QUALITY ESTABLISHED TO GLOBAL BENCHMARKS

ACL PLASTICS

ACL PLASTICS PLC I ANNUAL REPORT 2018/19

QUALITY ESTABLISHED TO GLOBAL BENCHMARKS

It's been 28 years since ACL Plastics began its journey of success and we have maintained market dominance through our unmatched talent, our wide resources and the visionary leadership that takes us from strength to strength each year.

Since inception, your company has placed quality at the heart of all our business. Today, we are proud to see that our strategy of delivering consistent excellence has kept us moving forward, giving us leadership and keeping us well ahead of the competition.

Over the past year, we have been working towards achieving global standards and today, we remain the only company in our sector to receive international accreditation. Our focus on continuous improvement remains strong and our business model continues to deliver steady growth and increasing value to the many stakeholders we partner.

This annual report records another good performance - indicating the strength of our synergies, the depth of our industry expertise and the quality of our portfolio of outstanding products and services, created to global benchmarks.

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 2019	2018/19 Rs.Mn	2017/18 Rs.Mn
Performance		
Turnover	1,487.8	1,355.6
Gross Profit	78.4	110.6
Finance Cost	23.4	22.1
Profit Before Tax	57.4	95.3
Profit After Tax	29.8	74.3
Total Equity	1,202.9	1,199.5
Key Financial Indicators		
Gross Profit Margin	5.3%	8.2%
Net Profit Margin Before Tax	3.9%	7.0%
Interest Cover (Times)	4.0	6.2
Return on Equity	2.5%	4.8%
Current ratio (Times)	18.0	10.2

Rs.**1,488**Mn
Revenue

Rs.**78.4**Mn
Gross Profit

Rs.**1,344**Mn
Total Assets

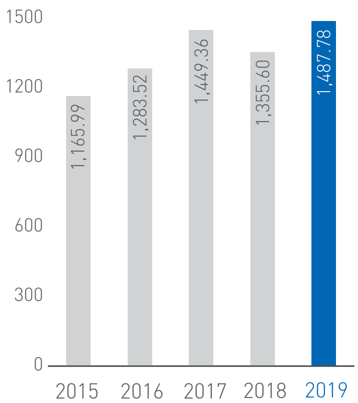
Rs.**6.00**
Dividend Per Share

Rs.**7.07**
Earnings Per Share

Rs.**1,203**Mn
Share Holders' Fund

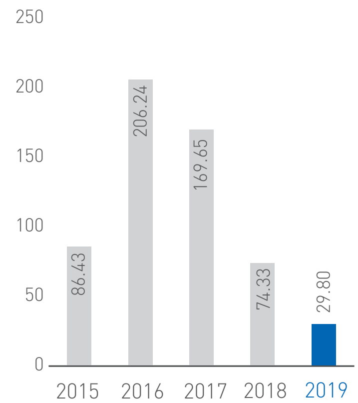
Revenue

Rs.Mn



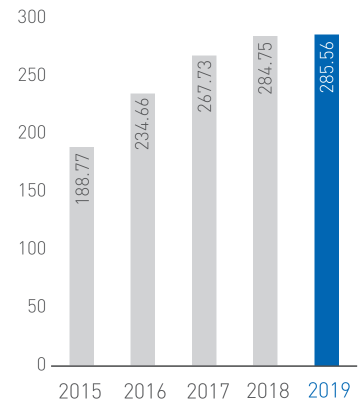
Net Profit After Tax

Rs.Mn



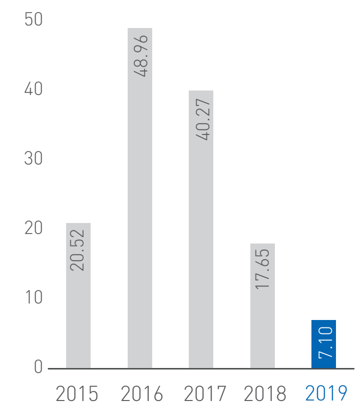
Net assets per share

Rs.Mn



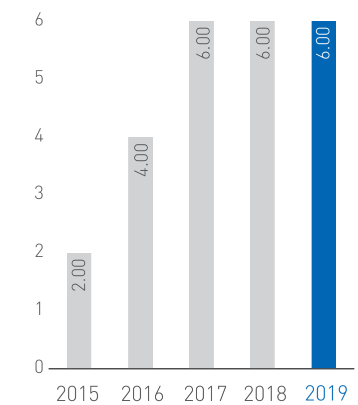
Earning per share

Rs.Mn



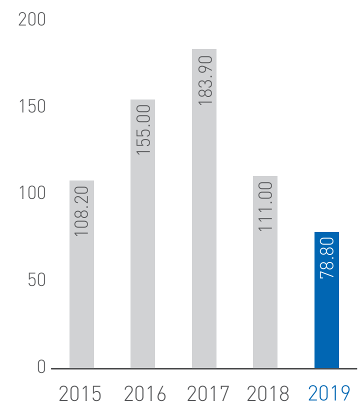
Dividend per share

Rs.Mn



Market value per share

Rs.Mn



Chairman's Statement

I am pleased to report that the year 2018/19 was an excellent year for ACL Plastics PLC since ACL Plastics Group achieved its best results in terms of turnover. The Group posted its highest turnover in its history and achieved the milestone of one billion turnovers continuing the past trend.

Rs. **156** Mn

Group Value Addition

Rs. **286**

Net Assets Value per Share

Rs. **6.00**

Dividend Per Share

0.85

Dividend Pay Out Ratio

Rs. **78.8**

Market Value Per Share

It is my pleasure to welcome you to the Twenty Eighth Annual General Meeting of ACL Plastics PLC and present to you the Annual Report and Audited Financial Statements for the year ended 31st March 2019.

Your company had a year of mixed results with challenges that have tested our strength and our ability to adapt, combined with fresh opportunities that excite us about the future ahead. While we handled most of the variables well with some even surpassing expectations, unfavorable effects of few macro-economic variables offset these gains in terms of bottom line results.

In these challenging times, companies in the industry rarely generate positive headlines. However I am pleased to report that the year 2018/19 was an excellent year for ACL Plastics PLC since ACL Plastics Group achieved its best results in terms of turnover. The Group posted its highest turnover in its history and achieved the milestone of one billion turnovers, continuing the past trend.

Challenging Business Environment

It has been yet another year of moderate growth, and the decline, which prevailed for the past couple of years continued towards this year as well, due to local and global unrest. Focusing on the real sector development of Sri Lanka, the economy recorded a growth of 3.2% for the year 2018 compared to its growth of 3.4% the year before.

It is disappointing to experience the symbolic downfall in the industrial sector and construction sub sector, which created the major drawback on the economy's overall growth rate. Industry activities recorded a serious decline with a growth rate of 0.9% compared to 4.1% in 2017 due to the negative figures in construction, mining and quarrying sub sections.

The restrained activities of major developments especially infrastructure development projects led construction activities contracted by 2.1% against the 4.3% growth it recorded last year. I believe such low growth rates were recorded due to the continued unrest of major macroeconomic factors within the country throughout the fiscal year, specially the last two quarters.

On a positive note electricity generation grew by 4% during the year from the 3.7% growth in 2017, managing to continue its year on year expansion, whilst increasing the share of power generated by CEB to 77.4% in 2018 from 72.4% the year before. Worth to note the significant increase in hydropower generation, Non-conventional renewable energy, mini hydro and solar power generation by 68.4%, 17.3%, 27.3% and 15.3% respectively compared that with the previous year signifying a trend towards ecofriendly power generating sources.

Moreover due to the support in restoring EU GSP+, facility industrial exports recorded a 8.4% year on year increase in 2018, whilst machinery and mechanical appliances grew by 17.3% in 2018 compared to 2017, which includes positive performance of insulation wires, cables and conductors showing significance towards our major business sector within the export market as well.

Group Financial Performance

After years of continued progress towards the achievement of our strategic goals in terms of growth, 2018/19 was another breakthrough year, we set sales and earnings records. The Group has achieved a turnover of Rs. 1.5 Billion during the year under review, compared to Rs. 1.3 Billion in 2017/18, showing an increase of 10%. With this growth in sales, the group also achieved a strong growth in external sales, serving to strengthen and expand our external customer base with lots of innovation and technological advancement.

Economic conditions experienced during the year negatively affected the company and upshot a deteriorated bottom line. The volatility of the exchange rate and interest rates resulted serious implications on the cost structure of all items which we manufacture since we import a fairly large portion of our raw materials. The Government's effort to control and defend the SL Rupee by restricting imports of nonessential items is commendable.

Considering this ever challenging environment the group's Gross Profit decreased to Rs. 78 Mn, which is 5% of the total turnover compared to Rs. 111 Mn Gross Profit in the previous year. The Profit before tax recorded as Rs. 57 Mn compared to the profit before tax of Rs. 95 Mn in the last year. Group's Profit after Tax is Rs. 29.8 Mn and it was 74.3 Mn in last year.

The continuous intervention by management of the group has enabled certain improvements to face these challenges in the coming years, such as increasing the efficiency in production, by optimizing the raw material usage and strengthening the financial management and some results of which are reflected through the decreased gearing at the year end as shown in the statement of financial position.

Further, with a great pleasure 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.

However when thinking through the financial performance of the last quarter of the 2018/19 year, it shows a tremendous growth and we hope that your company will continue this trend in the coming years too.

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

Good balance of Assets & Liabilities

In terms of business, it was yet another challenging year to maintain the best combinations of assets and liabilities. As the company heavily depends on imported raw materials, the assets and liabilities held in foreign currencies had to be handled strategically to minimize the adverse effects of the devaluation of Sri Lanka rupee against most foreign currencies, especially in the early part of the year under review, which became more stable in the latter part of the financial year.

