# OUTREACH WITH EXCELLENCE

ACL PLASTICS

ACL Plastics PLC Annual Report 2019/20

# OUTREACH WITH EXCELLENCE

At ACL Plastics, we are reputed for our exceptional portfolio of cable grade PVC compounds, manufactured to the highest local and international standards. For nearly three decades, innovation and excellence have always been at the heart of all we do— realigning our strategies and business model to deliver growth and steady streams of value to the many stakeholders we serve.

This annual report records the strength of our synergies, the depth of our industry expertise, all delivered through a world-class portfolio of products exceeding customer expectations. In the year under review, we have adopted a backward integration strategy to provide our customers with exceptional PVC compounds— fit to secure leadership in the plastic manufacturing industry.

Today, as we journey on a path of consistent success, we are maintaining continuous market dominance and expanding our outreach by venturing into new market avenues, whilst developing our operations to unmatched quality and excellence.

ACL Plastics. Outreach with Excellence.

# 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 2020 | 2019/20 Rs.Mn | 2018/19 Rs.Mn |
|---|---|---|
| Turnover | 1,581 | 1,488 |
| Gross Profit | 232 | 78 |
| Finance Cost | 2 | 23 |
| Profit Before Tax | 223 | 57 |
| Profit After Tax | 156 | 30 |
| Total Equity | 1,328 | 1,203 |
| **Key Financial Indicators** | | |
| Gross Profit Margin | 15% | 5% |
| Net Profit Margin Before Tax | 14% | 4% |
| Interest Cover (Times) | 52 | 4 |
| Return on Equity | 12% | 2% |
| Current ratio (Times) | 12.37 | 17.97 |

