355,597,251 | 1,449,360,564 | 1,355,028,231 | 1,446,812,739 |
| Cost of sales | 8 | (1,244,944,117) | (1,190,087,626) | (1,234,984,446) | (1,181,131,722) |
| Gross profit | | 110,653,134 | 259,272,938 | 120,043,785 | 265,681,017 |
| Other income | 7 | 1,351,008 | 1,462,715 | 7,201,013 | 8,212,729 |
| Administrative costs | 8 | (5,745,070) | (5,605,000) | (5,206,936) | (4,885,053) |
| Operating profit | | 106,259,072 | 255,130,653 | 122,037,862 | 269,008,693 |
| Finance income | | 11,283,084 | 7,853,840 | 8,188,821 | 4,798,256 |
| Finance costs | | (22,162,448) | (18,269,433) | (25,855,557) | (21,970,494) |
| Finance costs - net | 10 | (10,879,364) | (10,415,593) | (17,666,736) | (17,172,238) |
| Profit before tax | | 95,379,708 | 244,715,060 | 104,371,126 | 251,836,455 |
| Income tax | 11 | (21,049,412) | (75,064,238) | (21,227,768) | (74,964,730) |
| Profit for the year | | 74,330,296 | 169,650,822 | 83,143,358 | 176,871,725 |
| Net profit attributable to shareholders of the Company | | 74,330,296 | 169,650,822 | 83,143,358 | 176,871,725 |
| Earnings per share (Rs) | 12 | 17.65 | 40.27 | 19.74 | 41.99 |
| Dividend per share (Rs) | 13 | 6.00 | 6.00 | 6.00 | 6.00 |

The notes on pages 42 to 78 form an integral part of these financial statements
Figures in brackets indicate deductions.

# Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees)

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 31 March | | Year ended 31 March | |
| | **2018** | 2017 | **2018** | 2017 |
| Profit for the period | 74,330,296 | 169,650,822 | 83,143,358 | 176,871,725 |
| Other comprehensive income / expense | | | | |
| Gain on revaluation of land and buildings | 63,195,173 | - | 63,195,173 | - |
| Deferred tax impact on revaluation due to the change in tax rates | (40,074,887) | (8,995,842) | (40,074,887) | (8,995,842) |
| Actuarial (loss) / gain on defined benefit obligation | (1,859,051) | 2,099,575 | (1,429,649) | 1,722,025 |
| Deferred tax on actuarial loss / (gain) | 520,534 | (587,881) | 400,302 | (482,167) |
| Net change in fair value of available for sale financial assets | (426,401) | 1,515,488 | (426,401) | 1,515,488 |
| Other comprehensive income / (expense) for the period, net of tax | 21,355,368 | (5,968,660) | 21,664,538 | (6,240,496) |
| Total comprehensive income for the period | 95,685,664 | 163,682,162 | 104,807,896 | 170,631,229 |

The notes on pages 42 to 78 form an integral part of these financial statements
Figures in brackets indicate deductions.

# Statement of Financial Position

(all amounts in Sri Lanka Rupees)

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | As at 31 March | | As at 31 March | |
| | | 2018 | 2017 | 2018 | 2017 |
| ASSETS | | | | | |
| Non-Current Assets | | | | | |
| Property, plant and equipment | 14 | 290,636,450 | 239,200,830 | 290,636,450 | 239,200,830 |
| Prepaid lease rentals | 15 | 1,643,022 | 1,665,225 | 1,643,022 | 1,665,225 |
| Investment in subsidiary | 16 | - | - | 10,000,010 | 10,000,010 |
| Available for sale financial assets | 17 | 22,856,553 | 23,082,954 | 22,856,553 | 23,082,954 |
| Deferred tax asset | 25.3 | 3,959,825 | 1,774,488 | - | - |
| | | 319,095,850 | 265,723,497 | 325,136,035 | 273,949,019 |
| Current Assets | | | | | |
| Inventories | 19 | 226,461,857 | 189,452,534 | 226,461,857 | 189,452,534 |
| Trade and other receivables | 20 | 378,047,335 | 480,871,087 | 352,829,532 | 455,659,389 |
| Prepaid lease rentals | 15 | 22,203 | 22,203 | 22,203 | 22,203 |
| Cash and cash equivalents | 22 | 453,669,363 | 291,864,483 | 450,763,235 | 288,917,603 |
| | | 1,058,200,758 | 962,210,307 | 1,030,076,827 | 934,051,729 |
| Total Assets | | 1,377,296,608 | 1,227,933,804 | 1,355,212,862 | 1,208,000,748 |
| EQUITY AND LIABILITIES | | | | | |
| Capital and Reserves | | | | | |
| Stated capital | 28 | 79,974,555 | 79,974,555 | 79,974,555 | 79,974,555 |
| Revaluation reserve | 29 | 132,773,857 | 112,935,429 | 132,773,857 | 112,935,429 |
| Revenue reserve | 30.1 | 170,000,000 | 170,000,000 | 170,000,000 | 170,000,000 |
| Other reserve | 30.2 | 9,558,596 | 9,984,997 | 9,558,596 | 9,984,997 |
| Retained earnings | | 807,205,555 | 754,930,640 | 755,665,234 | 694,268,087 |
| Shareholders' funds | | 1,199,512,563 | 1,127,825,621 | 1,147,972,242 | 1,067,163,068 |
| Non-Current Liabilities | | | | | |
| Defined benefit obligations | 24 | 13,176,321 | 9,806,549 | 10,980,945 | 8,376,091 |
| Deferred tax liability | 25.1 | 61,224,794 | 32,798,719 | 61,224,794 | 32,798,719 |
| | | 74,401,115 | 42,605,268 | 72,205,739 | 41,174,810 |
| Current Liabilities | | | | | |
| Trade and other payables | 23 | 64,618,440 | 10,271,227 | 125,168,744 | 81,119,474 |
| Income tax payable | 21 | 38,764,490 | 47,231,688 | 9,866,136 | 18,543,396 |
| | | 103,382,930 | 57,502,915 | 135,034,880 | 99,662,870 |
| Total Liabilities | | 177,784,045 | 100,108,183 | 207,240,620 | 140,837,680 |
| Total Equity and Liabilities | | 1,377,296,608 | 1,227,933,804 | 1,355,212,862 | 1,208,000,748 |

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 02 July 2018.

**U. G. Madanayake**
Chairman

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.

**Champika Coomasaru**
Group Chief Financial Officer

**Suren Madanayake**
Managing Director

The notes on pages 42 to 78 form an integral part of these financial statements

# Statement of Changes in Equity - Group

(all amounts in Sri Lanka Rupees)

| | Notes | Stated capital | Revenue reserve | Revaluation reserve | Other reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| Balance at 1 April 2016 | | 79,974,555 | 170,000,000 | 124,244,488 | 8,469,509 | 605,830,323 | 988,518,875 |
| Profit for the year | | - | - | - | - | 169,650,822 | 169,650,822 |
| Deferred tax impact on revaluation due to the change in tax rates | | - | - | (8,995,842) | - | - | (8,995,842) |
| Actuarial gain on defined benefit obligation | | - | - | - | - | 2,099,575 | 2,099,575 |
| Deferred tax on actuarial gain | | - | - | - | - | (587,881) | (587,881) |
| Net change in fair value of AFS Investments | | - | - | - | 1,515,488 | - | 1,515,488 |
| Total comprehensive income | | - | - | (8,995,842) | 1,515,488 | 171,162,516 | 163,682,162 |
| Transfer from revaluation reserve | 29 | - | - | (3,212,801) | - | 3,212,801 | - |
| Deferred tax on transfer | 25 | - | - | 899,584 | - | - | 899,584 |
| Dividend paid | 13 | - | - | - | - | (25,275,000) | (25,275,000) |
| Balance at 31 March 2017 | | 79,974,555 | 170,000,000 | 112,935,429 | 9,984,997 | 754,930,640 | 1,127,825,621 |
| Balance at 1 April 2017 | | 79,974,555 | 170,000,000 | 112,935,429 | 9,984,997 | 754,930,640 | 1,127,825,621 |
| Profit for the year | | - | - | - | - | 74,330,296 | 74,330,296 |
| Revaluation surplus | | - | - | 63,195,173 | - | - | 63,195,173 |
| Deferred tax on revaluation | | - | - | (40,074,887) | - | - | (40,074,887) |
| Actuarial loss on defined benefit obligation | | - | - | - | - | (1,859,051) | (1,859,051) |
| Deferred tax on actuarial loss | | - | - | - | - | 520,534 | 520,534 |
| Net change in fair value of AFS Investments | | - | - | - | (426,401) | - | (426,401) |
| Total comprehensive income | | - | - | 23,120,286 | (426,401) | 72,991,779 | 95,685,664 |
| Transfer from revaluation reserve | 29 | - | - | (4,558,136) | - | 4,558,136 | - |
| Deferred tax on transfer | 25 | - | - | 1,276,278 | - | - | 1,276,278 |
| Dividend paid | 13 | - | - | - | - | (25,275,000) | (25,275,000) |
| Balance at 31 March 2018 | | 79,974,555 | 170,000,000 | 132,773,857 | 9,558,596 | 807,205,555 | 1,199,512,563 |