The trade receivables were managed at its optimum levels so that the liquidity risk is minimized. The level of inventories was maintained well throughout the year, thereby, enabling us to minimize costs related to inventories without compromising our growing business activities. The Group's current ratio has increased to 18 times compared to 10 of last year, due to the decrease in borrowings of the year. Gearing ratio also has gone down in the latter part of the year due to the same reasons.

Wealth of the Valued Stakeholders

Despite all the fluctuations in the share market, ACL Plastics share shows some growth compared to the last year, in terms of share prices prevailing throughout the year. The Group's net assets per share recorded as Rs. 286 this year, parity with the last year. The Board has approved an interim dividend of Rs. 6 /- per share which is on par with the dividend distributed for the last financial year.

Our Achievements

In 2017, ACL Plastics PLC was awarded with ISO 9001 and ISO 14001 which is a clear reflection of the positive results of the initiatives embarked upon in the areas of quality and environment. This accreditation helps improve the service for customers, as continual improvement ensures that our business becomes more efficient and maintains a high standard of service delivery. We are extremely proud of our achievement and will strive to continually improve the quality of our products & services that in turn increases the satisfaction of our customers, employees, shareholders, suppliers & society at large.

Chairman's Statement

Future Outlook

Management's strategy is focused on growing the business organically by continuing to identify vertical market segments and specific customer groupings that are ideal customers for the company. ACL Plastics PLC will continue to develop new products for the local and export markets which helped to keep the company ahead of competition. Our technical teams will continue to improve existing products and innovating new products in the years to come as it is a core strategy of our organization.

We eagerly embrace our responsibilities to help ensure the strength of this great ACL brand moving forward.

In Appreciation

On behalf of the entire Board of Directors, I wish to record my appreciation to our management team for their valuable input and guidance and would like to recognize the contribution made by all employees for their determination and unstinted efforts. I also take this opportunity to thank our valued customers for their continued patronage, our loyal suppliers for their continued support and would like to thank our valued shareholders who have steadfastly stood by us. Last but not least, I thank my colleagues on the board for their strong leadership, whose diligence and continuing hard work ensures that ACL Plastics delivers enhanced value to its shareholders.

U.G.Madanayake
Chairman

30th July 2019

Board of Directors

Mr. U. G. Madanayake

Chairman

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

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.

Board of Directors

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 function 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.

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 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, 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 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 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:

- To enhance shareholder value.
- Reviewing of corporate objectives, budgets and forecasts.
- Reviewing of operational and functional performance.
- Approving capital investments.
- Ensuring the implementation of an effective internal control system.
- Ensuring compliance with highest ethical and legal standards.
- Approval of the Annual and Interim Financial Statements prior to publication.
- Recommending Dividends for approval by the shareholders.

The Board comprises of five Directors out of whom three are Non-Executive Directors. The names and profiles of the Directors are given on pages 9 to 10 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 2018/2019 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.

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 21 to 24 of this report. The Statements of Directors' Responsibility for financial reporting and report of the Auditors are stated on pages 32 to 34 . The Going Concern Declaration by the Board of Directors in this regard is presented in the report of Directors on page 21 of this Annual Report.

Corporate Governance

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 which:

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

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

Remuneration Committee

The Remuneration Committee 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 27.

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 28.

Related Party Transactions Review Committee

The Related Party Transactions Review 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 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 25.

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.	☑	Corporate Governance
7.10.2 (a)	Independent Directors (IDS)	2 or 1/3 of NEDs, whichever is higher, should be independent.	☑	Corporate Governance
7.10.2 (b)	Independent Declaration	Each NED should submit a declaration of independence.	☑	Corporate Governance
7.10.3 (a)	Disclosures Relating to Directors	• The Board shall annually determine the independence or non-independence of each NED.	☑	Corporate Governance
		• Names of IDs should be disclosed in the Annual Report (AR).	☑	
7.10.3 (b)	Disclosures Relating to Directors	The basis for the Board's determination of independence, if criteria specified for independence is not met	☑	Corporate Governance
7.10.3 (c)	Disclosures Relating to Directors	A brief résumé of each Director should be included in the AR including the Director's areas of expertise.	☑	Board of Directors (profile) section in the Annual Report
7.10.3 (d)	Disclosures Relating to Directors	Provide a brief résumé of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE.	☑	Corporate Governance
7.10.4 (a-h)	Criteria for Defining "Independence"	Requirements for meeting criteria.	☑	Corporate Governance

Corporate Governance

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

CSE Rule No.	Subject	Applicable requirement Status	Compliance	Applicable section in the Annual Report
7.10.6(b)	Functions of Audit Committee (AC)	Overseeing of the – • Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards.	☑	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.	☑	
		• Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.	☑	
		• Assessment of the independence and performance of the external auditors.	☑	
		• Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditor.	☑	
7.10.6 (c)	Disclosure in Annual Report Relating to Audit Committee (AC)	• Names of Directors comprising the AC.	☑	Audit Committee Report
		• The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination.	☑	
		• The AR shall contain a Report of the AC setting out the manner of compliance with their functions.	☑	
9	Related Party Transactions Review Committee (RPTRC)	The Company shall have a RPTRC.	☑	Corporate Governance
9.2.1	Functions of Related Party Transactions Review Committee (RPTRC)	• Except for transactions set out in Rule 9.5, all other Related Party Transactions should be reviewed by the "Related Party Transactions Review Committee" (the Committee) as required in terms of the provisions set out in Appendix 9A of these Rules, either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.	☑	Corporate Governance and the Related Party Transactions Review Committee Report

Corporate Governance

CSE Rule No.	Subject	Applicable requirement Status	Compliance	Applicable section in the Annual Report
9.2.2	Composition of Related Party Transactions Review Committee (RPTRC)	• The Committee should comprise a combination of non-executive directors and independent non-executive directors. The composition of the Committee may also include executive directors, at the option of the Listed Entity. One independent non-executive director shall be appointed as Chairman of the Committee.	☑	Corporate Governance and the Related Party Transactions Review Committee Report
9.3.2	Related Party Transactions	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	☑	Corporate Governance and Directors 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. • Company has sufficient assets to offer as collateral for future funding requirements. • 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. • 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 risk associated with debtors defaults.	• Obtain bank guarantees as collateral from outside customers. • Closely monitoring the credit limits periodically. • Disallowing credit sales for customers with poor credit records. • Follow an assessment procedure to ensure credit worthiness of customers.
2. Asset Risk	• To minimise losses caused by machine breakdown and damages from fire or theft.	• Obtain comprehensive insurance covers for plant and machinery. • Carry out planned preventive maintenance programs.
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 labor turnover. • To ensure smooth flow of operations without interruptions. • To ensure adaptability through training and adopting best practices.	• Maintain an employee evaluation scheme to reward them. • Maintain healthy and cordial relationship with employees at all levels through joint consultative committees. • Provide various employee benefits through the Welfare Society. • Provide specific and general training wherever necessary.

Risk Management

Risk Exposure	Company Objectives	Company Initiatives
5. Technological and Quality Related Risk	• To keep pace with current technological developments and quality standards to avoid obsolescence. • To minimise production of stocks that do not meet the standards.	• Develop a long term plan to replace existing machines with technologically advanced machines. • Already the equipments and staff required to test the quality of products are in place.
6. Inventory Management Risk	• To reduce stock out situations. • To reduce the accumulation of slow moving stocks. • To minimise the losses on obsolete stocks. • To minimise risk of sub standard material being received. • To minimise inventory days.	• Plan monthly production based on budgets and sales forecasts at production planning meetings held monthly. • Adopt various quality standards at different stages to verify the quality and ensure this until the product is delivered. • Stocks that are not up to standard are separated and disposed as scrap. • Continuous stock verification systems to identify non-moving stocks. • Regularly monitor inventory days. • Review periodically and provide adequately for slow moving stocks.
7. Risk of Competition	• To avoid losses of market share from imported low quality products.	• Ensure prevailing quality standards are met. • Strengthen 'ACL' brand through various advertising and promotional campaigns.
8. Investment in Capital	• To reduce the risk of loss in present and future investments.	• Investments in assets are properly planned and made on timely basis. • Reduce the idle assets as far as possible.
9. Information Systems	• To minimise possible risks associated with data security, hardware, software and communication systems.	• Data backups are taken regularly and stored in outside locations. • Mirroring of hard disks with critical data. • Vendor agreements for support services and maintenance. • Regular upgrading of virus scanners, firewalls and software.
10. Environmental Issues	• To minimise adverse impact of operations to the environment.	• Comply with the standards set by the relevant authorities and ensure the compliance.
11. Legal and Regulatory Issues	• To minimise possible losses arising from non compliance with statutory and regulatory requirements. • To minimise or take counter measures to reduce the impact arising from changes to regulatory issues.	• Comply with the requirements of statutory and regulatory bodies.

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 2019, Statement of profit or loss 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 set out the state of affairs and performance of the Company during the year. (Page 6 to 7)

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 8)

Independent Auditor's Report

The Independent Auditors' Report on the Financial Statements is given on pages 32 to 34 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 35 to 82 in this Annual Report.

Accounting Policies

The Accounting Policies adopted in preparation of the Financial Statements are given on pages 41 to 55. 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 31.

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 2019 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 34 to the Financial Statements.

Statutory Payments

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

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.

Report of the Directors

Financial Results & Appropriations

	31/03/2019 Rs.	31/03/2018 Rs.
Total turnover	1,487,778,504	1,355,597,251
Profit before taxation	57,361,169	95,379,708
Profit after taxation	29,798,188	74,330,296
Profit attributable to shareholders of ACL Plastics PLC	29,798,188	74,330,296
Unappropriated surplus brought forward		
From previous year	807,205,554	754,930,640
Transfer from revaluation reserve	3,281,859	4,558,136
Other adjustments	855,330	6,557,119
Surplus available for appropriation	841,140,931	832,480,554
Your Directors recommend:		
Dividends paid	(25,275,000)	(25,275,000)
Unappropriated surplus carried forward	815,865,931	807,205,554

Directors

Directors of the Company are listed on pages 9 to 10 and their respective shareholdings are given below.