Rs.**1,581**Mn

Revenue

Rs.**932**Mn

Gross Profit

Rs.**1,513**Mn

Total Assets

Rs.**6.00**

Dividend Per Share

Rs.**36.98**

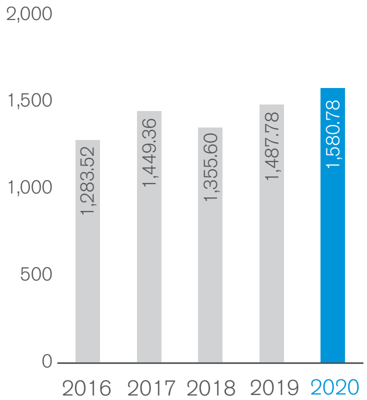
Earnings Per Share

Rs.**1,328**Mn

Share Holders' Fund

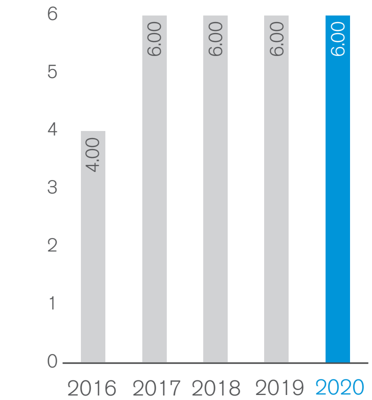
## Revenue

Rs.Mn



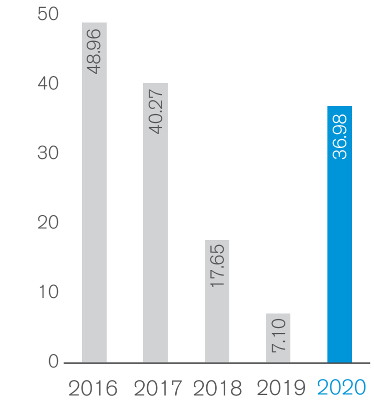

## Dividend per share

Rs.Mn



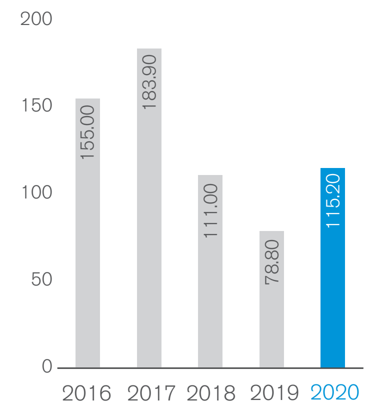

## Earning per share

Rs.Mn



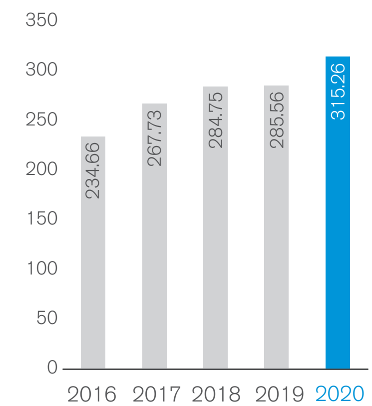

## Market value per share

Rs.Mn



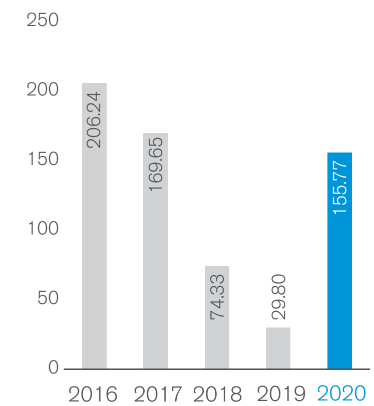

## Net assets per share

Rs.Mn




## Net profit attributable

Rs.Mn



# Chairman's Statement

I am pleased to mention that our turnover increased to Rs. 1.58 Billion recording an increase of Rs. 93 Million over the previous year. Sustainable growth in key result areas are indicated in the below chart. Sales 6% growth, GP 193%, OP 203%, PBT 339% and NP 699% growth over the previous year.

I welcome you to the Twenty Ninth Annual General Meeting of ACL Plastics PLC and have pleasure in presenting to you the Annual Report and the Audited Financial Statements for the year ended 31st March 2020. The year 2019/20 was an excellent year for ACL Plastics PLC. After years of continued progress towards the achievement of our strategic goals in terms of growth, 2019/20 was another breakthrough year, wherein we set a new record in sales and earnings.

The company and the group posted a higher turnover and profit margins this year; and for the third consecutive year in a row, the Company passed the milestone of one billion in turnover. Even more impressive was the Profit before tax we generated which passed the milestone of two hundred million setting up a new record. These achievements are the results of our employees' commitment to growth and excellence. Our recent strategic investments on technology and machinery have delivered expected results and going forward, we shall continue to ensure sustained growth and superior value creation.

## Challenging External Environment

It is with great regret that I observed the national economy continuing its poor performance of the previous years, into the year under review as well. The Easter attack taking place right at the beginning of the financial year and the continuing instability of the national security atmosphere of the country, created an adverse business environment during the first two quarters of 2019/2020. Very Loyal and strong customers of ours had to go through many difficulties during the year creating operations harder for us as well. We had to act extra cautious and manage the total sales operations with care due to cash flow issues which arose within the market.

The Sri Lankan economy recorded a modest growth of 2.3% in the year under focus. This is a 1% decline compared to the 3.3% growth rate achieved for 2018/2019. Though the major sectors of the economy had recorded a positive growth, percentage wise it has not been very impressive. It is noteworthy that growth of 2.7% reached by the Industrial sector in the year under review compares well with the 1.2% growth rate achieved the year before.

On an overall note, electricity generation for the year 2019 increased by 3.3% and hence resulted in an increased demand for cables. This in turn resulted in an enlarged demand for our cable grade PVC from ACL Cables PLC and Kelani Cables PLC enhancing our revenues.

The adverse fluctuation of exchange rates challenged our business activities such as maintaining stable prices in case of purchase of raw materials. This reduced our margins in local market sales. The outbreak of COVID-19 in mid-March 2020 shattered our planned figures for the last month of the financial year.

Rs. **329** Mn

Group Value Addition

Rs. **300.73**

Net Assets Value per Share

Rs. **6.00**

Dividend Per Share

In these challenging intervals, companies hardly generate positive financial performances. However, I'm pleased to inform you that ACL Plastics PLC has performed very well and ensured excellent financial and non-financial outputs.

## Remarkable Performance and Growth

I am pleased to mention that our turnover increased to Rs 1.58 Billion recording an increase of Rs 93 Million over the previous year. Sustainable growth in key result areas are indicated in the chart given below. Growth compared to previous year - Sales 6%, GP 193%, OP 203%, PBT 339% and NP 699%.

| Year ended 31 March 2020 | 2019/20 Mn | 2018/19 Mn | Difference Mn | Growth |
|---|---|---|---|---|
| Revenue from contracts with customers | 1,581 | 1,487 | 93 | 6% |
| Cost of sales | (1,348) | (1,408) | 60 | -4% |
| Gross profit | 232 | 79 | 153 | 193% |
| Operating profit | 227 | 74 | 152 | 203% |
| Profit before tax | 218 | 49 | 168 | 339% |
| Net profit attributable to shareholders | 192 | 24 | 168 | 699% |

ACL Plastics PLC Qualified to ISO QMS, EMS & OHS certifications during the financial year. In February 2020 the company was awarded with ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018. Further we are pleased to announce that ACL Plastics PLC is the first ever company which achieved the ISO 14001:2015 in the Polymer sector, which is a clear reflection of the positive results of the initiatives embarked upon in the areas of quality and environment.

Sales growth was mainly due to the increased business activities of our main customers, most of which are within our Group of companies. We also achieved a strong growth in Sales to Customers outside the Group of Companies which will help us in expanding our Customer base in the future.