The notes on pages 42 to 78 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)

| | Notes | Stated capital | Revenue reserve | Revaluation reserves | Other reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| Balance at 1 April 2016 | | 79,974,555 | 170,000,000 | 124,244,488 | 8,469,509 | 538,218,703 | 920,907,255 |
| Profit for the year | | - | - | - | - | 176,871,725 | 176,871,725 |
| Deferred tax impact on revaluation due to the change in tax rates | | - | - | (8,995,842) | - | - | (8,995,842) |
| Actuarial gain on defined benefit obligation | | - | - | - | - | 1,722,025 | 1,722,025 |
| Deferred tax on actuarial gain | | - | - | - | - | (482,167) | (482,167) |
| Net change in fair value of AFS Investments | | - | - | - | 1,515,488 | - | 1,515,488 |
| Total comprehensive income | | - | - | (8,995,842) | 1,515,488 | 178,111,583 | 170,631,229 |
| Transfer from revaluation reserve | 29 | - | - | (3,212,801) | - | 3,212,801 | - |
| Deferred tax on transfer | 25 | - | - | 899,584 | - | - | 899,584 |
| Dividend paid | 13 | - | - | - | - | (25,275,000) | (25,275,000) |
| Balance at 31 March 2017 | | 79,974,555 | 170,000,000 | 112,935,429 | 9,984,997 | 694,268,087 | 1,067,163,068 |
| Balance at 1 April 2017 | | 79,974,555 | 170,000,000 | 112,935,429 | 9,984,997 | 694,268,087 | 1,067,163,068 |
| Profit for the year | | - | - | - | - | 83,143,358 | 83,143,358 |
| Revaluation surplus | | - | - | 63,195,173 | - | - | 63,195,173 |
| Deferred tax on revaluation | | - | - | (40,074,887) | - | - | (40,074,887) |
| Actuarial loss on defined benefit obligation | | - | - | - | - | (1,429,649) | (1,429,649) |
| Deferred tax on actuarial loss | | - | - | - | - | 400,302 | 400,302 |
| Net change in fair value of AFS Investments | | - | - | - | (426,401) | - | (426,401) |
| Total comprehensive income | | - | - | 23,120,286 | (426,401) | 82,114,011 | 104,807,896 |
| Transfer from revaluation reserve | 29 | - | - | (4,558,136) | - | 4,558,136 | - |
| Deferred tax on transfer | 25 | - | - | 1,276,278 | - | - | 1,276,278 |
| Dividend paid | 13 | - | - | - | - | (25,275,000) | (25,275,000) |
| Balance at 31 March 2018 | | 79,974,555 | 170,000,000 | 132,773,857 | 9,558,596 | 755,665,234 | 1,147,972,242 |

The notes on pages 42 to 78 form an integral part of these financial statements
Figures in brackets indicate deductions.

# Statement of Cash Flows

(all amounts in Sri Lanka Rupees)

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | 31 March | | 31 March | |
| | | **2018** | 2017 | **2018** | 2017 |
| **Operating activities** | | | | | |
| Cash generated from operations | 31 | 240,356,702 | 228,249,802 | 239,658,125 | 226,705,923 |
| Interest paid | 10 | (18,269,132) | (13,007,970) | (21,962,241) | (16,709,031) |
| Gratuity paid | 24 | (486,425) | (78,800) | (486,425) | (78,800) |
| Income tax paid | 21 | (40,903,955) | (104,927,128) | (39,877,260) | (102,548,034) |
| WHT on dividend paid by subsidiary | | (650,002) | (750,001) | - | - |
| Net cash generated from operating activities | | 180,047,188 | 109,485,903 | 177,332,199 | 107,370,058 |
| **Investing activities** | | | | | |
| Investment made during the year | | (200,000) | - | (200,000) | - |
| Interest received | 10 | 11,283,084 | 7,853,840 | 8,188,821 | 4,798,256 |
| Purchase and construction of property, plant and equipment | 14 | (5,401,400) | (3,225,818) | (5,401,400) | (3,225,819) |
| Dividend received | 7 | 1,351,008 | 1,462,715 | 7,201,013 | 8,212,729 |
| Net cash generated from investing activities | | 7,032,692 | 6,090,737 | 9,788,433 | 9,785,166 |
| **Financing activities** | | | | | |
| Dividend paid | 13 | (25,275,000) | (25,275,000) | (25,275,000) | (25,275,000) |
| Net repayments of import loans | | - | (33,149,937) | - | (33,149,937) |
| Net cash used in financing activities | | (25,275,000) | (58,424,937) | (25,275,000) | (58,424,937) |
| Increase in cash and cash equivalents | | 161,804,880 | 57,151,703 | 161,845,632 | 58,730,287 |
| **Movement in cash and cash equivalents** | | | | | |
| At the beginning of the year | | 291,864,483 | 234,712,780 | 288,917,603 | 230,187,316 |
| Increase | | 161,804,880 | 57,151,703 | 161,845,634 | 58,730,287 |
| At the end of the year | 22 | 453,669,363 | 291,864,483 | 450,763,235 | 288,917,603 |

The notes on pages 42 to 78 form an integral part of these financial statements
Figures in brackets indicate deductions.

# Notes to the Financial Statements

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

## 1 GENERAL INFORMATION

ACL Plastics PLC is a public limited liability company incorporated under the Companies Act, No. 17 of 1982 on 17.07.1991 and re-registered under the Companies Act, No. 7 of 2007. The Company is domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and principal place of business of the Company is located at No. 60, Rodney Street, Colombo 08.

The principal activities of ACL Plastics PLC are manufacturing, dealing and marketing of PVC compound utilised inter alia for the sheathing and insulation of electric cables.

### Parent company

ACL Cables PLC is the ultimate parent company of ACL Plastics PLC.

### Subsidiary company

ACL Polymers (Private) Limited which was incorporated in 2005, is the wholly owned subsidiary of ACL Plastics PLC and the principal activity of which is manufacturing of various kinds of PVC compounds.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

(a) 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 ("SLFRS"s), Sri Lanka Accounting Standards ("LKAS"s), 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. 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 4 to the financial statements.

The following amendments to the Sri Lanka Accounting Standards that are relevant for the preparation of the Group's financial statements have been adopted by the Group (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2017 and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2018.

### 2.2 Changes in accounting policies and disclosures

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

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2017:

(i) Amendments to LKAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses

Amendments made to LKAS 12 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

*i* *A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.*

*ii* *An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.*

*iii* *Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.*

*iv* *Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.*

(ii) Amendments to LKAS 7 - Disclosure Initiative

Entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg :- draw downs and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities."

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2018 reporting periods and have not been early adopted by the Company.

(i) SLFRS 9 Financial Instruments and associated amendments to various other standards

SLFRS 9 replaces the multiple classification and measurement models in LKAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

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 if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of 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 statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss."

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. The new standard also introduces expanded disclosure requirements and changes in presentation.

Further changes introduced to the classification and measurement rules and also introduced a new impairment model to SLFRS 9. The changes introduce:

*i* *a third measurement category (FVOCI) for certain financial assets that are debt instruments*

*ii* *a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg :- trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.*

*The standard is effective for the annual periods beginning on or after 1 January 2018.*

(ii) SLFRS 15 Revenue from contracts with customers and associated amendments to various other standards

SLFRS 15 will replace LKAS 18 which covers contracts for goods and services and LKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

# Notes to the Financial Statements

A new five-step process must be applied before revenue can be recognised:

i. *identify contracts with customers*
ii. *identify the separate performance obligation*
iii. *determine the transaction price of the contract*
iv. *allocate the transaction price to each of the separate performance obligations, and*
v. *recognise the revenue as each performance obligation is satisfied."*

Key changes to current practice are:

i. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
ii. Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal.
iii. The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
iv. There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.
v. There are also increased disclosures."

"These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

Amendments to SLFRS 15, 'Revenue from contracts with customers'

"These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation permitted).

The standard and the amendment is effective for the annual periods beginning on or after 1 January 2018.

(iii) SLFRS 16 Leases

SLFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under SLFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted if SLFRS 15, 'Revenue from Contracts with Customers', is also applied.

(iv) Amendments to LKAS 40 - Transfers of Investment Property

The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer.

The list of evidence for a change of use in the standard was re-characterised as a non-exhaustive list of examples to help illustrate the principle."

Provided two option for transition:

i. *prospectively, with any impact from the reclassification recognised as adjustment to opening retained earnings as at the date of initial recognition, or*
ii. *retrospectively - only permitted without the use of hindsight."*

Additional disclosures are required if an entity adopts the requirements prospectively.

The amendment is effective for the annual periods beginning on or after 1 January 2018.

(v) IFRIC 22, 'Foreign Currency Transactions and Advance Consideration'

The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability).

If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt."

Entities can choose to apply the interpretation:

i. *retrospectively for each period presented*
ii. *prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied, or*
iii. *prospectively from the beginning of a prior reporting period presented as comparative information."*

The amendment is effective for the annual periods beginning on or after 1 January 2018.

(vi) IFRIC 23, 'Uncertainty over income tax treatments'

This IFRIC clarifies how the recognition and measurement requirements of LKAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The amendment is effective for the annual periods beginning on or after 1 January 2019.

The Company is continuing to assess the potential impact on its financial statements resulting from the application of the above standards and at this stage does not expect a significant impact on the financial statements due to the adoption of these standards.

## 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.

# Notes to the Financial Statements

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 adjusted to conform with the group's accounting policies.

### (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.

## 2.4 Foreign currency transactions

### (a) Functional and presentation currency

Items included in both the financial statements of the subsidiary company and the consolidated financial statements are measured using Sri Lanka rupee, which is the functional and presentation currency of both ACL Plastics PLC and its subsidiary company.

### (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 income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

## 2.5 Taxation

### (a) Current taxes

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 Inland Revenue Act. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

(b) Deferred income taxes

Deferred tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

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.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## 2.6 Valuation of assets and their bases of measurement

### 2.6.1. Property, plant and equipment

(a) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation except for revaluation of land and buildings. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

All property, plant and equipment is initially recorded at cost and stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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 benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All repairs and maintenance costs are charged to statement of comprehensive income during the financial period in which they are incurred.

Gains / (losses) on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(b) Depreciation

Depreciation begins when an item of property, plant and equipment is available for use and will continue until it is derecognised, even if during that period the item is idle.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depreciation is recognized in income statement on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment.