	Number of shares			
	31.03.2019	% Holding	31.03.2018	% 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. Piyadasa Miriyagalla	-	-	-	-
Dr. Kamal Weerapperuma	-	-	-	-

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 Dr. Kamal Weerapperuma, 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 32.6(e) 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 2nd August 2018 to the shareholders of the Ordinary Shares for the financial year 2017/18.

Capital Expenditure

The capital expenditure on acquisition of property, plant and equipment of the Company and the Group amounted to Rs. 1,971,734/- (Rs. 3,225,818/- 2017/18), details of which are given in Notes 14 to the Financial Statements.

Property, Plant and Equipments

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

Donations

Donations amounting to Rs. 104,779/- (Rs. 22,245/- 2017/18) (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 84 of the annual report.

Environmental Protection

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

Related Party Transactions

The Directors have also disclosed the transactions if any, that could be classified as related party transactions in terms of Sri Lanka Accounting Standard-LKAS 24 "Related Party Disclosures" which is adopted in the preparation of the Financial Statements. These disclosures also comply with the disclosure requirements of the section 9 of the listing rules. Those transactions disclosed by the Directors are given in Note 32 to the Financial Statements forming part of the Annual Report of the Board.

The directors confirm that section 9 of the CSE Listing Rules and the Code of Best Practices on Related Party Transactions issues by the Securities and Exchange Commission of Sri Lanka pertaining to Related Party Transactions have been complied with by the Company and the Group with effect from 1st January 2016.

Related Party Transactions Committee Report is given on page 25.

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

A detailed disclosure of related party transactions is given in note 34 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.

Employees and Industrial Relations

The Company has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. There were no material issues pertaining to employees and industrial relations in the year under review.

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

Name of the Related Party	Relationship	Nature of the Transaction	Value of the Related Party Transactions entered into during the financial year (exclusive of taxes)	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	768,430,250	52%	ordinary course of business
Kelani Cables PLC	Group company	Sale of goods	607,529,804	41%	ordinary course of business

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.576,612 respectively.

Notice of Meeting

The Notice of the 28th Annual General Meeting is on page 87 of the Annual Report.

By Order of the Board

(Sgd.)

Corporate Affairs (Pvt) Ltd
Secretaries

30th July 2019

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 whom are set out on page 11.

- 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

Report of the Related Party Transactions Review Committee

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 2019 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

30th July 2019

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 11.

- 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.

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

Activities

The Committee considered a range of issues including,

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

Members' attendance at meetings of the Remuneration Committee in 2018/2019 is set out in the table in the Corporate Governance Report on page 13.

Executive Directors

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

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

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

On behalf of the Committee

(Sgd.)

Mr. Ajit Jayaratne
Chairman of the Remuneration Committee

30th July 2019

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 11.

- 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 2018/2019 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 2018/2019 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

30th July 2019

Financial Information

FINANCIAL CALENDAR (2018/19)

01st Quarter Interim Financial Statements (30th June 2018 – Unaudited)	–	15th August 2018
02nd Quarter Interim Financial Statements (30th September 2018 – Unaudited)	–	15th November 2018
03rd Quarter Interim Financial Statements (31st December 2018 - Unaudited)	–	14th February 2019
04th Quarter Interim Financial Statements (31st March 2019 – Unaudited)	–	31st May 2019
Annual Report 2018/19	–	30th July 2019
28th Annual General Meeting	–	27th August 2019
Interim Dividends Proposed	–	26th June 2019
Interim Dividends Paid	–	17th July 2019

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 2019, 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 2019 and Income Statement and the Statement of Comprehensive Income for the Company and the Group for the financial year ended 31st March 2019 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 the Group were approved by the Board of Directors on 30th July 2019.

By Order of the Board

(Sgd.)

Corporate Affairs (Private) Limited

Secretaries

30th July 2019

Independent Auditor's Report

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 subsidiary ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 March 2019, 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 2019;
- 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 judgement, are of most significance in our suit of the financial statements of the current period. These matters are 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 those matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises the information included in the ACL Plastics PLC Annual Report - 2018/19 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.

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 3197, www.pwc.com/lk

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

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 skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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

Independent Auditor's Report

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.

CHARTERED ACCOUNTANTS

CA Sri Lanka membership number [2857]
COLOMBO

30 July 2019

Statement of profit or loss

(all amounts in Sri Lanka Rupees)

Year ended 31st March	Note	Group Year ended 31 March		Company Year ended 31 March	
		2019	2018	2019	2018
Revenue from contracts with customers	6	1,487,778,504	1,355,597,251	1,487,678,504	1,355,028,231
Cost of sales	8	(1,409,328,621)	(1,244,944,117)	(1,408,434,332)	(1,234,984,446)
Gross profit		78,449,883	110,653,134	79,244,172	120,043,785
Other income	7	2,901,113	1,351,008	705,737	7,201,013
Administrative costs	8	(5,422,190)	(5,745,070)	(5,114,202)	(5,206,936)
Operating profit		75,928,806	106,259,072	74,835,707	122,037,862
Finance income		4,859,791	11,283,084	2,690,000	8,188,821
Finance costs		(23,427,428)	(22,162,448)	(27,904,379)	(25,855,557)
Finance costs - net	10	(18,567,637)	(10,879,364)	(25,214,379)	(17,666,736)
Profit before tax		57,361,169	95,379,708	49,621,328	104,371,126
Income tax	11	(27,562,981)	(21,049,412)	(25,560,036)	(21,227,768)
Profit for the year		29,798,188	74,330,296	24,061,292	83,143,358
Net profit attributable to shareholders of the Company		29,798,188	74,330,296	24,061,292	83,143,358
Earnings per share (Rs)	12	7.07	17.65	5.71	19.74
Dividend per share (Rs)	13	6.00	6.00	6.00	6.00

The notes on pages 41 to 82 form an integral part of these financial statements
Independent auditor's report - pages 32 - 34

Statement of comprehensive income

(all amounts in Sri Lanka Rupees)

Year ended 31st March	Note	Group Year ended 31 March		Company Year ended 31 March	
		2019	2018	2019	2018
Profit for the year		29,798,188	74,330,296	24,061,292	83,143,358
Other comprehensive income / expense					
Gain on revaluation of land and buildings	14	-	63,195,173	-	63,195,173
Deferred tax impact on revaluation due to the change in tax rates	25	-	(40,074,887)	-	(40,074,887)
Actuarial gain / (loss) on defined benefit obligation	24	1,187,959	(1,859,051)	1,187,959	(1,429,649)
Deferred tax on actuarial gain / (loss)	25	(332,629)	520,534	(332,629)	400,302
Net change in fair value of available for sale financial assets	17	-	(426,401)	-	(426,401)
Changes in the fair value of equity investments at fair value through other comprehensive income	17	(1,970,609)	-	(1,970,609)	-
Other comprehensive (expense) / income for the year, net of tax		(1,115,279)	21,355,368	(1,115,279)	21,664,538
Total comprehensive income for the year		28,682,909	95,685,664	22,946,013	104,807,896

The notes on pages 41 to 82 form an integral part of these financial statements
Independent auditor's report - pages 32 - 34

Statement of financial position

(all amounts in Sri Lanka Rupees)

	Note	Group As at 31 March 2019	Group As at 31 March 2018	Company As at 31 March 2019	Company As at 31 March 2018
ASSETS					
Non-Current Assets					
Property, plant and equipment	14	274,991,729	290,636,450	274,991,729	290,636,450
Prepaid lease rentals	15	1,620,819	1,643,022	1,620,819	1,643,022
Investment in subsidiary	16	-	-	10,000,010	10,000,010
Available for sale financial assets	17	-	22,856,553	-	22,856,553
Financial assets at fair value through other comprehensive income	17	20,885,943	-	20,885,943	-
		297,498,491	315,136,025	307,498,501	325,136,035
Current Assets					
Inventories	19	238,423,419	226,461,857	238,423,419	226,461,857
Trade and other receivables	20	557,455,776	378,047,335	532,455,785	352,829,532
Prepaid lease rentals	15	22,203	22,203	22,203	22,203
Deferred tax asset	25.3	1,956,880	3,959,825	-	-
Income tax refund due	21	3,639,542	-	3,639,542	-
Cash and cash equivalents	22	245,312,487	453,669,363	229,002,854	450,763,235
		1,046,810,307	1,062,160,583	1,003,543,803	1,030,076,827
Total Assets		1,344,308,798	1,377,296,608	1,311,042,304	1,355,212,862
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated capital	28	79,974,555	79,974,555	79,974,555	79,974,555
Revaluation reserve	29	129,491,999	132,773,857	129,491,999	132,773,857
Revenue reserve	30.1	170,000,000	170,000,000	170,000,000	170,000,000
Other reserve	30.2	7,587,987	9,558,596	7,587,987	9,558,596
Retained earnings		815,865,931	807,205,555	758,588,714	755,665,234
Shareholders' funds		1,202,920,472	1,199,512,563	1,145,643,255	1,147,972,242
Non-Current Liabilities					
Defined benefit obligations	24	13,906,673	13,176,321	13,906,673	10,980,945
Deferred tax liability	25.2	69,324,626	61,224,794	69,324,626	61,224,794
		83,231,299	74,401,115	83,231,299	72,205,739
Current Liabilities					
Trade and other payables	23	30,495,429	64,618,440	82,167,750	125,168,744
Income tax payable	21	27,661,598	38,764,490	-	9,866,136
		58,157,027	103,382,930	82,167,750	135,034,880
Total Liabilities		141,388,326	177,784,045	165,399,049	207,240,620
Total Equity and Liabilities		1,344,308,798	1,377,296,608	1,311,042,304	1,355,212,862

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 30th July 2019.