I am happy to note that as a result of continued growth in Sales and Production capacity, a trend has set in where Technological advancements, upgrading of manufacturing plants have contributed heavily towards Innovation of new Products and improvements in Quality Standards of existing Products. Furthermore, our continued focus on internal controls to reduce operating costs, to improve process efficiencies, to minimizing waste etc have resulted in vastly reduced Cost of sales. Despite ever challenging fluctuations of raw material prices in the volatile world market, we managed to negate same and achieve growth in Gross Profit margins thanks to our commitment to effective and efficient utilization of production capacity and careful review of product selling prices.

### Balancing Assets and Liabilities

As regards corporate success, the two of the most demanding major parameters are profitability and liquidity. These are important criteria for a company to improve Creditworthiness and establish an increasing market capital and market share. ACL Plastics Group managed to achieve those two competing goals, through widespread and remarkable amount of collaboration and a high level of commitment by everyone in the company.

Assets and liabilities held in foreign currencies were properly managed so that the possible losses due to the fluctuations in the exchange rates were minimized to a greater extent. The trade receivables were managed at its optimum levels so that the liquidity risk is minimized while maintaining the expected profitability. The level of inventories was maintained well throughout the year, thereby, enabling us to minimize costs related to inventories without compromising our growth in business activities. Our current ratio is 14 times compared to 18 times that of last year.

I strongly believe that this trend will benefit tremendously in terms of the profitability of the Group in the coming years.

### Environmental Concern

Many initiatives in Environment related areas such as conserving water, energy and reduction in solid waste are in place and monitored to ensure maximum compliance. Regular audits by our staff are carried out to ensure compliance.

ACL Plastics PLC factories diligently adhere to the Japanese 5S and Kaizen concepts and we believe in continuous and never ending improvements in our manufacturing facilities creating quality working environments thus enabling our people to perform at peak levels. The safe working conditions and safety equipment have been provided to ensure the safety of our people. Regular awareness programs on safety are carried out by experts in Health & Safety management.

### Shareholder Wealth

Despite the fluctuations in the share market, the growth of net assets value per share of ACL Plastics PLC has been good. Our shareholders will be pleased to note that the Group's net assets value per share has kept on improving which is Rs. 166 for this year compared to that of Rs. 145 in the last year.

# Chairman's Statement

The performance of the ACL Plastics PLC share during the year has been extremely good, compared to the fluctuations of the share market as a whole.

The company paid a dividend of Rs. 6 per share during the year which is on parity to the dividend of Rs. 6 per share in last year.

## Our Achievements

ACL Plastics PLC Qualified to achieve ISO QMS, EMS & OHS certifications during the financial year. In February 2020, company was awarded with ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018.Further, we are pleased to announce that ACL Plastics PLC is the first ever company which achieved the ISO 14001:2015 in the Polymer sector which is a clear reflection of the positive results of the initiatives embarked upon in the areas of quality and environment.

## Future Outlook

We are committed to maximize the utilization of our resources, to drive the company towards greater success during the coming financial year. Greater emphasis will be on how to streamline our operations and look for opportunities to improve our bottom line and maximize value for our shareholders. In this context we will harness the talent and skills of our people to push beyond boundaries. Change-management strategies will be utilized to build rock solid fundamentals in place.

The positive growth of several related industries will enable us to achieve further advancements in term of profitability and sustainability.

## Appreciation

In conclusion, I wish to place on record my appreciation of the support and guidance given by the Board of Management for their outstanding leadership and the drive to take on each challenge as an opportunity and those who have worked diligently towards creating greater value for our shareholders. The support of our dynamic employees is appreciated very much and I wish to extend my sincere gratitude to every one of them for helping us to achieve company objectives.

Last but not least, I would like to extend my sincere appreciation to all business partners, all institutions, suppliers, Banks and all other government agencies for their continued support and finally to all our customers for the confidence placed in our products and services.

Thank you

U. G. Madanayake
Chairman

06th August 2020

# 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 Chairman's Role

The Chairman is responsible for preserving good Board room governance and encourages positive contributions from both Executive and Non-Executive Directors for the effective discharge of the Board's responsibilities. The Chairman considers the views of all Directors on any matter put before the Board and ensure that the Board is in complete control of the affairs of the company.

The Chairman leads the Board, developing the Board forward agenda and the preparing in detail for meetings to maximize the efficiency of Board output. His aim is that Board meetings should allow full and free discussion, taking account of the interest of the group's various stakeholders whilst promoting high standard corporate governance.

The Chairman also encourages expression of the broadest range of views, including those which may challenge the management. He seeks to foster open and trusting relationship between Executive and Non-Executive Board members.

The main responsibilities of the Chairman are;

- Facilitate the effective contribution of Non-Executive Directors and the engagement between Executive and Non-Executive Directors.
- Ensure the regular flow of accurate and relevant management information to enable the Board to make sound decision and monitoring business performance.
- Ensure that an annual evaluation of the Board is conducted.
- Ensure that committee chairman conduct evaluations of their committees.
- Ensure effective communication with shareholders so that the Board develops a clear understanding of their views.
- Ensure the effective functioning of all Board sub committees.