The estimated useful life of the assets are as follows;

| Asset | Years |
|---|---|
| Buildings | 25 |
| Plant, machinery and accessories | 10 - 30 |
| Factory equipment | 10 - 28 |
| Electrical fittings | 10 |
| Furniture, fixtures and fittings | 10 |
| Office equipment | 10 |
| Motor vehicles | 5 |
| Tools and implements | 4 |
| Laboratory equipment | 10 - 28 |

# Notes to the Financial Statements

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

(c) Borrowing costs

Borrowing costs are written off to the income statement as and when incurred, unless they relate to borrowings which fund significant capital projects, in which case they are capitalised with the relevant property, plant and equipment up to the date of commercial operation, and written off to the income statement over the period during which the asset is depreciated. Borrowing costs include interest charged and exchange differences on foreign loans to the extent that they are regarded as an adjustment to interest costs.

(d) Revaluation 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.

(e) Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment shall be de-recognised:

(a) on disposal; or
(b) when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised .Gains shall not be classified as revenue.

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.

2.6.2 Financial assets

The Group allocates financial assets to the following categories: loans and receivables;and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

a. Loans and receivables

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

(a). those that the Company 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 at fair value through profit or loss;

(b). those that the Company upon initial recognition designates as available- for- sale; or
(c). those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statement of comprehensive income.

b. 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 initially recognized 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 . 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 'Dividend income' when the Company's right to receive payment is established.

### 2.6.3 Impairment of non financial assets

Intangible assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.6.4 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, default or delinquency in interest or principal payments, 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 Company 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 Company 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.

### 2.6.4 Impairment of financial assets

b. Available for sale financial investments

For available for sale financial investments, the Company 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 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.

## 2.7 Inventories

Inventories are stated at the lower of cost or net realisable value after making due allowance for obsolete and slow moving items. 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 Financial Statements

The costs of raw materials are the purchase prices on a weighted average basis.

"The cost of work -in- progress and finished goods is the actual cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity on weighted average basis.

The cost of other stocks are stated at the purchase price.

### 2.8 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### 2.9 Cash and cash equivalents

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

### 2.10 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.

### 2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

### 2.12 Employee benefits

#### (a) Defined benefit obligation

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plan define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past-service costs are recognised immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The Group recognizes all actuarial gains and losses arising from the defined benefit plan in other comprehensive income (OCI) and all other expenses related to defined benefit plans are recognized as staff cost in income statement. The retirement benefit obligation is not externally funded.

(b) Defined contribution plans

All employees of the Company in Sri Lanka are members of the Employees' Provident Fund and Employees' Trust Fund, to which the Company contributes 12% and 3% respectively, of such employees' basic or consolidated wage or salary.

(c) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

## 2.13 Provisions

Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using the pre-tax rate that reflects current market assessment of the time value of money and risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

## 2.14 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 accrual basis.

Dividend income is recognised when the shareholders 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 statement of comprehensive income, 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.

## 2.15 Comparatives

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

## 2.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. There are no significant reportable segments in the Group.

# Notes to the Financial Statements

### 2.17 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.

### 2.18 Leases

Leases of property, plant and equipment where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

### 2.19 Stated Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Board of Directors of the Group regularly reviews its exposure to various kinds of risk factors with the ultimate objective of 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 Group'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 Group is exposed to currency risk on goods sold and raw materials imported that are denominated in currencies other than the 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.

The company is primarily exposed to changes in foreign currency exchange rates. The following table demonstrates the sensitivity of the cumulative changes in fair value of the assets and liabilities denominated in currencies other than Sri Lankan rupees to reasonably possible changes in exchange rates, with all other variables held constant. The effect of decreases in exchange rates is expected to be equal and opposite to the effect of the increase shown.

| Group | Change in exchange rates | Effect on profit or loss Rs. |
|---|---|---|
| 31 March 2018 | 10% | (593,397) |
| 31 March 2017 | 10% | 535,669 |

| Company | Change in exchange rates | Effect on profit or loss Rs. |
|---|---|---|
| 31 March 2018 | 10% | (593,397) |
| 31 March 2017 | 10% | 535,669 |

(ii) Interest rate risk

Interest rate risk mainly arises as a result of 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.

(iii) Price risk

The Group'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.

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.

# Notes to the Financial Statements

| | Change in equity price | Effect on other comprehensive income Rs. | Effect on equity Rs. |
|---|---|---|---|
| Group | | | |
| 31 March 2018 | 10% | 2,285,655 | 2,285,655 |
| 31 March 2017 | 10% | 2,308,295 | 2,308,295 |
| Company | | | |
| 31 March 2018 | 10% | 2,285,655 | 2,285,655 |
| 31 March 2017 | 10% | 2,308,295 | 2,308,295 |

The Group 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. Analysis of financial liabilities by remaining contractual maturities:

| Group | Less than 1 year | Between 1 and 2 years | Between 2 and 6 years | Over 6 years | Total |
|---|---|---|---|---|---|
| At 31 March 2018 | | | | | |
| Financial liabilities | | | | | |
| Borrowings (excluding finance lease liabilities) | - | - | - | - | - |
| Trade and other payables (excluding statutory liabilities) | 64,318,620 | - | - | - | 64,318,620 |
| Total financial liabilities | 64,318,620 | - | - | - | 64,318,620 |
| At 31 March 2017 | | | | | |
| Financial liabilities | | | | | |
| Borrowings (excluding finance lease liabilities) | - | - | - | - | - |
| Trade and other payables (excluding statutory liabilities) | 9,982,021 | - | - | - | 9,982,021 |
| Total financial liabilities | 9,982,021 | - | - | - | 9,982,021 |

| Company | Less than 1 year | Between 1 and 2 years | Between 2 and 6 years | Over 6 years | Total |
|---|---|---|---|---|---|
| At 31 March 2018 | | | | | |
| Financial liabilities | | | | | |
| Borrowings (excluding finance lease liabilities) | - | - | - | - | - |
| Trade and other payables (excluding statutory liabilities) | 72,790,044 | - | - | - | 72,790,044 |
| Total financial liabilities | 72,790,044 | - | - | - | 72,790,044 |
| At 31 March 2017 | | | | | |
| Financial liabilities | | | | | |
| Borrowings (excluding finance lease liabilities) | - | - | - | - | - |
| Trade and other payables (excluding statutory liabilities) | 78,494,217 | - | - | - | 78,494,217 |
| Total financial liabilities | 78,494,217 | - | - | - | 78,494,217 |

(c) Credit risk

Credit risk is managed on Group basis, except for credit risk relating to accounts receivable balances. Each 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 credit and cash customers, including outstanding receivables and committed transactions. If credit 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 cash customers are settled in cash.

## 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 2018.

The Group 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.

As at 31 March 2018 and 31 March 2017, the Group and the Company operated as non geared.

# Notes to the Financial Statements

## 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.

As at 31 March 2018
Group

| | Level 1 | Total balance |
|---|---|---|
| Assets | | |
| Available for sale financial assets | 22,856,553 | 22,856,553 |
| | 22,856,553 | 22,856,553 |
| Company | | |
| Assets | | |
| Available for sale financial assets | 22,856,553 | 22,856,553 |
| | 22,856,553 | 22,856,553 |
| As at 31 March 2017 | | |
| Available for sale financial assets | | |
| | 23,082,954 | 23,082,954 |
| | 23,082,954 | 23,082,954 |
| Company | | |
| Assets | | |
| Available for sale financial assets | 23,082,954 | 23,082,954 |
| | 23,082,954 | 23,082,954 |

(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 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

### 4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Estimated impairment of non-current assets

The Group tests annually the indicators to ascertain whether non-current assets (including intangibles) have suffered any impairment, in accordance with the accounting policy stated in policy 2.6.3 and 2.6.4. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Defined benefit plan - Gratuity

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for defined benefit plan include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Company determines the appropriate discount rate at the end of each year as explained in the accounting policies note 2.12. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. Other key assumptions for defined benefit plan are based in part on current market conditions. Additional information is disclosed in Note 24.

(c) Provisions

The Group recognises provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each balance sheet date and adjusted to reflect the Company's current best estimate.

(d) 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.

(e) 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.

# Notes to the Financial Statements

(f) 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.

(g) 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.

(h) Deferred tax on carried forward tax losses

Deferred tax assets are recognised for unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilized.

(i) 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.

## 5 ACCOUNTING POLICIES AND COMPARATIVES

The accounting policies set out have been consistently applied to all periods presented in these consolidated financial statements and the accounting policies have been applied consistently by group entities. Where necessary, comparative figures have been reclassified to conform with the changes in presentation in the current year.

## 6 REVENUE

| | Group Year ended 31 March | | Company Year ended 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Local Sales | 1,355,597,251 | 1,424,397,121 | 1,355,028,231 | 1,421,849,296 |
| Deemed exports | - | 24,963,443 | - | 24,963,443 |
| Net revenue | 1,355,597,251 | 1,449,360,564 | 1,355,028,231 | 1,446,812,739 |

## 7 OTHER INCOME

| | Group Year ended 31 March | | Company Year ended 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Dividend income | 1,351,008 | 1,462,715 | 7,201,013 | 8,212,729 |
| | 1,351,008 | 1,462,715 | 7,201,013 | 8,212,729 |

## 8 EXPENSES BY NATURE

| | Group Year ended 31 March | | Company Year ended 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Directors' emoluments | 240,000 | 150,000 | 240,000 | 150,000 |
| Auditor's remuneration | 734,957 | 654,062 | 540,000 | 491,247 |
| Depreciation (Note 14) | 17,160,953 | 17,408,635 | 17,160,953 | 17,408,635 |
| Staff costs (Note 9) | 59,523,452 | 55,035,260 | 49,580,790 | 46,233,798 |
| Raw material consumption | 1,121,565,408 | 1,070,855,050 | 1,121,565,408 | 1,070,855,050 |
| Other costs | 51,464,417 | 51,589,619 | 51,104,230 | 50,878,045 |
| Total cost of sales and administrative costs | 1,250,689,187 | 1,195,692,626 | 1,240,191,382 | 1,186,016,775 |

Other expenses mainly consist of electricity expenses amounting to Rs.25,675,248 (2017 - Rs.27,022,791), repairs & maintenance expenses amounting to Rs. 12,811,392 (2017 - Rs.11,980,362) for both Group and Company.