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

U. G. Madanayake
Chairman

Champika Coomasaru
Group Chief Financial Officer

Suren Madanayake
Managing Director

The notes on pages 41 to 82 form an integral part of these financial statements
Independent auditor's report - pages 32 - 34

Statement of Changes in equity - Group

(all amounts in Sri Lanka Rupees)

	Note	Stated capital	Revenue reserve	Revaluation reserve	Other reserve	Retained earnings	Total
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 2017		79,974,555	170,000,000	132,773,857	9,558,596	807,205,555	1,199,512,563
Balance at 1 April 2018		79,974,555	170,000,000	132,773,857	9,558,596	807,205,555	1,199,512,563
Profit for the year		-	-	-	-	29,798,188	29,798,188
Actuarial gain on defined benefit obligation		-	-	-	-	1,187,959	1,187,959
Deferred tax on actuarial gain		-	-	-	-	(332,629)	(332,629)
Changes in the fair value of equity investments at FVOCI		-	-	-	(1,970,609)	-	(1,970,609)
Total comprehensive income		-	-	-	(1,970,609)	30,653,518	28,682,909
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 2019		79,974,555	170,000,000	129,491,999	7,587,987	815,865,931	1,202,920,472

The notes on pages 41 to 82 form an integral part of these financial statements

Independent auditor's report - pages 32 - 34

Statement of Changes in equity - Company

(all amounts in Sri Lanka Rupees)

	Note	Stated capital	Revenue reserve	Revaluation reserve	Other reserve	Retained earnings	Total
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
Balance at 1 April 2018		79,974,555	170,000,000	132,773,857	9,558,596	755,665,234	1,147,972,242
Profit for the year		-	-	-	-	24,061,292	24,061,292
Actuarial gain on defined benefit obligation		-	-	-	-	1,187,959	1,187,959
Deferred tax on actuarial gain		-	-	-	-	(332,629)	(332,629)
Changes in the fair value of equity investments at FVOCI		-	-	-	(1,970,609)	-	(1,970,609)
Total comprehensive income		-	-	-	(1,970,609)	24,916,623	22,946,013
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 2019		79,974,555	170,000,000	129,491,999	7,587,987	758,588,714	1,145,643,255

The notes on pages 41 to 82 form an integral part of these financial statements

Independent auditor's report - pages 32 - 34

Statement of cash flows

(all amounts in Sri Lanka Rupees)

	Note	Group Year ended 31 March		Company Year ended 31 March	
		2019	2018	2019	2018
Operating activities					
Cash (used in) / generated from operations	31	(138,192,616)	240,356,702	(146,186,133)	239,658,126
Interest paid	10	(15,746,734)	(18,269,132)	(20,223,685)	(21,962,241)
Gratuity paid	24	-	(486,425)	-	(486,425)
Income tax paid	21	(32,535,267)	(40,903,955)	(31,298,511)	(39,877,260)
WHT on dividend paid by subsidiary		-	(650,002)	-	-
Net cash (used in) / generated from operating activities		(186,474,619)	180,047,188	(197,708,329)	177,332,199
Investing activities					
Investment made during the year		-	(200,000)	-	(200,000)
Interest received	10	4,859,792	11,283,084	2,690,000	8,188,821
Purchase and construction of property, plant and equipment	14	(1,971,735)	(5,401,400)	(1,971,735)	(5,401,400)
Dividend received	7	705,737	1,351,008	705,737	7,201,013
Net cash generated from investing activities		3,593,794	7,032,692	1,424,002	9,788,433
Financing activities					
Dividend paid	13	(25,275,000)	(25,275,000)	(25,275,000)	(25,275,000)
Net repayments of import loans		(201,053)	-	(201,053)	-
Net cash used in financing activities		(25,476,053)	(25,275,000)	(25,476,053)	(25,275,000)
Decrease / Increase in cash and cash equivalents		(208,356,877)	161,804,880	(221,760,381)	161,845,632
Movement in cash and cash equivalents					
At the beginning of the year		453,669,363	291,864,483	450,763,235	288,917,603
Increase / Decrease		(208,356,877)	161,804,880	(221,760,381)	161,845,632
At the end of the year	22	245,312,487	453,669,363	229,002,854	450,763,235

The notes on pages 41 to 82 form an integral part of these financial statements

Independent auditor's report - pages 32 - 34

Notes to the Financial Statements

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

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

2.1 Basis of preparation

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (SLFRSs), Sri Lanka Accounting Standards (LKASs), relevant interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) except the financial statements of ACL Polymers (Private) Limited which is prepared on break up basis as the board of directors do not expect to commence commercial operation of the principal activities in the foreseeable future and remain as dormant. These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are measured at fair value and revaluation of Property, plant and equipment and Investment property. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's and the Group's financial statements are disclosed in note 4 to the financial statements.

The following amendments to the Sri Lanka Accounting Standard's 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 01 January 2018 and (b) forthcoming requirements, being standards and amendments that will become effective on or after 01 January 2019.

(a) New standards and amendments applicable from 01 January 2018

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- SLFRS 9 Financial instrument
- SLFRS 15 Revenue from contract with customers
- Amendments to SFLRS 15 Revenue from contract with customers

(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 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.

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.

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.

This standard is effective for the annual periods beginning on or after 01 January 2018.

There was no material impact on transition to SLFRS 15 on retained earnings and reserves as at 01st April 2018 as revenue recognition point according to the new standard and previous standards are same to the company which is at the time of acknowledgement of the goods by customer.

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

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

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

(b) New standards and amendments but not adopted in 2018

The following standards and interpretations had been issued but not mandatory for annual reporting periods beginning on or after 01 January 2019.

(i) 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.

The Company is in the process of evaluating the impact of SLFRS 16.

2.2 Consolidation

The Consolidated Financial Statements comprise the financial statements of the Parent and its subsidiaries in terms of the Sri Lanka Accounting Standard - SLFRS 10 on '' Consolidated Financial Statements''. Thus, the consolidated financial statements present financial information about the Group as a single economic entity distinguishing the equity attributable to minority shareholders with non - controlling interest.

Subsidiaries

(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 acquire 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 acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquirer's identifiable net assets.

Transaction costs are expensed as incurred. The consideration transferred does not include amounts related to the settlement of pre existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(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.

2.3 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2.4 Statement of compliance

The Consolidated Financial Statements of the Group and Separate Financial Statements of the Company comprise of the Statement of financial position, Statement of profit or loss, Statement of Other Comprehensive income, Statement of changes in equity, Statement of cash flows and notes thereto have been prepared in accordance with Sri Lanka Accounting Standards, promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of the Companies Act, No.07 of 2007 and the listing rules of the CSE.

2.5 Borrowing costs

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

2.6 Taxation

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

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

2.7 Deferred taxation

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

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

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

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

2.8 Financial Instruments - Recognition and Subsequent Measurement(Upto 31/03/2018)

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

2.8.1 Financial assets

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

(a) Trade and other receivables

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

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

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

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

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

(b) Held-to-maturity financial assets

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

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

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

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

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

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

(c) Available-for-sale financial assets

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

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

2.8.2 Re-classification of financial assets

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

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

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

2.8.3 Financial liabilities

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

(a) Other liabilities measured at amortised cost

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

(b) Determination of fair value

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

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

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

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

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

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

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

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

2.8.4 De-recognition of financial assets

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

2.8.5 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

(b) Write off of trade and other receivables

The Group write-off certain trade and other receivables when they are determined to be uncollectible.

(c) Available-for-sale financial investments

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

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

2.8.6 Financial Instruments - Initial Recognition and Subsequent Measurement (From 01/04/2018)

Financial Assets - Initial Recognition and Measurement

Financial assets within the scope of SLFRS 09 are broadly categorised as financial assets at amortised cost, fair value through profit or loss and financial assets at fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus (in the case of assets not at fair value through profit or loss) directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e, the date that Company commits to purchase or sell the asset.

The Company's financial assets include bank balances, short term deposits and fair value through other comprehensive income (FVOCI) financial assets.

2.8.7 Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows;

(a) Debt Instruments at Amortized cost

The Company measures financial assets at amortised cost if both of the following conditions are met;

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

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

The Company's financial assets at amortised cost includes bank balances and short term deposits under current financial assets.

(b) Financial Assets classified under Fair Value through Other Comprehensive Income

The Financial Assets categorised as Available for Sale investments under LKAS 39 is now reclassified under Equity Investments at Fair Value through OCI (FVOCI) under SLFRS 9 after assessing the business model that applies to the financial assets held by the Company. This category only includes the equity instruments, which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to classify upon transition. There is no recycling of gains or losses to profit or loss on derecognition and the dividend received as a result of holding this investment will be recognised to profit or loss.

2.8.8 De - recognition

A financial asset is de - recognised when;

- The rights to receive cash flows from the asset have expired
- The company has transferred its rights to receive cash flows from the asset or has

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

When the Company has transferred its rights to receive cash flows from an asset or has entered in to a pass through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it.

2.8.9 Impairment of Financial Assets

SLFRS 09 establishes a new model for impairment which is a forward - looking expected credit loss model.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. The guiding principle of the Expected Credit Loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition.

2.8.10 Financial Assets categorized as Fair Value through OCI

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined based on income approach that estimates the fair value by discounting projected cash flows in a discrete projection period to present value.

2.8.11 Financial Liabilities - Initial Recognition and Measurement

Financial liabilities within the scope of SLFRS 9 remains broadly the same as LKAS 39, are classified as financial liabilities at fair value through profit or loss, or at amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Company's financial liabilities include other payables.