### 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 09 to 11 of this annual report. The Board recognizes the need for a clear division of responsibilities in running the Company business. Accordingly, the positions of Chairman and Managing Director have been separated.

### The Board Balance

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

### Finance Acumen

The Board is constituted members specialized in a multitude disciplines and experience in Corporate Finance, Accounting, Management, Marketing, Economics, Law, Human Resource, Corporate Governance and Risk Management. Hence, they are able to provide constructive debate, scrutinize performance and help develop Board strategy with a global perspective and outlook.

### 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 2019/2020 was as follows,

| Name of Director / Committee member | Board (4 meetings) | Audit Committee (3 meetings) | Remuneration Committee (1 meeting) | Related Party Transactions Review Committee (3 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.

According to the Articles of Association Mr. Das Miriyagalla retire by rotation and are required to stand for re-election by shareholders at the Annual General Meeting.

# Corporate Governance

## 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 Statutory 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 23 to 26 of this report. The Statements of Directors' Responsibility for financial reporting and report of the Auditors are stated on page 34 to 36. The Going Concern Declaration by the Board of Directors in this regard is presented in the report of Directors on page 23 of this Annual Report.

## Internal Controls

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board's policy is to have systems in place which optimize the 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. As a next step of improving existing internal control system, parent company Board grated its approval to establish in house Risk & Control department to conduct control reviews, internal audits and risk management activities across the Group including ACL Plastics PLC in an effective manner, 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 Company is given within the Risk Management section in the Annual Report. The objective of the Company'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 (Senior Independent Non-Executive Director)
- Mr. Rajiv Casie Chitty - Member of the Committee (Independent Non-Executive Director)

Further details of the Remuneration Committee are given in their report on page 29.

## 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 (Senior Independent Non-Executive Director)
- Mr. Rajiv Casie Chitty - Member of the Committee (Independent Non-Executive Director)

Further details of the Audit Committee are given in their report on page 30.

### 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 the Committee
- Mr. Rajiv Casie Chitty – Member of the Committee

Further details of the Related Party Transactions Review Committee are given in their report on page 27.

### 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.

| 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.<br>• Names of IDs should be disclosed in the Annual Report (AR). | ✓ | Corporate Governance |
| 7.10.3 (b) | Disclosures Relating to Directors | The basis for the Board's determination of independence, if criteria specified for independence is not met | ✓ | Corporate Governance |
| 7.10.3 (c) | Disclosures Relating to Directors | A brief résumé of each Director should be included in the AR including the Director's areas of expertise. | ✓ | Board of Directors (profile) section in the Annual Report |
| 7.10.3 (d) | Disclosures Relating to Directors | Provide a brief résumé of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE. | ✓ | Corporate Governance |
| 7.10.4 (a-h) | Criteria for Defining "Independence" | Requirements for meeting criteria. | ✓ | Corporate Governance |

# 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<br><br>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.<br>• A NED shall be appointed as the Chairman of the Committee. | ✓ | Corporate Governance |
| 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<br><br>Report Relating to Remuneration Committee (RC) | • Names of Directors comprising the RC.<br>• Statement of Remuneration Policy<br>• Aggregated remuneration paid to EDs and NEDs. | ✓ | Corporate Governance and Remuneration Committee Report |
| 7.10.6 | Audit Committee (AC) | The Company shall have an AC. | ✓ | Corporate Governance |
| 7.10.6 (a) | Composition of Audit Committee (AC) | • AC shall comprise a minimum of two INEDs, or of NEDs a majority of whom shall be independent, whichever shall be higher.<br>• A NEID shall be appointed as the Chairman of the Committee.<br>• MD and Chief Financial Officer shall attend AC meetings.<br>• The Chairman of the AC or one member should be a member of a recognized professional accounting body. | ✓ | Corporate Governance and the Audit Committee Report |

| CSE Rule No. | Subject | Applicable requirement Status | Compliance | Applicable section in the Annual Report |
|---|---|---|---|---|
| 7.10.6(b) | Functions of<br><br>Audit Committee (AC) | Overseeing of the –<br>• Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards.<br>• Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.<br>• Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.<br>• Assessment of the independence and performance of the external auditors.<br>• 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. | ✓ | Corporate Governance and the Audit Committee Report |
| 7.10.6 (c) | Disclosure in Annual Report Relating to Audit Committee (AC) | • Names of Directors comprising the AC.<br>• The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination.<br>• The AR shall contain a Report of the AC setting out the manner of compliance with their functions. | ✓ | Audit Committee Report |
| 9 | Related Party Transactions Review Committee (RPTRC) | The Company shall have a RPTRC. | ✓ | Corporate Governance |