## 9 STAFF COSTS

| | Group Year ended 31 March | | Company Year ended 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Wages and salaries | 40,332,372 | 36,907,797 | 36,537,950 | 33,447,648 |
| Defined contribution plan | 3,318,088 | 3,076,479 | 2,748,925 | 2,555,957 |
| Defined benefit plan (Note 26) | 1,997,146 | 1,676,695 | 1,661,630 | 1,410,814 |
| Other staff costs | 13,875,846 | 13,374,289 | 8,632,285 | 8,819,379 |
| | 59,523,452 | 55,035,260 | 49,580,790 | 46,233,798 |
| Average number of employees during the year | 55 | 54 | 43 | 42 |

Group other staff costs mainly include bonus cost amounting to Rs 3,379,152 (2017 - Rs 3,059,457) and staff welfare costs amounting to Rs 3,963,266 (2017 - Rs 4,036,957)

## 10 FINANCE COSTS - NET

| | Group Year ended 31 March | | Company Year ended 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Finance income : | | | | |
| Interest income | 11,283,084 | 7,853,840 | 8,188,821 | 4,798,256 |
| Finance costs : | | | | |
| Interest expense | (18,269,132) | (13,007,970) | (21,962,241) | (16,709,031) |
| Exchange loss | (3,893,316) | (5,261,463) | (3,893,316) | (5,261,463) |
| | (22,162,448) | (18,269,433) | (25,855,557) | (21,970,494) |
| Net finance cost | (10,879,364) | (10,415,593) | (17,666,736) | (17,172,238) |

# Notes to the Financial Statements

## 11 INCOME TAX

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 31 March | | Year ended 31 March | |
| | 2018 | 2017 | 2018 | 2017 |
| Current tax | 32,436,747 | 69,527,796 | 31,200,000 | 68,298,087 |
| Deferred tax (release) / charge | (12,037,336) | 4,786,441 | (9,972,232) | 6,666,643 |
| WHT on dividend paid by subsidiary | 650,001 | 750,001 | - | - |
| | 21,049,412 | 75,064,238 | 21,227,768 | 74,964,730 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 31 March | | Year ended 31 March | |
| | 2018 | 2017 | 2018 | 2017 |
| Profit before tax | 95,379,708 | 244,715,060 | 104,371,126 | 251,836,455 |
| Consolidation adjustments | 5,850,005 | 6,750,014 | - | - |
| Profit before tax after adjustments | 101,229,713 | 251,465,074 | 104,371,126 | 251,836,455 |
| Tax calculated at effective tax rate of 28% (28% - 2017) | 28,344,320 | 70,410,221 | 29,223,915 | 70,514,207 |
| Tax effect of income not subject to tax | (4,309,155) | (2,299,565) | (4,309,154) | (2,299,564) |
| Tax effect of expenses not deductible | 11,022,210 | 7,279,838 | 8,905,866 | 5,283,990 |
| Tax effect of allowable deductions | (2,620,628) | (5,862,697) | (2,620,628) | (5,200,546) |
| WHT on dividend paid by subsidiary | 650,001 | 750,001 | - | - |
| Deferred tax charge / (reversal) | (12,037,336) | 4,786,441 | (9,972,232) | 6,666,643 |
| Tax charge | 21,049,412 | 75,064,238 | 21,227,768 | 74,964,730 |

## 12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

| | Group Year ended 31 March | | Company Year ended 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Net profit attributable to shareholders | 74,330,296 | 169,650,822 | 83,143,358 | 176,871,725 |
| Weighted average number of ordinary shares in issue (Note 30) | 4,212,500 | 4,212,500 | 4,212,500 | 4,212,500 |
| Basic earnings per share | 17.65 | 40.27 | 19.74 | 41.99 |

## 13 DIVIDEND PER SHARE

| | Group As at 31 March | | Company As at 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Interim dividend paid | 25,275,000 | 25,275,000 | 25,275,000 | 25,275,000 |
| | 25,275,000 | 25,275,000 | 25,275,000 | 25,275,000 |
| Weighted average number of ordinary shares in issue (Note 30) | 4,212,500 | 4,212,500 | 4,212,500 | 4,212,500 |
| Dividend per share | 6.00 | 6.00 | 6.00 | 6.00 |

# Notes to the Financial Statements

## 14 PROPERTY, PLANT AND EQUIPMENT - GROUP

(a)

| | Land and buildings | Plant machinery and accessories | Equipment tools and implements | Furniture fittings and office equipment | Motor vehicles | Total |
|---|---|---|---|---|---|---|
| At 1 April 2016 | | | | | | |
| Cost / Valuation | 178,932,215 | 176,886,400 | 16,184,126 | 2,521,480 | 21,110,426 | 395,634,647 |
| Accumulated depreciation | (3,807,866) | (114,786,489) | (12,423,805) | (2,039,726) | (9,193,116) | (142,251,002) |
| | 175,124,349 | 62,099,911 | 3,760,321 | 481,754 | 11,917,310 | 253,383,645 |
| Year ended 31 March 2017 | | | | | | |
| Opening net book amount | 175,124,349 | 62,099,911 | 3,760,321 | 481,754 | 11,917,310 | 253,383,645 |
| Additions | - | 1,456,351 | 1,355,567 | 413,901 | - | 3,225,819 |
| Depreciation charge (Note 8) | (3,659,760) | (9,063,070) | (793,524) | (123,465) | (3,768,816) | (17,408,635) |
| Closing net book amount | 171,464,589 | 54,493,192 | 4,322,364 | 772,190 | 8,148,494 | 239,200,829 |
| At 31 March 2017 | | | | | | |
| Cost / Valuation | 178,932,214 | 159,066,682 | 17,539,692 | 2,935,380 | 21,110,426 | 379,584,394 |
| Accumulated depreciation | (7,467,625) | (104,573,488) | (13,217,328) | (2,163,191) | (12,961,932) | (140,383,564) |
| Net book amount | 171,464,589 | 54,493,194 | 4,322,364 | 772,189 | 8,148,494 | 239,200,830 |
| Year ended 31 March 2018 | | | | | | |
| Opening net book amount | 171,464,589 | 54,493,194 | 4,322,364 | 772,189 | 8,148,494 | 239,200,830 |
| Additions | - | 4,751,771 | 649,629 | - | - | 5,401,400 |
| Revaluation surplus | 63,195,173 | - | - | - | - | 63,195,173 |
| Depreciation charge (Note 8) | (3,659,762) | (8,851,475) | (765,557) | (115,344) | (3,768,817) | (17,160,953) |
| Closing net book amount | 231,000,000 | 50,393,490 | 4,206,436 | 656,845 | 4,379,677 | 290,636,450 |
| At 31 March 2018 | | | | | | |
| Cost / Valuation | 231,000,000 | 183,094,521 | 18,189,321 | 2,935,380 | 21,110,426 | 456,329,649 |
| Accumulated depreciation | - | (132,701,030) | (13,982,885) | (2,278,535) | (16,730,749) | (165,693,199) |
| Net book amount | 231,000,000 | 50,393,491 | 4,206,436 | 656,845 | 4,379,677 | 290,636,450 |

## 14 PROPERTY, PLANT AND EQUIPMENT - COMPANY

(b)

| | Land and buildings | Plant machinery and accessories | Equipment tools and implements | Furniture fittings and office equipment | Motor vehicles | Total |
|---|---|---|---|---|---|---|
| **At 1 April 2016** | | | | | | |
| Cost / Valuation | 178,932,214 | 138,334,263 | 16,184,125 | 2,521,480 | 21,110,426 | 357,082,508 |
| Accumulated depreciation | (3,807,865) | (76,234,350) | (12,423,804) | (2,039,726) | (9,193,116) | (103,698,861) |
| | 175,124,349 | 62,099,913 | 3,760,321 | 481,754 | 11,917,310 | 253,383,647 |
| **Year ended 31 March 2017** | | | | | | |
| Opening net book amount | 175,124,349 | 62,099,913 | 3,760,321 | 481,754 | 11,917,310 | 253,383,647 |
| Additions | - | 1,456,351 | 1,355,567 | 413,900 | - | 3,225,818 |
| Depreciation charge (Note 8) | (3,659,760) | (9,063,070) | (793,524) | (123,465) | (3,768,816) | (17,408,635) |
| Closing net book amount | 171,464,589 | 54,493,194 | 4,322,364 | 772,189 | 8,148,494 | 239,200,830 |
| **At 31 March 2017** | | | | | | |
| Cost / Valuation | 178,932,214 | 139,790,614 | 17,539,692 | 2,935,380 | 21,110,426 | 360,308,326 |
| Accumulated depreciation | (7,467,625) | (85,297,420) | (13,217,328) | (2,163,191) | (12,961,932) | (121,107,496) |
| Net book amount | 171,464,589 | 54,493,194 | 4,322,364 | 772,189 | 8,148,494 | 239,200,830 |
| **Year ended 31 March 2018** | | | | | | |
| Opening net book amount | 171,464,589 | 54,493,194 | 4,322,364 | 772,189 | 8,148,494 | 239,200,830 |
| Additions | - | 4,751,771 | 649,629 | - | - | 5,401,400 |
| Revaluation surplus | 63,195,173 | - | - | - | - | 63,195,173 |
| Depreciation charge (Note 8) | (3,659,762) | (8,851,475) | (765,557) | (115,344) | (3,768,817) | (17,160,953) |
| Closing net book amount | 231,000,000 | 50,393,490 | 4,206,436 | 656,845 | 4,379,677 | 290,636,450 |
| **At 31 March 2018** | | | | | | |
| Cost / Valuation | 231,000,000 | 144,542,385 | 18,189,321 | 2,935,380 | 21,110,426 | 417,777,512 |
| Accumulated depreciation | - | (94,148,895) | (13,982,885) | (2,278,535) | (16,730,749) | (127,141,062) |
| Net book amount | 231,000,000 | 50,393,490 | 4,206,436 | 656,845 | 4,379,677 | 290,636,450 |

# Notes to the Financial Statements

## 14 PROPERTY, PLANT AND EQUIPMENT

(c) The group's land (extent - 3 A - 0 R - 44 P, location - Ekala) and buildings (No. of buildings 09) were last revalued on 31 March 2018 by an Independent Professional Valuer Mr. J.M. Senanayaka Bandara BSc. (Hon) (Estate Management & Valuation), FIV Sri Lanka, IRRV (UK).