2.8.12 Subsequent Measurement

The subsequent measurement of financial liabilities depends on their classification as follows;

Other Payables

Liabilities are recognised for amounts to be paid in the future for assets or services received, whether billed by the supplier or not. The financial liabilities are subsequently measured at amortised cost using the (Effective Interest Rate) EIR method.

2.8.13 De - recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

2.8.14 Offsetting of Financial Instruments

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

2.9 Property, plant and equipment

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

2.9.1 Initial recognition

(a) Owned assets

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

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

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

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

(b) Leased assets

Property, plant and equipment on finance leases, which effectively transfer to the Group substantially all of the risk and benefits incidental to ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased property, plant and equipment, or if lower, at the present value of the minimum lease payments. Capitalised leased assets are disclosed as property, plant and equipment and depreciated consistently with that of owned assets. The corresponding principal amount payable to the lessor together with the interest payable over the period of the lease is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

2.9.2 Subsequent measurement

After initial recognition land and buildings are measured at revaluation model. All other property plant an equipment's are measured at cost model

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

2.9.3 Depreciation

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

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

2.9.4 Derecognition

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

2.9.5 Capital Work -in- Progress

Capital expenses incurred during the year which are not completed as at the reporting date are shown as capital work in progress. These are stated in the Statement of Financial Position at cost less any accumulated impairment losses. Capital work in Progress is transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. (i.e., available for use)

2.10 Impairment of non financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

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

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

2.11 Cash and cash equivalents

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

2.12 Investments in subsidiaries in separate Financial statements

In the Company's financial statements, investments in subsidiaries have been accounted for at cost, net of any impairment losses which are charged to the income statement. Income from these investments is recognised only to the extent of dividends received.

2.13 Inventories

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

2.14 Trade and other receivables

For trade receivables, the Group applies the simplified approach permitted by SLFRS 09, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

2.15 Interest bearing loans

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

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

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.

2.16 Provisions

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

2.17 Defined benefit plans - gratuity

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

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

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

The liability is not externally funded.

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

Employees are eligible for Employees' Provident Fund contribution and Employees

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

2.19 Provisions, Contingent assets and Contingent liabilities

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

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

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

2.20 Revenue recognition

(Policy applicable from 01st April 2018)

"Revenue from contracts with customers" , establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The Group recognises when a customer obtains control of the goods or services. Judgement is used to determine the timing of transfer of control - at a point in time or over time.

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

(Policy applicable before 01st April 2018)

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.

2.21 Other Income

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

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non current assets, including investments, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses. Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material are aggregated, reported and presented on a net basis.

Other income is recognised on an accrual basis.

2.22 Expenditure recognition

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

2.23 Dividends on ordinary shares

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

2.24 Comparatives

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

2.25 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business / industry segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. However no such separate components as the Company is only engaged with manufacturing PVC Compounds

2.26 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.

2.27 Statement of cash flows

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

2.28 Directors' responsibilities statement

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

2.29 Rounding of amounts

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

2.30 Materiality and Aggregation

Each material class of similar items is presented separately. Items of dissimilar nature of function are presented Separately unless they are immaterial.

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.

	Change in exchange rates	Effect on profit or loss Rs.
Group		
31 March 2019	10%	1,043,618
31 March 2018	10%	(593,397)
Company		
31 March 2019	10%	1,043,618
31 March 2018	10%	(593,397)

(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.

	Change in equity price	Effect on other comprehensive income Rs.	Effect on equity Rs.
Group			
31 March 2019 Quoted shares – (Colombo Stock Exchange)	10%	2,088,594	2,088,594
31 March 2018 Quoted shares – (Colombo Stock Exchange)	10%	2,285,655	2,285,655
Company			
31 March 2019 Quoted shares – (Colombo Stock Exchange)	10%	2,088,594	2,088,594
31 March 2018 Quoted shares – (Colombo Stock Exchange)	10%	2,285,655	2,285,655

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

At 31 March 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 6 years	Over 6 years	Total
Financial liabilities					
Trade and other payables					
(excluding statutory liabilities)	30,012,495	-	-	-	30,012,495
Total financial liabilities	30,012,495	-	-	-	30,012,495

At 31 March 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 6 years	Over 6 years	Total
Financial liabilities					
Trade and other payables					
(excluding statutory liabilities)	64,318,620	-	-	-	64,318,620
Total financial liabilities	64,318,620	-	-	-	64,318,620

Company

At 31 March 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 6 years	Over 6 years	Total
Financial liabilities					
Trade and other payables					
(excluding statutory liabilities)	29,175,327	-	-	-	29,175,327
Total financial liabilities	29,175,327	-	-	-	29,175,327

At 31 March 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 6 years	Over 6 years	Total
Financial liabilities					
Trade and other payables					
(excluding statutory liabilities)	72,790,044	-	-	-	72,790,044
Total financial liabilities	72,790,044	-	-	-	72,790,044

(b) 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 analyzing 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 2019.

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 2019 and 31 March 2018, the Group and the Company operated as non geared.

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 2019	Level 1	Total balance
Group		
Assets		
Financial assets at fair value through other comprehensive income	20,885,943	20,885,943
	20,885,943	20,885,943
Company		
Assets		
Financial assets at fair value through other comprehensive income	20,885,943	20,885,943
	20,885,943	20,885,943

As at 31 March 2018	Level 1	Total balance
Group		
Assets		
Financial assets at fair value through other comprehensive income	22,856,553	22,856,553
	22,856,553	22,856,553
Company		
Assets		
Financial assets at fair value through other comprehensive income	22,856,553	22,856,553
	22,856,553	22,856,553

(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 26.

(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.

(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.

(k) Fair value of property, plant and equipment

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

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 from contracts with customers

	Group Year ended 31 March		Company Year ended 31 March	
	2019	2018	2019	2018
Local sales from contract with customers	1,487,778,504	1,355,597,251	1,487,678,504	1,355,028,231
Net revenue	1,487,778,504	1,355,597,251	1,487,678,504	1,355,028,231

7 Other income

	Group Year ended 31 March		Company Year ended 31 March	
	2019	2018	2019	2018
Dividend income	705,737	1,351,008	705,737	7,201,013
Defined benefit obligation write back from subsidiaries	2,195,376	-	-	-
	2,901,113	1,351,008	705,737	7,201,013

8 Expenses by nature

	Group Year ended 31 March		Company Year ended 31 March	
	2019	2018	2019	2018
Directors' emoluments	120,000	240,000	120,000	240,000
Auditor's remuneration	576,612	734,957	540,000	540,000
Depreciation (Note 14)	17,616,456	17,160,953	17,616,456	17,160,953
Staff costs (Note 9)	65,060,611	59,523,452	64,298,708	49,580,790
Raw material consumption	1,282,407,707	1,121,565,409	1,282,407,707	1,121,565,408
Other costs	48,969,425	51,464,416	48,565,663	51,104,230
Total cost of sales and administrative costs	1,414,750,811	1,250,689,187	1,413,548,534	1,240,191,382

Other costs mainly consist of electricity expenses amounting to Rs.24,730,630 (2018 - Rs.25,675,248), repairs and maintenance expenses amounting to Rs. 9,592,162 (2018 - Rs. 12,811,392) for both Group and Company.

9 Staff costs

	Group Year ended 31 March		Company Year ended 31 March	
	2019	2018	2019	2018
Wages and salaries	46,763,214	40,332,372	46,436,768	36,537,950
Defined contribution plan	3,505,226	3,318,088	3,456,259	2,748,925
Defined benefit plan (Note 24)	4,113,688	1,997,146	4,113,688	1,661,630
Other staff costs	10,678,483	13,875,846	10,291,993	8,632,285
	65,060,611	59,523,452	64,298,708	49,580,790
Average number of employees during the year	52	55	52	43

Group other staff costs mainly include bonus cost amounting to Rs 3,701,273 (2018 - Rs 3,379,152) and staff welfare expenses amounting to Rs 4,403,597(2018 - Rs 3,963,266)

10 Finance costs- net

	Group Year ended 31 March		Company Year ended 31 March	
	2019	2018	2019	2018
Finance income :				
Interest income	4,859,791	11,283,084	2,690,000	8,188,821
Finance costs :				
Interest expense	(15,746,734)	(18,269,132)	(20,223,685)	(21,962,241)
Exchange loss	(7,680,694)	(3,893,316)	(7,680,694)	(3,893,316)
	(23,427,428)	(22,162,448)	(27,904,379)	(25,855,557)
Net finance cost	(18,567,637)	(10,879,364)	(25,214,379)	(17,666,736)

11 Income tax

	Group Year ended 31 March		Company Year ended 31 March	
	2019	2018	2019	2018
Current tax	17,792,833	32,436,747	17,792,833	31,200,000
Deferred tax charge / (release)	9,770,148	(12,037,336)	7,767,203	(9,972,232)
WHT on dividend paid by subsidiary	-	650,001	-	-
	27,562,981	21,049,412	25,560,036	21,227,768

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 Year ended 31 March		Company Year ended 31 March	
	2019	2018	2019	2018
Profit before tax	57,361,169	95,379,708	49,621,328	104,371,126
Consolidation adjustments	(7,739,841)	5,850,005	-	-
Profit before tax after adjustments	49,621,328	101,229,713	49,621,328	104,371,126
Tax calculated at effective tax rate of 28% (28% - 2018)	13,893,972	28,344,320	13,893,972	29,223,915
Tax effect of income not subject to tax	(197,605)	(4,309,155)	(197,605)	(4,309,154)
Tax effect of expenses not deductible	5,508,878	11,022,210	5,508,878	8,905,866
Tax effect of allowable deductions	(1,412,410)	(2,620,628)	(1,412,410)	(2,620,628)
WHT on dividend paid by subsidiary	-	650,001	-	-
Deferred tax charge / (release)	9,770,148	(12,037,336)	7,767,203	(9,972,232)
Tax charge	27,562,981	21,049,412	25,560,036	21,227,768