# Corporate Governance

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

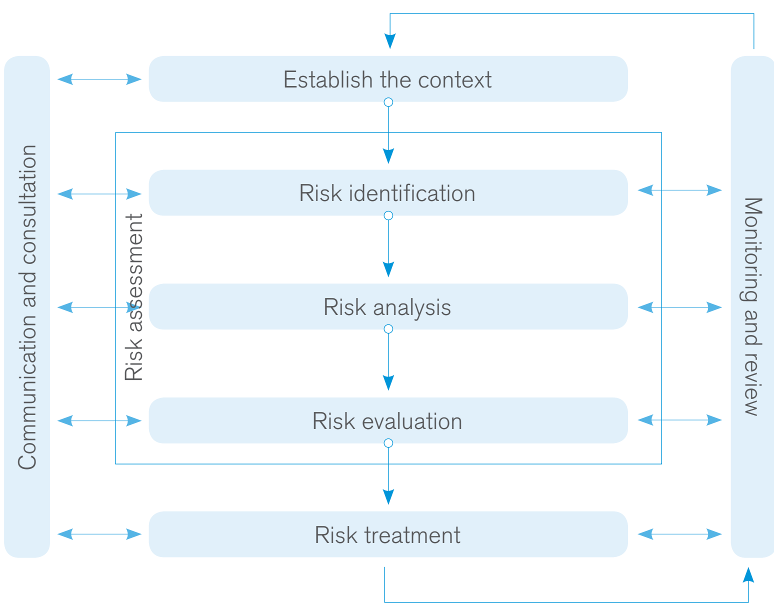
# Risk Management

ACL Plastics PLC has given due consideration to its risk identification, assessment and mitigating activities to be vital in maintaining sustainable growth and making steady progress towards achievement of the corporate objectives. An effective risk management framework helps the company in its attempts to achieve the optimum trade-off between risks and return. Company is exposed to broad array of risks and which are based on the current external and internal factors.

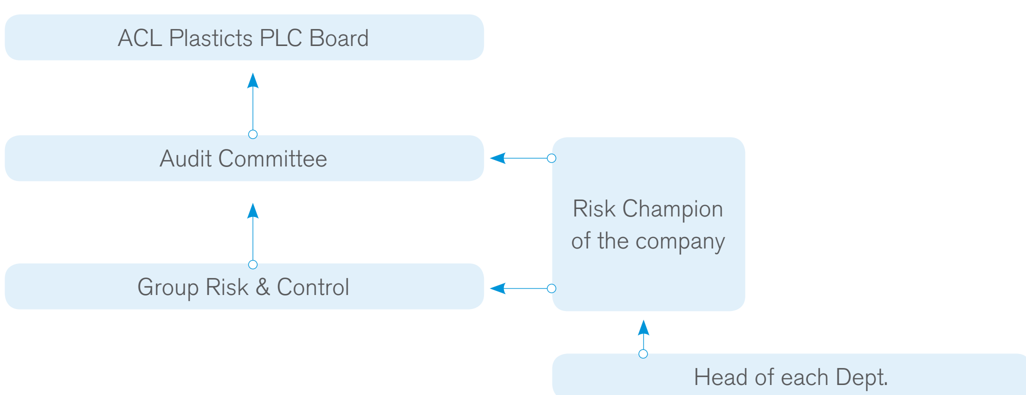
Our success is ability to identify and exploit the opportunities exist in the market what we operate in. In doing this, we proceed with an embedded approach to risk management which puts risk and opportunity assessment in the decision-making process at each level.

Considering rapid changes in the market what we are operating in the Company is keen in executing an Enterprise Risk Management that in line with ISO 31000 – Risk Management Framework. This model delivering a structured governance system and provides a proper mechanism to identify risks in a timely manner.

The Risk Management Process:




The Risk Management Reporting structure of the ACL Plastics PLC is as follows;



# Risk Management

## Risk Evaluation and Mapping

Risk heat map is developed based on the assessment of the likelihood of occurrence and the potential impact of risks. Likelihood of occurrence is assessed on the basis of past experience and preventive actions in place. A ranking of Rare, Unlikely, Moderate, Likely and Almost Certain is assigned to all risks based on the likelihood of occurrence. The impact of the event is evaluated by determining the loss it would cause and the extent of the impact. After considering the above two factors, the impact is categorised as Insignificant, Minor, Moderate, Major and Extraordinary. Above risks and the proposed action plans are then reviewed at the Risk Management meeting.

Risk Matrix

| Impact | | | | | |
|---|---|---|---|---|---|
| Extraordinary | S | H | H | H | E |
| Major | S | S | H | H | H |
| Moderate | M | M | S | S | H |
| Minor | L | L | M | S | S |
| Insignificant | L | L | L | M | S |
| | Rare | Unlikely | Moderate | Likely | Almost Certain |