(d) Property, plant and equipment includes assets at valuation on 31 March 2018 as follows,

| Asset | Company / Group Valued amount |
|---|---|
| Land | 117,000,000 |
| Buildings | 114,000,000 |

(e) Property, plant and equipment include fully depreciated assets, the original cost of which amounted to Rs 56 Mn (2017 - Rs 55 Mn).

(f) If revalued land & buildings were stated on the historical cost basis, the amounts would be as follows:

| | Company / Group | |
|---|---|---|
| | Land | Building |
| Cost at 31 March 2018 | 87,438,200 | 91,494,014 |
| Accumulated depreciation at 31 March 2018 | - | (11,127,387) |
| Net book value | 87,438,200 | 80,366,627 |

(g) No Property, plant and equipment has been pledged as securities for liabilities.

## 15 PREPAID LEASE RENTALS

| | Group As at 31 March | | Company As at 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Balance at 1 April | 1,687,428 | 1,709,631 | 1,687,428 | 1,709,631 |
| Amortisation during the year | (22,203) | (22,203) | (22,203) | (22,203) |
| Balance at 31 March | 1,665,225 | 1,687,428 | 1,665,225 | 1,687,428 |
| Amount to be amortised within one year | 22,203 | 22,203 | 22,203 | 22,203 |
| Amount to be amortised after one year | 1,643,022 | 1,665,225 | 1,643,022 | 1,665,225 |
| | 1,665,225 | 1,687,428 | 1,665,225 | 1,687,428 |

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

## 16 INVESTMENT IN SUBSIDIARY

Investment in subsidiary wholly consists of Rs 10,000,010 (2017 - Rs 10,000,010) invested in ordinary shares of ACL Polymers (Private) Limited, representing 100% of its issued share capital.

## 17 AVAILABLE FOR SALE FINANCIAL ASSETS

Investment in other companies represents the investments in equity shares of quoted companies, categorised as Available-for-sale financial assets and have been measured at fair value with gains and losses being recognised as a part of equity (Other reserve).

| | 31 March 2018 | | | 31 March 2017 | | |
|---|---|---|---|---|---|---|
| | Number of shares | Cost | Market value | Number of shares | Cost value | Market value |
| Diversified holdings | | | | | | |
| Hayleys PLC | 38,907 | 2,952,614 | 7,808,630 | 38,907 | 2,952,614 | 10,310,355 |
| Banking finance and insurance | | | | | | |
| Nations Trust Bank PLC | 25,592 | 512,005 | 2,065,273 | 25,592 | 512,005 | 1,893,808 |
| People's Insurance PLC | 585,500 | 8,782,500 | 12,588,250 | 585,500 | 8,782,500 | 10,714,650 |
| Plantations | | | | | | |
| Maskeliya Plantations PLC | 8,200 | 374,258 | 157,400 | 8,200 | 374,258 | 63,141 |
| Kotagala Plantations PLC | 30,000 | 676,580 | 237,000 | 10,000 | 476,580 | 101,000 |
| Total cost of investments by the Company | | 13,297,957 | 22,856,553 | | 13,097,957 | 23,082,954 |
| Total cost of investments by the Group | | 13,297,957 | 22,856,553 | | 13,097,957 | 23,082,954 |

# Notes to the Financial Statements

## 17.1 Movement in available for sale financial assets

| | Group As at 31 March | | Company As at 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Balance at 1 April | 23,082,954 | 21,567,465 | 23,082,954 | 21,567,465 |
| Investments made during the year | 200,000 | - | 200,000 | - |
| Sale of AFS assets | - | - | - | - |
| Net change in fair value | (426,401) | 1,515,489 | (426,401) | 1,515,489 |
| Balance at 31 March | 22,856,553 | 23,082,954 | 22,856,553 | 23,082,954 |

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

### (a) Financial instruments

| Group | Loans and receivables | Available for sale | Total |
|---|---|---|---|
| 31 March 2018 | | | |
| Assets as per the statement of financial position | | | |
| Financial investments - Available for sale | - | 22,856,553 | 22,856,553 |
| Trade and other receivables (excluding pre-payments) | 377,600,981 | - | 377,600,981 |
| Cash and cash equivalents | 453,669,363 | - | 453,669,363 |
| | 831,270,344 | 22,856,553 | 854,126,897 |

| | Financial Liabilities at fair value through profit or loss | Liabilities at amortised cost | Total |
|---|---|---|---|
| 31 March 2018 | | | |
| Liabilities as per the statement of financial position | | | |
| Trade and other payables (excluding statutory liabilities) | - | 64,318,620 | 64,318,620 |
| | - | 64,318,620 | 64,318,620 |
| 31 March 2018 | | | |
| Assets as per the statement of financial position | | | |
| Financial investments - Available for sale | - | 22,856,553 | 22,856,553 |
| Trade and other receivables (excluding pre-payments) | 352,391,018 | - | 352,391,018 |
| Cash and cash equivalents | 450,763,235 | - | 450,763,235 |
| | 803,154,253 | 22,856,553 | 826,010,806 |

| | Financial Liabilities at fair value through profit or loss | Liabilities at amortised cost | Total |
|---|---|---|---|
| 31 March 2018 | | | |
| Liabilities as per the statement of financial position | | | |
| Trade and other payables (excluding statutory liabilities) | - | 72,790,044 | 72,790,044 |
| | - | 72,790,044 | 72,790,044 |

| Group | Financial Liabilities at fair value through profit or loss | Liabilities at amortised cost | Total |
|---|---|---|---|
| 31 March 2017 | | | |
| Assets as per the statement of financial position | | | |
| Financial investments - Available for sale | - | 23,082,954 | 23,082,954 |
| Trade and other receivables (excluding pre-payments) | 480,871,087 | - | 480,871,087 |
| Cash and cash equivalents | 291,864,483 | - | 291,864,483 |
| | 772,735,570 | 23,082,954 | 795,818,524 |
| 31 March 2017 | | | |
| Liabilities as per the statement of financial position | | | |
| Trade and other payables (excluding statutory liabilities) | - | 9,982,021 | 9,982,021 |
| Borrowings | - | - | - |
| | - | 9,982,021 | 9,982,021 |
| 31 March 2017 | | | |
| Assets as per the statement of financial position | | | |
| Financial investments - Available for sale | - | 23,082,954 | 23,082,954 |
| Trade and other receivables (excluding pre-payments) | 455,659,389 | - | 455,659,389 |
| Cash and cash equivalents | 288,917,603 | - | 288,917,603 |
| | 744,476,992 | 23,082,954 | 767,659,946 |

# Notes to the Financial Statements

| | at fair value through profit or loss | Liabilities at amortised cost | Total |
|---|---|---|---|
| 31 March 2017 | | | |
| Liabilities as per the statement of financial position | | | |
| Trade and other payables (excluding statutory liabilities) | - | 78,494,217 | 78,494,217 |
| | - | 78,494,217 | 78,494,217 |

(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:

| 31 March 2018 | Neither past due nor impaired | Past due but not impaired | Individually impaired | Total |
|---|---|---|---|---|
| Group | | | | |
| Available for sale financial assets | 22,856,553 | - | - | 22,856,553 |
| Trade and other receivables (gross) | 373,279,524 | 4,767,812 | - | 378,047,336 |
| Total financial assets | 396,136,077 | 4,767,812 | - | 400,903,889 |
| Company | | | | |
| Available for sale financial assets | 22,856,553 | - | - | 22,856,553 |
| Trade and other receivables (gross) | 348,061,720 | 4,767,812 | - | 352,829,532 |
| Total financial assets | 370,918,273 | 4,767,812 | - | 375,686,085 |

Cash at bank and short-term bank deposits

| | Group As at 31 March | | Company As at 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| AA-(lka) | 18,871,139 | 28,916,402 | 15,966,642 | 25,972,402 |
| AAA(lka) | 432,311,464 | 259,892,150 | 432,309,833 | 259,889,270 |
| A(lka) | 2,335,760 | 2,904,931 | 2,335,760 | 2,904,931 |
| Total | 453,518,363 | 291,713,483 | 450,612,235 | 288,766,603 |

## 19 INVENTORIES

| | Group As at 31 March 2018 | Group As at 31 March 2017 | Company As at 31 March 2018 | Company As at 31 March 2017 |
|---|---|---|---|---|
| Raw materials | 165,825,901 | 147,119,772 | 165,825,901 | 147,119,772 |
| Work-in-progress | 1,947,318 | 8,243,350 | 1,947,318 | 8,243,350 |
| Finished goods | 60,379,436 | 36,077,370 | 60,379,436 | 36,077,370 |
| Other stocks | 366,947 | 69,787 | 366,947 | 69,787 |
| Less - Provision for slow moving stocks | (2,057,745) | (2,057,745) | (2,057,745) | (2,057,745) |
| | 226,461,857 | 189,452,534 | 226,461,857 | 189,452,534 |

## 20 TRADE AND OTHER RECEIVABLES

| | Group As at 31 March 2018 | Group As at 31 March 2017 | Company As at 31 March 2018 | Company As at 31 March 2017 |
|---|---|---|---|---|
| Trade receivables | 15,674,536 | 15,155,369 | 15,674,536 | 15,155,369 |
| Less : provision for impairment of trade receivables | - | - | - | - |
| | 15,674,536 | 15,155,369 | 15,674,536 | 15,155,369 |
| Receivable from related companies [Note 32.5 (b)] | 318,399,859 | 369,777,858 | 318,399,859 | 369,777,858 |
| Loan given to holding Company [Note 32.6 (c)] | 25,000,022 | 80,745,077 | - | 55,745,055 |
| Advance and prepayments | 2,145,360 | 5,475,981 | 1,931,018 | 5,274,542 |
| Other receivables | 16,827,558 | 9,716,802 | 16,824,119 | 9,706,565 |
| | 378,047,335 | 480,871,087 | 352,829,532 | 455,659,389 |

Other receivables of the Group include Value Added Tax receivable amounting to Rs.2,254,818 (2017 - Rs.2,298,896).
The average interest rate (based on 90 days treasury bill rates) on loan given to holding company is 7.69% (2017 - 8.61%).