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	
	2019	2018	2019	2018
Net profit attributable to shareholders	29,798,188	74,330,296	24,061,292	83,143,358
Weighted average number of ordinary shares in issue (Note 28)	4,212,500	4,212,500	4,212,500	4,212,500
Basic earnings per share	7.07	17.65	5.71	19.74

13 Dividend per share

	Group Year ended 31 March		Company Year ended 31 March	
	2019	2018	2019	2018
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 28)	4,212,500	4,212,500	4,212,500	4,212,500
Dividend per share	6.00	6.00	6.00	6.00

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 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)
	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
Year ended 31 March 2019						
Opening net book amount	231,000,000	50,393,491	4,206,436	656,845	4,379,677	290,636,450
Additions	-	805,822	998,913	167,000	-	1,971,735
Revaluation surplus	-	-	-	-	-	-
Depreciation charge (Note 8)	(4,560,000)	(8,765,027)	(765,008)	(110,408)	(3,416,013)	(17,616,456)
Closing net book amount	226,440,000	42,434,286	4,440,341	713,437	963,664	274,991,729
At 31 March 2019						
Cost / Valuation	231,000,000	203,176,411	19,188,234	3,102,380	21,110,426	473,017,452
Accumulated depreciation	(4,560,000)	(160,742,125)	(14,747,893)	(2,388,943)	(20,146,762)	(198,025,723)
Net book amount	226,440,000	42,434,286	4,440,341	713,437	963,664	274,991,729

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 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)
	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
Disposals - Cost	-	-	-	-	-	-
- Acc. depreciation	-	-	-	-	-	-
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
Year ended 31 March 2019						
Opening net book amount	231,000,000	50,393,490	4,206,436	656,845	4,379,677	290,636,450
Additions	-	805,822	998,913	167,000	-	1,971,735
Revaluation surplus	-	-	-	-	-	-
Depreciation charge (Note 8)	(4,560,000)	(8,765,027)	(765,008)	(110,408)	(3,416,013)	(17,616,456)
Closing net book amount	226,440,000	42,434,285	4,440,342	713,437	963,664	274,991,729
At 31 March 2019						
Cost / Valuation	231,000,000	145,348,207	19,188,234	3,102,380	21,110,426	415,189,247
Accumulated depreciation	(4,560,000)	(102,913,922)	(14,747,892)	(2,388,943)	(20,146,762)	(140,197,518)
Net book amount	226,440,000	42,434,285	4,440,342	713,437	963,664	274,991,729

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 and Valuation), FIV Sri Lanka, IRRV (UK).

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

Company / Group Asset	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 71 Mn (2018 - Rs 56 Mn).

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

	Company / Group	
	Land	Building
Cost at 31 March 2019	3,740,925	35,312,748
Accumulated depreciation at 31 March 2019	-	(28,440,941)
Net book value	3,740,925	6,871,806

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

(h) The directors considered the carrying amount of the balance approximates its fair value.

Fair value hierarchy At 31 March 2019	Level 2
Land and buildings	226,440,000
Total non-financial assets	
Land and buildings	226,440,000
Total non-financial assets	226,440,000

Valuation techniques used to determine level 2 fair values

The group obtains independent valuations for its freehold land and buildings related to manufacturing sites (classified as property, plant and equipment) at least every three years. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. The level 2 fair value of land held for resale has been derived using the sales comparison approach based on recent sales of comparable properties in the area. Further, the key inputs under this approach are the price per square feet from current year sales of comparable lots of land in the area (location and size).

15 Prepaid lease rentals

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
Balance at 1 April	1,665,225	1,687,428	1,665,225	1,687,428
Amortisation during the year	(22,203)	(22,203)	(22,203)	(22,203)
Balance at 31 March	1,643,022	1,665,225	1,643,022	1,665,225
Amount to be amortised within one year	22,203	22,203	22,203	22,203
Amount to be amortised after one year	1,620,819	1,643,022	1,620,819	1,643,022
	1,643,022	1,665,225	1,643,022	1,665,225

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 (2018 - Rs 10,000,010) invested in ordinary shares of ACL Polymers (Private) Limited, representing 100% of its issued share capital.

17 Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.

In the prior financial year, the group had designated equity investments as available-for-sale where management intended to hold them for the medium to long-term. No transition adjustment is necessary with the adoption of new accounting standard's in the current financial year as explained in note 2.1(a) and 2.9 except the reclassification from the available for sale financial asset to financial assets at fair value through other comprehensive income as were no any disposals in the previous financial year.

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

	31 March 2019			31 March 2018		
	Number of shares	Cost	Market value	Number of shares	Cost value	Market value
Diversified holdings						
Hayleys PLC	38,907	2,952,614	6,536,376	38,907	2,952,614	7,808,630
Banking finance and insurance						
Nations Trust Bank PLC	26,826	512,005	2,411,657	25,592	512,005	2,065,273
People's Insurance PLC	585,500	8,782,500	11,534,350	585,500	8,782,500	12,588,250
Plantations						
Maskeliya Plantations PLC	8,200	374,258	88,560	8,200	374,258	157,440
Kotagala Plantations PLC	45,000	676,580	315,000	10,000	476,580	237,000
Total cost of investments by the Company		13,297,957	20,885,943		13,097,957	22,856,593
Total cost of investments by the Group		13,297,957	20,885,943		13,097,957	22,856,593

17.1 Movement in financial assets at fair value through other comprehensive income

	Group		Company	
	2019	2018	2019	2018
Balance at 1 April	22,856,553	23,082,954	22,856,553	23,082,954
Investments made during the year	-	200,000	-	200,000
Net change in fair value	(1,970,609)	(426,401)	(1,970,609)	(426,401)
Balance at 31 March	20,885,943	22,856,553	20,885,943	22,856,553

18 Financial instruments by category

(a) Financial instrument

Group	Loans and receivables	Financial assets at fair value through OCI	Total
31 March 2019			
Assets as per the statement of financial position			
Financial assets at fair value through other comprehensive income	-	20,885,943	20,885,943
Trade and other receivables (excluding pre-payments)	556,920,797	-	556,920,797
Cash and cash equivalents	245,312,487	-	245,312,487
	802,233,284	20,885,943	823,119,227

Group	Financial Liabilities at fair value through profit or loss	Liabilities at amortised cost	Total
31 March 2019			
Liabilities as per the statement of financial position			
Trade and other payables (excluding statutory liabilities)	-	30,012,495	30,012,495
	-	30,012,495	30,012,495

Company	Loans and receivables	Financial assets at fair value through OCI	Total
31 March 2019			
Assets as per the statement of financial position			
Financial assets at fair value through other comprehensive income	-	20,885,943	20,885,943
Trade and other receivables (excluding pre-payments)	531,920,798	-	531,920,798
Cash and cash equivalents	229,002,854	-	229,002,854
	760,923,652	20,885,943	781,809,596

Company	Financial Liabilities at fair value through profit or loss	Liabilities at amortised cost	Total
31 March 2019			
Liabilities as per the statement of financial position			
Trade and other payables (excluding statutory liabilities)	-	29,175,327	29,175,327
	-	29,175,327	29,175,327

Group	Loans and receivables	Financial assets at fair value through OCI	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

Group	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

Company	Loans and receivables	Financial assets at fair value through OCI	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)	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

Company	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

(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 2019	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Group				
Financial assets at fair value through other comprehensive income	20,885,943	-	-	20,885,943
Trade and other receivables (gross)	552,800,626	4,655,150	-	557,455,776
Total financial assets	573,686,571	4,655,150	-	578,341,721
Company				
Financial assets at fair value through other comprehensive income	20,885,943	-	-	20,885,943
Trade and other receivables (gross)	527,800,635	4,655,150	-	532,455,785
Total financial assets	548,686,580	4,655,150	-	553,341,730

Cash at bank and short-term bank deposits

	Group As at 31 March		Company As at 31 March	
	2019	2018	2019	2018
AA-(lka)	71,464,727	18,871,139	55,145,725	15,966,642
AAA(lka)	168,111,419	432,311,464	168,109,788	432,309,833
A(lka)	4,423,474	2,335,760	4,423,474	2,335,760
Total	243,999,620	453,518,363	227,678,987	450,612,235

19 Inventories

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
Raw materials	166,872,688	163,768,156	166,872,688	167,883,646
Work-in-progress	162,477	1,947,318	162,477	1,947,318
Finished goods	71,118,110	60,379,436	71,118,110	60,379,436
Other stocks	270,143	366,947	270,143	366,947
	238,423,419	226,461,857	238,423,419	226,461,857

20 Trade and other receivables

	Group 31 March 2019	2018	Company 31 March 2019	2018
Trade receivables	16,649,513	15,674,536	16,649,513	15,674,536
Loss allowance for trade and other receivable	-	-	-	-
	16,649,513	15,674,536	16,649,513	15,674,536
Receivable from related companies [Note 32.6 (b)]	475,213,256	318,399,859	475,213,256	318,399,859
Loan given to holding Company [Note 32.6 (c)]	25,000,000	25,000,022	-	-
Advance and prepayments	36,751,494	2,145,360	36,751,494	1,931,018
Other receivables	3,841,522	16,827,559	3,841,522	16,824,119
	557,455,776	378,047,335	532,455,785	352,829,532

Other receivables of the Group include Economic Service Charge Tax receivable amounting to Rs. 3,347,843. (2018 - Rs. 12,644,037).

The average interest rate (based on 90 days treasury bill rates) on loan given to holding company is 8.07% (2018 - 7.69%).

As of 31 March 2019, trade receivables of Rs. 16,649,513 (2018 - Rs. 15,674,536) were fully performing.

The trade receivable balances not impaired are as follows.