Likelihood

E Extreme H High S Significant M Moderate L Low

Managing Risks

| Risk Exposure | Description | Risk Mitigation actions |
|---|---|---|
| Liquidity Risk | Adverse impact on the liquidity position as a result of payment delays by debtors, long stock residence period and early payment for creditors. | Conducting regular follow ups on trade debts and continuous reviewing on working capital management<br><br>Company has sufficient assets to offer as collateral for future funding requirements.<br><br>Obtaining funding facilities to adequately manage liquidity position through several financial institutions. |
| Interest Rate Risk | Fluctuations in market interest rates having an impact on the profitability by way of borrowing cost | Constant negotiations with banks to obtain the best possible interest rate for Groups' borrowings and investments.<br><br>Interest rate sensitivity analysis is done regularly to measure the potential impacts of rate variations |
| Exchange Rate Risk | Potential losses as a result of adverse movement in the exchange rates | Using financial risk management tools such as Forward Rate Booking and Hedging |

| Risk Exposure | Description | Risk Mitigation actions |
|---|---|---|
| Credit Risk | Potential losses arising due to customer defaults | Ensuring compliance over group credit policy guidelines<br><br>Mitigating risk of export sales through credit letters and advance TT remittances.<br><br>Obtaining bank guarantees for local distribution sales.<br><br>Demarcate the areas of operations in local market and constant monitoring the credit exposure level of distributors |
| Country Risk | Negative impact arising due to adverse economic factors such as Political, Economical, Social, Technological and Legal | Through analysis on PESTAL factors and continuous revisions in business planning to grab opportunities prevailing in the market.<br><br>Mitigating prevailing risks through effective insurance management. |
| Human Resources Risk | Negative impact to the business due to loss of Key Executives and inability attract, develop and retain skill work force. | Maintain an employee evaluation scheme to reward them.<br><br>Maintain healthy and cordial relationship with employees at all levels through joint consultative committees.<br><br>Provide various employee benefits through the Welfare Society.<br><br>Provide specific and general training wherever necessary. |
| Technological Risk | Probability of technological changes adversely affecting to the company performance | Develop a long-term plan to replace existing critical machines with technologically advanced machines.<br><br>Obtain ISO certifications and accreditations from relevant authorities to ensure ability of meeting local and international requirements with the technology exist with the company |
| Health and Safety Risk | The likelihood that an individual may be harmed or suffers adverse health effects if exposed to a hazard | Conducting health and safety assessments to evaluate the adequacy of existing safety measures maintaining by the company<br><br>Ensuring the effectiveness of health and safety measures through ISO and other certifications |
| Operational Risk | Potential losses due to inadequate internal controls, failures of internal processes, people and systems as a result of natural and human activities | Establish Risk & Control department to conduct risk management and internal audits across the group<br><br>Conducting control reviews on high risk areas to assess the strength of existing control system<br><br>Monitoring compliance over regulatory and other requirements through compliance dash boards<br><br>Conducting system control reviews as per the annual internal audit plan |

# Risk Management

| Risk Exposure | Description | Risk Mitigation actions |
|---|---|---|
| Market Risk | Loss of market due to new entries and existing rivalry | Maintaining product leadership through continuous improvements in quality standards<br><br>Strengthening 'ACL' brand through various brand development activities<br><br>Monitor market data and strengthen the market |
| Investment Risk | Value destroying in investments due to a possible difference between actual return from that of the expected | Detailed payback analysis before making an investment<br><br>Diversify the investment portfolio by focusing on new markets and growth prospects |
| Risk Information System | Delays in decision making due to inaccurate or non-availability of timely information the ERP System | Enhancing system performance though continuous version upgrading<br><br>Maintaining data backups to minimize data losses in case of an emergency<br><br>Enhancing system security levels on a regular basis to minimize cyber security risk<br><br>Maintaining vendor agreements for support services and system maintenance<br><br>Revising IT policies and procedures with the aim of creating value to the business |
| Environmental Risk | Probability of negative outcomes, non-compliances and reputational risk occurring as a result of business operations causing damage to the environment | Compliance with ISO 14001 environmental management guidelines.<br><br>Annual renewal of environmental protection license for each site which is issuing by the Environmental Authority |
| Legal and Regulatory Compliance Risk | Potential negative impact to the business due to non-compliances with external regulatory requirement and internal policies & procedures | Maintaining compliance Dash Board to ensure timely compliance over regulatory requirements<br><br>Conduct compliance assessment across the group on a quarterly basis |

# 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 2020, Income Statement and Statement of Comprehensive Income for the year then ended. The Company commenced commercial production in March 1993.

## Review of the Year

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

## Principal Activities - Parent Company

### ACL Plastics PLC

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

## Principal Activities - Subsidiary Company

### ACL Polymers (PVT) LTD.

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

## Future Developments

An overview of the future developments of the Company is given in the Chairman's Statement (page 07 to 08)

## Independent Auditor's Report

The Independent Auditors' Report on the Financial Statements is given on page 34 in this Report.

## Financial Statements

The Financial Statement of the Group and the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRs/LKAs), issued by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange. The Financial Statements for the year ended as at 31 March 2020 signed on behalf of the Board by the Chairman and Managing Director are given on pages 37 to 80.