As of 31 March 2018, trade receivables of Rs. 15,674,536 (2017 - 15,155,369) were fully performing.
The aging of the trade receivable balances not impaired are as follows.

| | Group As at 31 March 2018 | Group As at 31 March 2017 | Company As at 31 March 2018 | Company As at 31 March 2017 |
|---|---|---|---|---|
| Up to 3 months | 12,813,159 | 13,368,339 | 12,813,159 | 13,368,339 |
| 3 to 6 months | 2,861,377 | 1,775,725 | 2,861,377 | 1,787,029 |
| | 15,674,536 | 15,144,065 | 15,674,536 | 15,155,369 |

The directors considered the carrying amount of the balance approximates its fair value.
The carrying amounts of the trade and other receivables are dominated in following currencies:

# Notes to the Financial Statements

| | Group As at 31 March 2018 | Group As at 31 March 2017 | Company As at 31 March 2018 | Company As at 31 March 2017 |
|---|---|---|---|---|
| US dollars | 44,157,993 | 7,580,591 | 44,157,993 | 7,580,591 |
| Sri Lankan Rupees | 333,889,342 | 473,290,496 | 308,671,539 | 448,078,798 |
| | 378,047,335 | 480,871,087 | 352,829,532 | 455,659,389 |

## 21 INCOME TAX PAYABLE

| | Group As at 31 March 2018 | Group As at 31 March 2017 | Company As at 31 March 2018 | Company As at 31 March 2017 |
|---|---|---|---|---|
| Balance at 1 April | 47,231,688 | 82,631,020 | 18,543,396 | 52,793,343 |
| Provision for the current year | 32,436,757 | 69,527,796 | 31,200,000 | 68,298,087 |
| | 79,668,445 | 152,158,816 | 49,743,396 | 121,091,430 |
| Payments made during the year | (40,903,955) | (104,927,128) | (39,877,260) | (102,548,034) |
| Balance at 31 March | 38,764,490 | 47,231,688 | 9,866,136 | 18,543,396 |

## 22 CASH AND CASH EQUIVALENTS

| | Group As at 31 March 2018 | Group As at 31 March 2017 | Company As at 31 March 2018 | Company As at 31 March 2017 |
|---|---|---|---|---|
| Cash at bank | 453,518,363 | 291,713,483 | 450,612,235 | 288,766,603 |
| Cash in hand | 151,000 | 151,000 | 151,000 | 151,000 |
| | 453,669,363 | 291,864,483 | 450,763,235 | 288,917,603 |

For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:

| | Group As at 31 March 2018 | Group As at 31 March 2017 | Company As at 31 March 2018 | Company As at 31 March 2017 |
|---|---|---|---|---|
| Cash at bank and in hand | 453,669,363 | 291,864,483 | 450,763,235 | 288,917,603 |
| | 453,669,363 | 291,864,483 | 450,763,235 | 288,917,603 |

## 23 TRADE AND OTHER PAYABLES

| | Group As at 31 March | | Company As at 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Trade payables | 39,619,079 | 6,665,529 | 39,619,079 | 6,665,529 |
| Payables to related parties [Note 32.5 (a)] | - | - | 9,161,880 | 19,506,848 |
| Loans from related parties [Note 32.6 (d)] | - | - | 52,000,000 | 52,000,000 |
| Payroll related payable and other taxes | 750,278 | 1,086,975 | 378,700 | 572,373 |
| Accrued expenses and other payable | 24,249,083 | 2,518,723 | 24,009,084 | 2,374,724 |
| | 64,618,440 | 10,271,227 | 125,168,744 | 81,119,474 |

Group other taxes mainly comprise of VAT, NBT, PAYE and stamp duty payable to the Department of Inland Revenue amounting to Rs. 395,213 (2017 - Rs.343,590)

# Notes to the Financial Statements

## 24 DEFINED BENEFIT OBLIGATIONS

The amounts recognised in the statement of financial position are determined as follows:

| | Group As at 31 March | | Company As at 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| At beginning of year | 9,806,549 | 10,308,229 | 8,376,091 | 8,766,102 |
| Expense recognised in income statement (Note 26.1) | 1,997,146 | 1,676,695 | 1,661,630 | 1,410,814 |
| Actuarial loss / (gain) recognised in OCI | 1,859,051 | (2,099,575) | 1,429,649 | (1,722,025) |
| | 13,662,746 | 9,885,349 | 11,467,370 | 8,454,891 |
| Payments made during the year | (486,425) | (78,800) | (486,425) | (78,800) |
| At end of year | 13,176,321 | 9,806,549 | 10,980,945 | 8,376,091 |

### 24.1 Expense recognised in income statement

| | Group As at 31 March | | Company As at 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Current service cost | 793,426 | 594,331 | 614,619 | 490,373 |
| Interest cost | 1,203,720 | 1,082,364 | 1,047,011 | 920,441 |
| | 1,997,146 | 1,676,695 | 1,661,630 | 1,410,814 |

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

As at 31 March 2018, the gratuity liability was actuarially valued under the Project Unit Credit (PUC) method by a professionally qualified actuary firm Actuarial and Management Consultants (Private) Limited.

The key assumptions used by the actuary include the following :

| | Group / Company 31 March | |
|---|---|---|
| | 2018 | 2017 |
| Rate of discount | 10.5% | 12.5% |
| Salary increment rate | 10% | 10% |
| Retirement age | 55 years | 55 years |

## 24.2 Sensitivity of the actuarial assumptions

| | | 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 | (1,038,170) | 802,997 | (881,724) | 881,724 |
| | -1 | 1,177,403 | (909,094) | 995,679 | (995,679) |
| Future salary increases | +1 | 1,192,327 | (935,335) | 1,004,961 | (1,004,961) |
| | -1 | (1,068,173) | 837,985 | (904,680) | 904,680 |

## 25 DEFERRED INCOME TAX

Deferred income taxes are calculated on temporary differences under the liability method using the future effective tax rate of 28% (2017 - 28%) .

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **25.1 Movement in deferred tax liability** | | | | |
| Balance at the beginning of the year | 32,798,719 | 17,553,651 | 32,798,719 | 17,553,651 |
| (Reversal) / Origination of temporary differences | (9,852,000) | 5,195,045 | (9,852,000) | 5,195,045 |
| Impact on decrease in tax rate | - | 2,435,932 | - | 2,435,932 |
| Deferred tax on amount transferred from - | | | | |
| - revaluation reserve | (1,276,278) | (899,584) | (1,276,278) | (899,584) |
| Deferred tax on actuarial gain | (520,534) | - | (520,534) | - |
| Impact on revaluation of property, plant - | | | | |
| - and equipment due to decrease of tax rate | - | 8,995,842 | - | 8,995,842 |
| Impact on revaluation of property, plant - | | | | |
| - and equipment due to capital gain tax | 40,074,887 | | 40,074,887 | |
| | 61,224,794 | 32,798,719 | 61,224,794 | 32,798,719 |
| **25.2 Composition of deferred tax liabilities** | | | | |
| Property,plant & equipment | 64,875,628 | 35,720,193 | 64,875,628 | 35,720,193 |
| Provision for slow moving inventory | (576,169) | (576,169) | (576,169) | (576,169) |
| Defined benefit obligations | (3,074,665) | (2,345,305) | (3,074,665) | (2,345,305) |
| | 61,224,794 | 32,798,719 | 61,224,794 | 32,798,719 |

# Notes to the Financial Statements

| | Group 31 March 2018 | Group 31 March 2017 | Company 31 March 2018 | Company 31 March 2017 |
|---|---|---|---|---|
| **25.3 Movement in deferred tax assets** | | | | |
| Balance at the beginning of the year | (1,774,488) | - | - | - |
| Origination / (reversal) of temporary differences | (2,185,337) | (1,774,488) | - | - |
| | (3,959,825) | (1,774,488) | - | - |

| | Group 31 March 2018 | Group 31 March 2017 | Company 31 March 2018 | Company 31 March 2017 |
|---|---|---|---|---|
| **25.4 Composition of deferred tax assets** | | | | |
| Tax losses | (3,345,120) | (1,373,960) | - | - |
| Defined benefit obligations | (614,705) | (400,528) | - | - |
| | (3,959,825) | (1,774,488) | - | - |

## 26 CONTINGENT LIABILITIES

Bank guarantees amounting to Rs. 15,000,000 have been given to suppliers as at 31 March 2018 (2017 - 15,000,000). There were no other material contingent liabilities outstanding as at 31 March 2018.

## 27 COMMITMENTS

Financial commitments

The Group and the Company have the commitments on letters of credit as at 31 March 2018 as follows:

Company 27,940,212
Group 27,940,212

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

## 28 STATED CAPITAL

| | Group 31 March 2018 | Group 31 March 2017 | Company 31 March 2018 | Company 31 March 2017 |
|---|---|---|---|---|
| Number of ordinary shares issued and fully paid | | | | |
| Balance at 31 March | 4,212,500 | 4,212,500 | 4,212,500 | 4,212,500 |
| Stated capital | | | | |
| Balance at 1 April | 79,974,555 | 79,974,555 | 79,974,555 | 79,974,555 |
| Balance at 31 March | 79,974,555 | 79,974,555 | 79,974,555 | 79,974,555 |

## 29 REVALUATION RESERVE

The revaluation surplus, comprises gains on revaluation of land & buildings.