	Group 31 March 2019	2018	Company 31 March 2019	2018
Up to 3 months	11,679,532	12,813,159	11,679,532	12,813,159
3 to 6 months	4,969,981	2,861,377	4,969,981	2,861,377
	16,649,513	15,674,536	16,649,513	15,674,536

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:

	Group 31 March 2019	2018	Company 31 March 2019	2018
US dollars	10,865,811	44,157,993	10,865,811	44,157,993
Sri Lankan Rupees	546,589,965	333,889,342	521,589,974	308,671,539
	557,455,776	378,047,335	532,455,785	352,829,532

21 Income tax payable

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
Balance at 1 April	38,764,490	47,231,688	9,866,136	18,543,396
Provision for the current year	17,792,833	32,436,757	17,792,833	31,200,000
	56,557,323	79,668,445	27,658,969	49,743,396
Payments made during the year	(32,535,267)	(40,903,955)	(31,298,511)	(39,877,260)
Balance at 31 March	24,022,056	38,764,490	(3,639,542)	9,866,136

22 Cash and cash equivalents

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
Cash at bank	245,161,487	453,518,363	228,851,854	450,612,235
Cash in hand	151,000	151,000	151,000	151,000
	245,312,487	453,669,363	229,002,854	450,763,235

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

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
Cash at bank and in hand	245,312,487	453,669,363	229,002,854	450,763,235
	245,312,487	453,669,363	229,002,854	450,763,235

23 Trade and other payables

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
Trade payables	1,661,751	39,619,079	1,661,751	39,619,079
Payables to related parties [Note 32.6 (a)]	-	-	-	9,161,880
Loans from related parties [Note 32.6 (d)]	-	-	52,000,000	52,000,000
Payroll related payable and other taxes	1,320,101	750,278	992,422	378,700
Accrued expenses and other payables	27,513,577	24,249,083	27,513,577	24,009,084
	30,495,429	64,618,440	82,167,750	125,168,744

Group other taxes mainly comprise of VAT, NBT, PAYE and stamp duty payable to the Department of Inland Revenue amounting to Rs. 395,213 (2018 - Rs. 343,590)

Group other payables mainly comprise of import loans amounting to Rs. 22,022,645 (2018 - Rs. 22,223,698)

24 Defined benefit obligations

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

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
At beginning of year	13,176,321	9,806,549	10,980,945	8,376,091
Transfer in/(out)	2,195,376	-	2,195,376	-
Expense recognised in income statement (Note 24.1)	1,918,311	1,997,146	1,918,311	1,661,630
Actuarial (gain) /loss recognised in OCI	(1,187,959)	1,859,051	(1,187,959)	1,429,649
	16,102,049	13,662,746	13,906,673	11,467,370
Defined benefit obligation reversal	(2,195,376)	-	-	-
Payments made during the year	-	(486,425)	-	(486,425)
At end of year	13,906,673	13,176,321	13,906,673	10,980,945

24.1 Expense recognised in Profit or Loss

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
Current service cost	765,312	793,426	765,312	614,619
Interest cost	1,152,999	1,203,720	1,152,999	1,047,011
	1,918,311	1,997,146	1,918,311	1,661,630

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 2019, 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	
	2019	2018
Rate of discount	11.5%	10.5%
Salary increment rate	10%	10%
Retirement age	55 years	55 years

24.2 Sensitivity of the actuarial assumptions

	Change	Group		Company	
		Financial Position- Liability	Comprehensive income- (Charge) / Credit	Financial Position- Liability	Comprehensive income - (Charge) / Credit
Discount rate	+1	(1,079,989)	1,079,989	(1,079,989)	1,079,989
	-1	1,218,448	(1,218,448)	1,218,448	(1,218,448)
Future salary increases	+1	1,243,072	(1,243,072)	1,243,072	(1,243,072)
	-1	(1,118,844)	1,118,844	(1,118,844)	1,118,844

25 Deferred income tax

Deferred income taxes are calculated on temporary differences under the liability method using the future effective tax rate of 28% (2018 - 28%) .

25.1 Movement in deferred tax liability

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
Balance at the beginning of the year	61,224,794	32,798,719	61,224,794	32,798,719
(Reversal) / Origination of temporary differences	7,767,203	(9,852,000)	7,767,203	(9,852,000)
Deferred tax on amount transferred from -				
- revaluation reserve	-	(1,276,278)	-	(1,276,278)
Deferred tax on actuarial Gain/loss	332,629	(520,534)	332,629	(520,534)
Impact on revaluation of property, plant -				
- and equipment due to capital gain tax	-	40,074,887	-	40,074,887
	69,324,626	61,224,794	69,324,626	61,224,794

25.2 Composition of deferred tax liability

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
Property, plant and equipment	73,794,663	64,875,627	73,794,663	64,875,627
Provision for slow moving inventory	(576,169)	(576,169)	(576,169)	(576,169)
Defined benefit obligations	(3,893,868)	(3,074,665)	(3,893,868)	(3,074,665)
	69,324,626	61,224,794	69,324,626	61,224,794

25.3 Movement in deferred tax asset

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
Balance at the beginning of the year	(3,959,825)	(1,774,488)	-	-
Charge/(Reversal) of temporary differences	2,002,945	(2,185,337)	-	-
	(1,956,880)	(3,959,825)	-	-

25.4 Composition of deferred tax asset

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
Tax losses	(1,956,880)	(3,345,120)	-	-
Defined benefit obligations	-	(614,705)		-
	(1,956,880)	(3,959,825)	-	-

26 Contingent liabilities

Bank guarantees amounting to Rs. 15,000,000 have been given to suppliers as at 31 March 2019 (2018 - Rs. 15,000,000)

There were no other material contingent liabilities outstanding as at 31 March 2019.

27 Commitments

Financial commitments

The Group and the Company have commitments on letters of credit as at 31 March 2019 as follows:

Company	15,003,849
Group	15,003,849

Capital commitments

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

28 Stated capital

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
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 (land and buildings).

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
At beginning of year	132,773,857	112,935,429	132,773,857	112,935,429
Additions to revaluation reserve	-	63,195,173	-	63,195,173
Transfer to retained earnings	(4,558,136)	(4,558,136)	(4,558,136)	(4,558,136)
Deferred tax on transfer	1,276,278	1,276,278	1,276,278	1,276,278
Impact on revaluation reserve due to capital gains tax	-	(40,074,887)	-	(40,074,887)
At end of year	129,491,999	132,773,857	129,491,999	132,773,857

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

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

Company	AFS financial assets	Financial assets at FVOCI	Total
At 1 April 2017	9,984,997	-	9,984,997
Net change in fair value of AFS Investments	(426,401)	-	(426,401)
At 31 March 2017	9,558,596	-	9,558,596
Re-classification on adoption of SLFRS 9	-	9,558,596	9,558,596
At 1 Janaury 2018	-	9,558,596	9,558,596
Changes in the fair value of equity investments at FVOCI	-	(1,970,609)	(1,970,609)
At 31 March 2019	-	7,587,987	7,587,987

30.2 (a) Nature and purpose of other reserves

Financial assets at FVOCI

The group has elected to recognise changes in the fair value of investments in equity securities in OCI.These changes are accumulated within the FVOCI reserve within equity. The group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Available-for-sale financial assets – until 31 March 2018

Changes in the fair value of investments that were classified as available-for-sale financial assets (eg equities), were recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts were reclassified to profit or loss when the associated assets were sold or impaired,

31 Cash (used in) / generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
Profit before tax	57,361,169	95,379,708	49,621,328	104,371,126
Adjustments for:				
Depreciation of property, plant and equipment (Note 14)	17,616,456	17,160,953	17,616,456	17,160,953
Dividend income	(705,737)	(1,351,008)	(705,737)	(7,201,013)
Transfer of defined benefit obligation	-	-	2,195,376	-
Interest expense (Note 10)	15,746,734	18,269,132	20,223,685	21,962,241
Interest income (Note 10)	(4,859,791)	(11,283,084)	(2,690,000)	(8,188,821)
Amortization of leasehold properties (Note 15)	22,203	22,203	22,203	22,203
Provision for defined benefit obligations (Note 24.1)	1,918,311	1,997,146	1,918,311	1,661,630
Changes in working capital:				
Inventories increase	(11,961,562)	(37,009,323)	(11,961,562)	(37,009,323)
Receivables and prepayments decrease/ (Increase)	(179,408,442)	102,823,752	(179,626,254)	102,829,857
Trade and other payables increase / (decrease)	(33,921,957)	54,347,222	(42,799,939.15)	44,049,272
Cash (used in) / generated from operations	(138,192,616)	240,356,702	(146,186,133)	239,658,126

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 and Electricals Ltd and Lanka Olex Cables (Pvt) Ltd.

		Company Year ended 31 March	
		2019	2018
32.5	(a) Sale of goods (inclusive of taxes)		
	ACL Cables PLC	902,648,227	783,027,524
	ACL Kelani Magnet Wire (Private) Limited	461,500	380,000
	Kelani Cables PLC	712,917,622	726,043,976
		1,616,027,349	1,509,451,500
	(b) Purchase of goods (inclusive of taxes)		
	ACL Cables PLC	179,708	79,212
	Kelani Cables PLC	256,625	83,851
		436,333	163,063
	(c) Interest income from loans		
	ACL Cables PLC	2,690,000	4,965,491
		2,690,000	4,965,491
	(d) Loan settled from related party		
	ACL Cables PLC	100,000,000	-
		100,000,000	-
	(e) Interest on borrowings		
	ACL Polymers (Private) Limited	4,476,951	4,378,449
		4,476,951	4,378,449
	(f) Dividend income		
	ACL Polymers (Private) Limited	-	6,500,013
		-	6,500,013

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		Company 31 March	
	2019	2018	2019	2018
ACL Polymers (Pvt) Ltd	-	-	-	9,161,880
	-	-	-	9,161,880

(b) Receivable from related parties

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
ACL Cables PLC	311,936,365	188,185,649	311,936,365	188,185,649
Kelani Cables PLC	163,276,891	130,214,210	163,276,891	130,214,210
	475,213,256	318,399,859	475,213,256	318,399,859

(c) Receivable on loans

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
ACL Cables PLC	25,000,000	25,000,000	-	0
	25,000,000	25,000,000	-	-

(d) Payable on loans

	Group 31 March		Company 31 March	
	2019	2018	2019	2018
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 8.07% (2018 - 7.69%).