## Accounting Policies

The Accounting Policies adopted in preparation of the Financial Statements are given on pages 43 to 60. Where neccessory, 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 33.

## 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 2020 was Rs. 79,974,555/= and was unchanged during the year.

## Events Occurring After the Balance Sheet Date

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

## Statutory Payments

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

# Report of the Directors

## Financial Results & Appropriations

| | 31/03/2020 Rs. | 31/03/2019 Rs. |
|---|---|---|
| Total turnover | 1,580,780,286 | 1,487,778,504 |
| Profit before taxation | 223,004,590 | 57,361,169 |
| Profit after taxation | 155,765,177 | 29,798,188 |
| Profit attributable to shareholders of ACL Plastics PLC | 155,765,177 | 29,798,188 |
| Unappropriated surplus brought forward | | |
| from previous year | 815,865,931 | 807,205,554 |
| Transfer from revaluation reserve | 3,281,859 | 3,281,859 |
| Other adjustments | (1,266,815) | 855,330 |
| Surplus available for appropriation | 973,646,152 | 841,140,931 |
| | | |
| Your Directors recommend: | | |
| Dividends paid | (25,275,000) | (25,275,000) |
| Transfer to general reserve | - | - |
| Unappropriated surplus carried forward | 948,371,152 | 815,865,931 |

## Directors

Directors of the Company are listed on pages 9 to 11 and their respective shareholdings are given below.

| | Number of shares | | | |
|---|---|---|---|---|
| | 31.03.2020 | % Holding | 31.03.2019 | % Holding |
| Mr. U. G. Madanayake | 1 | - | 1 | - |
| Mr. Suren Madanayake | 20,801 | 0.49 | 20,801 | 0.49 |
| Mrs. N. C. Madanayake | 17,751 | 0.42 | 17,751 | 0.42 |
| Mr. Das Miriyagalla | - | - | - | - |
| Dr. Kamal Weerapperuma | - | - | - | - |

## Interest Register

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

## Directors' Interest in Contracts

Directors' interests in contracts of the Company are disclosed in Note 31 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 31 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 17th July 2019 to the shareholders of the Ordinary Shares for the financial year 2018/19.

## Capital Expenditure

The capital expenditure on acquisition of property, plant and equipment of the Company and the Group amounted to Rs.21,508,023/- , 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. 10,000/- (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 81 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 31 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 27.

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

| Name of the Related Party | Relationship | Nature of the Transaction | Value of the Related Party Transactions entered into during the financial year | 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 | 929,748,015 | 59% | ordinary course of business |
| Kelani Cables PLC | Group company | Sale of goods | 732,621,770 | 46% | ordinary course of business |

A detailed disclosure of related party transactions is given in note 31 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

# Report of the Directors

### Corporate Governance

In management of the Company, the Directors have placed emphasis in conforming to the best corporate governance practices and procedures. Accordingly, systems and structures have been introduced / improved from time to time to enhance risk management measures and to improve accountability and transparency. A separate report on corporate governance is given on pages 12 to 18 of the Annual Report.

### Compliance with Laws and Regulations

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

### Appointment of Auditors

The Company's auditors during the year under review were Messrs. PricewaterhouseCoopers, Chartered Accountants who also were the auditors of the subsidiary Company and offer themselves for re-appointment.

Audit fees payable to Messrs. PricewaterhouseCoopers, by the Company and the Group amounted to Rs. 540,000 and Rs.933,960 respectively.

### Notice of Meeting

The Notice of the 29th Annual General Meeting is on page 85 of the Annual Report.

By Order of the Board

(Sgd.)

Corporate Affairs (Pvt) Ltd
Secretaries

6th August 2020

# Report of the Related Party Transactions Review Committee

### Objective

The Related Party Transactions Review Committee (RPTRC) 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 above 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.

### Composition of the Related Party Review Committee

The Company established the Related Party Transactions Review Committee on 29th February 2016 as a subcommittee of the ACL Plastics PLC Board. RPTRC comprises the following members;

- Mr. Ajit Jayaratne – Chairman of the committee
  (Independent Non-Executive Director)
- Mr. Rajiv Casie Chitty - Member
  (Independent Non-Executive Director)

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

### Role of the Committee

- Recommend and develop terms of reference of the RPTRC for adoption by the Board of Directors of the Company.
- Review of related party transactions as required in terms of the provisions set out in Appendix 9A of CSE Rules, either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- The Committee shall update the Board of Directors on the related party transactions of the Company on a quarterly basis.
- Where necessary, the Committee shall request the Board of Directors to approve the subject related party transactions. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant related party transaction.
- If a Director has a material personal interest in a matter being considered at a Directors' meeting to approve a related party transaction, such Director may not be present while the matter is being considered at the meeting or may not vote on the matter.
- Make recommendations to obtain shareholder approval for applicable related party transactions as per the provisions in the Code and Section 9 of CSE Listing Rules. Such approval shall be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.
- Obtain 'competent independent advice' from independent professional experts with regard to the value of the substantial assets of the related party transaction under consideration and circulate the same with the notice

# Report of the Related Party Transactions Review Committee

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

Three Committee meetings were held during the financial year 2019/2020. The Finance Division submitted a comprehensive report on related party transactions to the Committee.