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| At beginning of year | 112,935,429 | 124,244,488 | 112,935,429 | 124,244,488 |
| Additions to revaluation reserve | 63,195,173 | - | 63,195,173 | - |
| Transfer to retained earnings | (4,558,136) | (3,212,801) | (4,558,136) | (3,212,801) |
| Deferred tax on transfer | 1,276,278 | 899,584 | 1,276,278 | 899,584 |
| Impact on revaluation reserve due to capital gains tax (Note 26) | (40,074,887) | (8,995,842) | (40,074,887) | (8,995,842) |
| At end of year | 132,773,857 | 112,935,429 | 132,773,857 | 112,935,429 |

## 30 RESERVES

### 30.1 Revenue reserve

Revenue reserves consists of amounts that have been transferred from time to time from retained earnings as resolved at general meetings of the Company for the purpose of general applications.

### 30.2 Other reserve

Other reserve consists of net gains recognised as a result of measuring available for sale financial assets at fair value.

## 31 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Profit before tax | 95,379,708 | 244,715,060 | 104,371,126 | 251,836,455 |
| Adjustments for: | | | | |
| Depreciation of property, plant & equipment (Note 14) | 17,160,953 | 17,408,635 | 17,160,953 | 17,408,635 |
| Dividend income | (1,351,008) | (1,462,715) | (7,201,013) | (8,212,729) |
| Interest expense (Note 10) | 18,269,132 | 13,007,970 | 21,962,241 | 16,709,031 |
| Interest income (Note 10) | (11,283,084) | (7,853,840) | (8,188,821) | (4,798,256) |
| Amortization of leasehold properties (Note 16) | 22,203 | 22,203 | 22,203 | 22,203 |
| Provision for defined benefit obligations (Note 25) | 1,997,146 | 1,676,695 | 1,661,630 | 1,410,814 |
| Changes in working capital: | | | | |
| Inventories increase | (37,009,323) | (53,335,927) | (37,009,323) | (53,335,927) |
| Receivables and prepayments decrease | 102,823,752 | 31,531,595 | 102,829,857 | 30,208,905 |
| Trade and other payables increase / (decrease) | 54,347,223 | (17,459,874) | 44,049,272 | (24,543,208) |
| Cash generated from operations | 240,356,702 | 228,249,802 | 239,658,125 | 226,705,923 |

# Notes to the Financial Statements

## 32 DIRECTORS' INTERESTS IN CONTRACTS AND RELATED PARTY TRANSACTIONS

**32.1** Mr. U.G. Madanayake, Mr. Suren Madanayake and Mrs. N.C. Madanayake who are Directors of the Company, are also Directors of the parent undertaking ACL Cables PLC, which owns 65.2% of the Company's issued share capital.

**32.2** Mr. U.G. Madanayake, Mr. Suren Madanayake who are Directors of the Company are also the Directors of ACL Polymers (Private) Limited which is a 100% owned subsidiary of ACL Plastics PLC.

**32.3** Mr. U.G. Madanayake, Mr. Suren Madanayake who are Directors of the Company are also the Directors of ACL Metals and Alloys (Private) Limited, ACL Kelani Magnet Wire (Private) Limited, Ceylon Copper (Pvt) Ltd, ACL Electric (Pvt) Ltd and Resus Energy PLC.

**32.4** Mr. U.G. Madanayake, Mr. Suren Madanayake and Mrs. N.C. Madanayake who are Directors of the Company, are also Directors of Kelani Cables PLC, Ceylon Bulbs & Electricals Ltd and Lanka Olex Cables (Pvt) Ltd.

**32.5**

(a) Sales of goods (inclusive of taxes)- Company

| | Year ended 31 March 2018 | 2017 |
|---|---|---|
| ACL Cables PLC | 783,027,524 | 826,039,347 |
| ACL Kelani Magnet Wire (Private) Limited | 380,000 | 237,500 |
| Kelani Cables PLC | 726,043,976 | 706,125,624 |
| | 1,509,451,500 | 1,532,402,471 |
| **(b) Purchase of goods (inclusive of taxes)** | | |
| ACL Cables PLC | 79,212 | 25,899 |
| Kelani Cables PLC | 83,851 | 280,429 |
| | 163,063 | 306,328 |
| **(c) Interest income from loans** | | |
| ACL Cables PLC | 4,965,491 | 4,798,256 |
| | 4,965,491 | 4,798,256 |
| **(d) Loan taken from / (settled to) related party** | | |
| ACL Polymers (Private) Limited | - | (3,000,000) |
| | - | (3,000,000) |
| **(e) Interest on borrowings** | | |
| ACL Polymers (Private) Limited | 4,378,449 | 4,604,770 |
| | 4,378,449 | 4,604,770 |

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

(a) Payable to related parties

| | Group 31 March 2018 | Group 31 March 2017 | Company 31 March 2018 | Company 31 March 2017 |
|---|---|---|---|---|
| ACL Polymers (Pvt) Ltd | - | - | 9,161,880 | 19,506,848 |
| | - | - | 9,161,880 | 19,506,848 |

(b) Receivable from related parties

| | Group 31 March 2018 | Group 31 March 2017 | Company 31 March 2018 | Company 31 March 2017 |
|---|---|---|---|---|
| ACL Cables PLC | 188,185,649 | 202,003,491 | 188,185,649 | 202,003,491 |
| Kelani Cables PLC | 130,214,210 | 167,774,367 | 130,214,210 | 167,774,367 |
| | 318,399,859 | 369,777,858 | 318,399,859 | 369,777,858 |

(c) Receivable on loans

| | Group 31 March 2018 | Group 31 March 2017 | Company 31 March 2018 | Company 31 March 2017 |
|---|---|---|---|---|
| ACL Cables PLC | 25,000,000 | 80,745,055 | - | 55,745,055 |
| | 25,000,000 | 80,745,055 | - | 55,745,055 |

(d) Payable on loans

| | Group 31 March 2018 | Group 31 March 2017 | Company 31 March 2018 | Company 31 March 2017 |
|---|---|---|---|---|
| ACL Polymers (Private) Limited | - | - | 52,000,000 | 52,000,000 |
| | - | - | 52,000,000 | 52,000,000 |

All inter-company loans are granted on the terms of "payable on demand" and the interest is charged based on 3 months treasury bill rate. The average interest rate for the year was 7.69% (2017 - 8.61%).

There were no other related parties or related party transactions during the year ended 31 March 2018 other than those disclosed above.

# Notes to the Financial Statements

(e) Key management compensation

Key management includes directors (executive and non-executive) of the Company. The compensation paid or payable to key management is shown below:

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Directors' emoluments | 240,000 | 150,000 | 240,000 | 150,000 |

## 33 EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred since the balance sheet date, which would require adjustments to, or disclosure in the financial statements.

# Information to Shareholders

### DISTRIBUTION OF SHARES AS AT 31ST MARCH 2018

| Category | Number of Shareholders | % | Number of Ordinary Shares |
|---|---|---|---|
| 1 - 1,000 shares | 680 | 3.69 | 155,249 |
| 1,001 - 5,000 shares | 123 | 7.00 | 294,871 |
| 5,001 - 10,000 shares | 25 | 4.14 | 174,242 |
| 10,001 - 50,000 shares | 33 | 16.33 | 688,106 |
| 50,001 - 100,000 shares | - | - | - |
| 100,001 - 500,000 shares | 2 | 13.24 | 557,663 |
| 500,001 - 1,000,000 shares | - | - | - |
| Over 1,000,000 shares | 1 | 55.61 | 2,342,369 |
| Total | 864 | 100 | 4,212,500 |

### ANALYSIS REPORT OF SHAREHOLDERS AS AT 31ST MARCH 2018

| | Number of Shares | Total Holdings % |
|---|---|---|
| Institutional | 3,341,023 | 79.31 |
| Individuals | 871,477 | 20.69 |
| Total | 4,212,500 | 100 |

### TWENTY LARGEST SHAREHOLDERS

| | 2018 Number of Shares | % of Holding | 2017 Number of Shares | % of Holding |
|---|---|---|---|---|
| ACL Cables PLC | 2,746,969 | 65.21 | 2,746,969 | 65.21 |
| Employees Provident Fund | 153,063 | 3.63 | 153,063 | 0.04 |
| Raaymakers M.A.T. | 47,043 | 1.12 | 47,043 | 0.01 |
| Assetline leasing company Ltd/Mr. E.J. Gunasekera | 39,512 | 0.94 | 36,012 | 0.85 |
| People's Leasing & Finance PLC | 37,045 | 0.88 | - | - |
| Corporate Druids (Pvt) Limited | 36604 | 0.87 | 36,604 | 0.01 |
| Costa D.S.J.V | 31722 | 0.75 | 31,722 | - |
| Gautam R. | 30400 | 0.72 | 19,500 | 0.00 |
| Abdulhussein Y.H. | 27000 | 0.64 | 20,000 | 0.00 |
| Bank of Ceylon-First Capital Equity Fund | 25000 | 0.59 | 25,000 | 0.01 |
| Corea E. | 24751 | 0.59 | 24,751 | 0.59 |
| EsEssajee Carimjee Insurance Brokers (Pvt) Ltd | 24000 | 0.57 | 24,000 | 0.01 |
| Corea Gihan Asoka | 23625 | 0.56 | 23,625 | 0.56 |
| DFCC Bank PLC-MR.P.Pranavan | 22050 | 0.52 | 5,001 | - |
| Madanayake H.A.S | 20801 | 0.49 | 20,801 | 0.49 |
| Amina Investments Limited | 20362 | 0.48 | - | - |
| Waldock Mackenzie Ltd/ Mr. H.M. Abdulhussein | 20000 | 0.47 | 37,045 | 0.01 |
| Hatton National Bank PLC-Mr. Arunasalam Sithamp | 20000 | 0.47 | - | - |
| Maheswaran R.L. | 18743 | 0.44 | 7,051 | - |
| Ismail M.J. | 17991 | 0.43 | 17,991 | - |