There were no other related parties or related party transactions during the year ended 31 March 2019 other than those disclosed above.

(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	
	2019	2018	2019	2018
Directors' emoluments	120,000	240,000	120,000	240,000

33 Changes in accounting policies

This note explains the impact of the adoption of SLFRS 9 Financial Instruments and SLFRS 15 Revenue from Contracts with Customers on the group's financial statements.

(a) Impact on the financial statements

No impact to the financial statements other than the reclassifications from the available for sale financial asset to financial assets at fair value through other comprehensive income

(b) SLFRS 9 Financial Instruments

"SLFRS 9 replaces the provisions of LKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets"

The adoption of SLFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in note 2.1 (a)

Equity investments previously classified as available-for-sale

The group elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of 22,856,553 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 April 2018.

Reclassifications of financial instruments on adoption of SLFRS 9

On the date of initial application, 1 January 2018, the financial instruments of the group were as follows, with any reclassifications noted:

Non-current financial assets	Measurement category		Carrying amount		Difference
	Original (LKAS 39)	New (SLFRS 9)	Original	New	
Non-current financial assets					
Equity securities	Available for sale	FVOCI	22,856,553	22,856,553	-
Current financial assets					
Trade and other receivables	Amortised cost	Amortised cost	375,901,976	375,901,976	-
Cash and cash equivalents	Amortised cost	Amortised cost	453,669,363	453,669,363	-
Current financial liabilities					
Trade and other payable	Amortised cost	Amortised cost	64,618,440	64,618,440	-

33(c) SLFRS 15 Revenue from Contracts with Customers

The group has adopted SLFRS 15 Revenue from Contracts with Customers from 1 January 2018. No impact from the adoption of SLFRS 15 as risk and reward passing point as per the LKAS 18 and performance obligation passing point as per SLFRS 15 is at the time of delivery of goods.

34 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 2019

Category			Number of Shareholders	% Rs.	Number of Ordinary Shares
01	-	1,000 shares	696	3	144,002
1,001	-	10,000 shares	145	11	445,692
10,001	-	100,000 shares	34	17	722,774
100,001	-	1,000,000 shares	2	13	557,663
Over 1,000,000 shares			1	56	2,342,369
Total			878	100	4,212,500

Analysis Report of Shareholders as at 31st March 2019

Category	Number of Shares	Total Holdings %
Institutional	3,343,936	79%
Individuals	868,564	21%
Total	4,212,500	100%

Twenty Largest Shareholders

	2019		2018	
Category	Number of Shares	% of Holding	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	3.63
Assetline Leasing Co.Ltd/ Mr.E.J. Gunaseker	42,926	1.02	39,512	0.94
Peoples Leasing Finance PLC /Mr.H.M. Abdulhuss	37,045	0.88	37,045	0.88
Corporate Druids (Pvt) Ltd	36,604	0.87	36,604	0.87
Seylan Bank PLC/S.R. Fernando	36,465	0.87	24,917	0.00
Raaymakers M.A.T	32,077	0.76	47,043	1.12
Costa D.S.J.V	30,395	0.72	31,722	0.75
Gautam R.	30,000	0.71	30,400	0.72
Abdulhussein R.H.	27,000	0.64	27,000	0.00
Amina Investment Ltd	27,000	0.64	20,362	0.48
Bank of Ceylon-First Capital Equity Fund	25,000	0.59	25,000	0.59
Corea E.	24,751	0.59	24,751	0.59
Essajee Carimjee Insurance Brokers (Pvt) Ltd	24,000	0.57	24,000	0.57
Corea Gihan Ahoka	23,625	0.56	23,625	0.56
DFCC_ Mr Pranvan	22,050	0.52	22,050	0.52
Madanayake H.A.S.	20,801	0.49	20,801	0.49
Abdulhussein Y.H.	20,000	0.47	27,000	0.64
Hatton National Bank/ Arunasalam	20,000	0.47	20,000	0.47
Maheshwaran R.L.	18,743	0.44	18,743	0.44

- Float Adjusted Market Capitalization as at 31st March 2019 is Rs. 112,445,866/-
- The Company complies with option 5 of the Listing Rules 7.13.1 (a) – Less that Rs 2.5 Bn Float Adjusted Market Capitalization which requires 20% minimum Public Holding.

Information to Shareholders

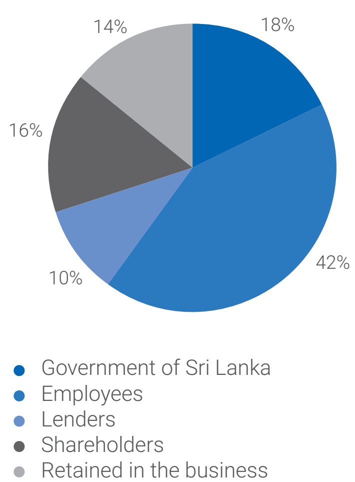
Information to Shareholders

		2019	2018
Company			
a)	Earnings per share (Rs)	5.71	19.74
b)	Dividend per share (Rs)	6.00	6.00
c)	Dividend payout ratio	1.05	0.30
d)	Net assets value per share (Rs)	271.96	284.75
e)	Market value per share (Rs)		
	- Highest value (Rs)	83.90	212
	- Lowest value (Rs)	70.00	107
	- Value as at the end of financial year (Rs)	78.80	111
f)	No of tradings for the year	1,631	2,105
g)	Total No of shares traded	286,215	394,036
h)	Total turnover (Rs)	1,487,778,504	1,355,028,231
i)	Percentage of Shares held by the public	33.87%	33.87%
j)	Number of Public shareholders	882	860
k)	No. of foreign Shareholders	12	10
Group			
a)	Earnings per share (Rs.)	7.07	17.65
b)	Dividend per share (Rs.)	6	6
c)	Dividend payout ratio	0.85	0.34
d)	Net assets value per share (Rs.)	285.56	284.73

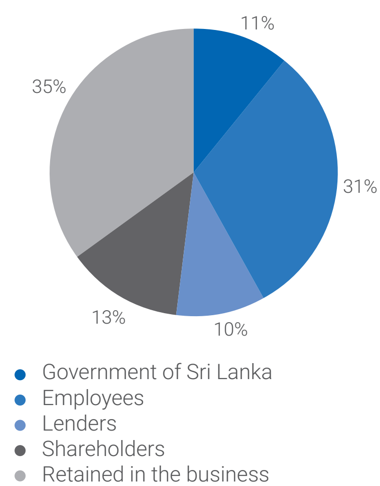
Statement of Value Added - Group

		2018/19 Rs. '000		2017/18 Rs. '000
Total revenue		1,487,779		1,355,597
Other operating & interest income		7,761		12,634
		1,495,539		1,368,231
Cost of material and services bought in		(1,339,754)		(1,177,898)
Total value added by the group		155,785		190,333
Value added shared with				
Government of Sri Lanka	18%	27,563	11%	21,049
(Taxes)				
Employees	42%	65,061	31%	59,523
(Salaries and other costs)				
Lenders	10%	15,747	10%	18,269
(Interest on loan capital)				
Shareholders	16%	25,275	13%	25,275
(Dividends)				
Retained in the business	14%	22,140	35%	66,216
(Depreciation & retained profits)				
	100%	155,785	100%	190,333

2018/19



2017/18



Five Year Summary - Group

Trading Results

Year ended 31st March	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000
Turnover	1,487,779	1,355,597	1,449,361	1,283,520	1,165,991
Operating profit	75,929	106,259	255,131	282,029	133,422
Profit before tax	57,361	95,380	244,715	276,865	119,961
Taxation	27,563	21,049	75,064	70,629	33,531
Profit after tax	29,798	74,330	169,651	206,236	86,430

Balance Sheet

As at 31st March	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000
Share capital	79,974	79,974	79,974	79,974	79,974
Capital reserve	129,492	132,774	112,935	124,244	119,361
Revenue reserves	170,000	170,000	170,000	170,000	170,000
Other Reserves	7,588	9,559	9,985	8,470	12,995
Retained profit	815,866	807,205	754,931	605,830	412,845
	1,202,920	1,199,512	1,127,825	988,518	795,175
Property plant & equipment	274,992	290,636	239,201	253,384	263,263
Operating lease prepayment	1,621	1,643	1,665	1,687	1,710
Investments (AFS financial assts)	20,886	22,856	23,083	21,567	18,562
Deferred tax asset	1,957	3,960	1,774	-	-
Current assets	1,044,853	1,058,201	962,210	883,254	651,014
Current & non current liabilities	(141,388)	(177,784)	(100,108)	(171,374)	(139,374)
Capital employed	1,202,920	1,199,512	1,127,825	988,518	795,175

Notice of Meeting

NOTICE IS HEREBY GIVEN that, the Twenty Eighth Annual General Meeting of ACL Plastics PLC will be held on 27th August 2019, at No. 60, Rodney Street, Colombo 8, at 11.30 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 2019 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, Dr. Kamal Weerapperuma, 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

(Sgd.)
Corporate Affairs (Pvt) Ltd
Secretaries

30th July 2019

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 27th August 2019 at 11.30 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 2019 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 Dr. Kamal Weerapperuma, 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..2019

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 Eight 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

Mr. U. G. Madanayake - Chairman

Mr. 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

PLASTICS

www.acl.lk