# Information to Shareholders

| | Company | 2018 | 2017 |
|---|---|---|---|
| a) | Earnings per share (Rs) | 19.74 | 41.99 |
| b) | Dividend per share (Rs) | 6.00 | 6.00 |
| c) | Dividend payout ratio | 0.30 | 0.14 |
| d) | Net assets value per share (Rs) | 284.75 | 268.00 |
| e) | Market value per share (Rs) | | |
| | - Highest value (Rs) | 212 | 237.00 |
| | - Lowest value (Rs) | 107 | 159.90 |
| | - Value as at the end of financial year (Rs) | 111 | 183.90 |
| f) | No of tradings for the year | 2,105 | 2878 |
| g) | Total No of shares traded | 394,036 | 1,232,134 |
| h) | Total turnover (Rs) | 1,355,028,231 | 1,446,812,739 |
| i) | Percentage of Shares held by the public | 33.87% | 33.87% |
| j) | Number of Public shareholders | 860 | 735 |
| k) | No. of foreign Shareholders | 10 | 8 |
| | | | |
| | Group | | |
| a) | Earnings per share (Rs.) | 17.65 | 40.27 |
| b) | Dividend per share (Rs.) | 6 | 6 |
| c) | Dividend payout ratio | 0.34 | 0.15 |
| d) | Net assets value per share (Rs.) | 284.73 | 267.73 |

# Statement of Value Added - Group

| | | 2017/18 Rs. '000 | | 2016/17 Rs. '000 |
|---|---|---|---|---|
| Total revenue | | 1,355,597 | | 1,449,361 |
| Other operating & interest income | | 12,634 | | 9,316 |
| | | 1,368,231 | | 1,458,677 |
| Cost of material and services bought in | | (1,121,565) | | (1,128,510) |
| Total value added by the group | | 246,666 | | 330,167 |
| | | | | |
| Value added shared with | | | | |
| Government of Sri Lanka | 11% | 21,049 | 23% | 75,064 |
| (Taxes) | | | | |
| Employees | 31% | 59,523 | 17% | 55,035 |
| (Salaries and other costs) | | | | |
| Lenders | 10% | 18,269 | 4% | 13,008 |
| (Interest on loan capital) | | | | |
| Shareholders | 13% | 25,275 | 8% | 25,275 |
| (Dividends) | | | | |
| Retained in the business | 35% | 66,216 | 48% | 161,785 |
| (Depreciation & retained profits) | | | | |
| | 100% | 190,333 | 100% | 330,167 |

# Five Year Summary - Group

TRADING RESULTS

| Year ended 31st March | 2018<br>Rs.'000 | 2017<br>Rs.'000 | 2016<br>Rs.'000 | 2015<br>Rs.'000 | 2014<br>Rs.'000 |
|---|---|---|---|---|---|
| Turnover | 1,355,597 | 1,449,361 | 1,283,520 | 1,165,991 | 1,139,995 |
| Operating profit | 106,259 | 255,131 | 282,029 | 133,422 | 108,306 |
| Profit before tax | 95,380 | 244,715 | 276,865 | 119,961 | 107,656 |
| Taxation | 21,049 | 75,064 | 70,629 | 33,531 | 30,022 |
| Profit after tax | 74,330 | 169,651 | 206,236 | 86,430 | 77,635 |

BALANCE SHEET

| As at 31st March | 2018<br>Rs.'000 | 2017<br>Rs.'000 | 2016<br>Rs.'000 | 2015<br>Rs.'000 | 2014<br>Rs.'000 |
|---|---|---|---|---|---|
| Share capital | 79,974 | 79,974 | 79,974 | 79,974 | 79,974 |
| Capital reserve | 132,774 | 112,935 | 124,244 | 119,361 | 91,562 |
| Revenue reserves | 170,000 | 170,000 | 170,000 | 170,000 | 170,000 |
| Other Reserves | 9,559 | 9,985 | 8,470 | 12,995 | 9,574 |
| Retained profit | 807,205 | 754,931 | 605,830 | 412,845 | 331,347 |
| | 1,199,512 | 1,127,825 | 988,518 | 795,175 | 682,457 |
| Property plant & equipment | 290,636 | 239,201 | 253,384 | 263,263 | 192,205 |
| Operating lease prepayment | 1,643 | 1,665 | 1,687 | 1,710 | 1,732 |
| Investments (AFS financial assets) | 22,856 | 23,083 | 21,567 | 18,562 | 15,141 |
| Deferred tax asset | 3,960 | 1,774 | | | |
| Current assets | 1,058,201 | 962,210 | 883,254 | 651,014 | 745,980 |
| Current & non current liabilities | (177,784) | (100,108) | (171,374) | (139,374) | (272,601) |
| Capital employed | 1,199,512 | 1,127,825 | 988,518 | 795,175 | 682,457 |

# Notice of Meeting

NOTICE IS HEREBY GIVEN that, the Twenty Seventh Annual General Meeting of ACL Plastics PLC will be held on 2nd August 2018, at No. 60, Rodney Street, Colombo 8, at 9.30 a.m. for the following purposes:-

(i) To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2018 with the Report of the Auditors thereon.

(ii) To re-appoint Messrs PricewaterhouseCoopers., Chartered Accountants as Auditors and to authorize the Directors to determine their remuneration.

(iii) To re-elect as Director, Mr. Das Miriyagalla, who retires by rotation in terms of Article 85 and being eligible for re-election in terms of Article 86, of the Articles of Association of the Company.

(iv) 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 as a Director of the Company and that the age limit of 70 years referred to in section 210 of the 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 as a Director of the Company and that the age limit of 70 years referred to in section 210 of the Companies Act No. 07 of 2007, shall not apply to her"

c) "That Mr. Das Miriyagalla, who has passed the age of 70 years in March 2009, be and is hereby appointed as a Director of the Company and that the age limit of 70 years referred to in section 210 of the Companies Act No. 07 of 2007, shall not apply to him"

(v) To authorise the Directors to determine donations to charities.

By Order of the Board

Corporate Affairs (Pvt) Ltd
Secretaries

02 July 2018

NOTE:

(a) 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 this purpose. A Proxy need not be a Shareholder of the Company. The instrument appointing a Proxy must be deposited at the Registered Office, No. 60, Rodney Street, Colombo 08, not less than forty eight hours before the time fixed for the Meeting.

(b) Shareholders are kindly requested to hand-over duly perfected and signed Attendance Slip to the Registration counter.

# Notes

# Notes

# Notes

# Form of Proxy

I/WE……………………………………………………………….of ………………………..…………………………………………………………

…………………………………………………..…………………………………………………………………………..……………....being a member

/members of the above Company hereby appoint……………………………………………………….……………………………………….……….....of

..……………………………..or failing him……….……..……………………………………………………..…………………………………….…..

of as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 2nd August 2018

at 9.30 a.m. and at any adjournment thereof.

Ordinary Resolution set out in the Notice of Meeting:

| | | IN FAVOUR | NOT IN FAVOUR |
|---|---|---|---|
| 1 | To receive & adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2018 with the Report of the Auditors thereon, | | |
| 2 | To re-appoint PricewaterhouseCoopers, Chartered Accountants as Auditors and to authorise the Directors to determine their remuneration | | |
| 3 | To re-elect as director Mr. Das Miriyagalla who retires by rotation | | |
| 4 | Ordinary Resolution relating to the appointment of Mr U G Madanayake | | |
| 5 | Ordinary Resolution relating to the appointment of Mrs N C Madanayake | | |
| 6 | Ordinary Resolution relating to the appointment of Mr. Das Miriyagalla | | |
| 7 | To authorise Directors to determine donations to charity | | |

Signed this…………....………………...……………………day of……….....………………………2018

SIGNATURE…………………………………………………

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

**ACL PLASTICS PLC**

**ATTENDANCE SLIP ANNUAL GENERAL MEETING**

I/We hereby record my/our presence at the Twenty Seventh Annual General Meeting of ACL PLASTICS PLC

| | | | |
|---|---|---|---|
| 01). | NAME OF SHAREHOLDER | : | ……………………………………………………………………….. |
| | NAME OF PROXY (If applicable) | : | ……………………………………………………………………….. |
| 02). | SHAREHOLDER'S NIC NUMBER | : | ……………………………………………………………………….. |
| | PROXY'S NIC NUMBER (If applicable) | : | ……………………………………………………………………….. |
| 03). | SHAREHOLDER'S SIGNATURE | : | ……………………………………………………………………….. |
| | PROXY'S SIGNATURE (If applicable) | : | ……………………………………………………………………….. |

SHAREHOLDERS ARE KINDLY REQUESTED TO HAND-OVER THIS ATTENDANCE SLIP 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 Forms of Proxy should be deposited at No. 60, Rodney Street, Colombo 8, not less than 48 hours before the scheduled starting time of the Meeting.

# Corporate Information

### Name
ACL Plastics PLC

### Legal Form
A quoted public Company with limited liability, incorporated in Sri Lanka in 1991.

### Registration Number
PQ 87

### Stock Exchange Listing
The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

### Registered Office
60, Rodney Street, Colombo 08

### Contact Details
Telephone : (094) 112 697 652

Fax : (094) 112 699 503

E-mail : info@acl.lk

Internet : www.acl.lk

### Board of Directors
U. G. Madanayake - Chairman

Suren Madanayake - Managing Director

Mrs. N. C. Madanayake

Mr. Das Miriyagalla

Dr. Kamal Weerapperuma

### Company Secretary
M/s. Corporate Affairs (Pvt) Ltd

No: 68/1, Dawson Street,

Colombo 02.

### Group Chief Financial Officer
Champika Coomasaru

### Auditors
PricewaterhouseCoopers

Chartered Accountants

### Bankers
Standard Chartered Bank

Hatton National Bank

Nations Trust Bank

Designed & produced by

emagewise

Printed by Printage (Pvt) Ltd

www.acl.lk