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

6th August 2020

# Remuneration Committee Report

### Role of the Remuneration Committee

The Remuneration Committee formulates policy for the remuneration of the Executive Directors of ACL Plastics PLC. It reviews the policy on an annual basis and recommends any changes to the Board for approval.

The Remuneration Committee determines the Company's Remuneration Policy of Executive Directors, considering company performance standards and industry practices. No Executive Director is involved in deciding his own remuneration package.

### Composition of the Remuneration Committee

The Remuneration Committee comprises of the following Non-Executive Independent Directors;

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

Members of the Committee and the Chairman of the Committee shall be appointed through a Board resolution. The Remuneration Committee formally met once for the year.

### Functions of the Remuneration Committee

Functions performed by the committee for the last financial year includes;

- 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 2019/20 is set out in the table in the Corporate Governance Report.

### Executive Directors

ACL Plastics PLC 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. The committee in arriving its decision considered the performance of the individual, comparisons with peer companies and group of companies and reports from specialize consultants.

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.

### Conclusion

The Committee is satisfied that it has performed the responsibilities that were delegated to it by the Board for the year under review and the necessary objectives were achieved for the year under review

On behalf of the Committee

(Sgd.)
Ajit Jayaratne

Chairman of the Remuneration Committee

6th August 2020

# Audit Committee Report

## Role of the Audit Committee

The Audit Committee is a Sub Committee of the Board, to which it is accountable. The function of the Audit Committee is defined in the Terms of Reference (TOR) of the Audit Committee. Primarily it is to assist the Board in its oversight of the integrity of the Financial Statements of the Company, to assess the adequacy of the risk management framework of the Company, assess the independence and the performance of the Company's external audit function and internal audit functions, and review compliance of the Company with legal and regulatory requirements. The Committee's responsibilities include monitoring and reviewing the following:

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

In the performance of its duties, the Committee has independent access to the services of Internal Audit and to the External Auditors, and may obtain outside professional advice as necessary.

## Composition of the Audit Committee

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

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

## Meetings and Attendance

The Committee met only on three occasions in 2019/2020 timed duet to Covid-19 impact to coincide with the financial and reporting cycles of the Company. Members' attendance at these meetings is set out in the Corporate Governance Report. The Chairman, Managing Director, Group Financial Controller and Group Head of Risk & Control are invited to attend meetings whenever required as permanent invitees.

## Financial Reporting

The Audit Committee considered a wide range of financial reporting and related matters in respect of the 2019/2020 published Financial Statements. For quarterly statements, the Committee reviewed any significant areas of judgment that materially impacted reported results, key points of disclosure and presentation to ensure adequacy, clarity and completeness of the Interim Financial Statements.

## External Auditors

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

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

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 Chartered Accountants 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 2019/2020 can be found in Note 8 to the financial statements.

The Committee is independent from External Auditors and Internal Auditors of the Company and the Group.

## Internal Control System

In 2019/2020 the Committee reviewed the results of the audits undertaken by Internal Auditors, Messrs. Ernst & Young Advisory Services (Pvt) Ltd. for the first three (03) quarters and further to that committee has decided to established inhouse Risk & Control department with required qualifications and experience to conduct comprehensive control reviews, Internal Audits and risk management activities across the group.

On behalf of the Committee

(Sgd.)
Ajit Jayaratne
Chairman of the Audit Committee

6th August 2020

## Financial Information

## FINANCIAL CALENDAR (2019/20)

| | | |
|---|---|---|
| 01st Quarter Interim Financial Statements (30th June 2019 – Unaudited) | – | 15th August 2019 |
| 02nd Quarter Interim Financial Statements (30th September 2019 – Unaudited) | – | 15th November 2019 |
| 03rd Quarter Interim Financial Statements (31st December 2019 - Unaudited) | – | 14th February 2020 |
| 04th Quarter Interim Financial Statements (31st March 2020 – Unaudited) | – | 1st July 2020 |
| Annual Report 2019/20 | – | 6th August 2020 |
| 29th Annual General Meeting | – | 17th September 2020 |
| 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 provides reasonable and not absolute assurance of safeguarding of the Company's assets, maintenance of proper accounting records and the reliability of financial information.

The financial statements presented in the Annual Report for the year ended 31st March 2020, have been prepared based on the new Sri Lanka Accounting Standards (SLFRSs/LKASs) which came into effect for the financial periods commencing after 1st January 2012. The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the financial statements.

The Board of Directors confirm that the Company's and the Group's Consolidated Statements of Financial Position as at 31st March 2020 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2020 reflect a true and fair view of the Company and the Group respectively.

## Approval of Financial Statements

The Directors' Report and the Financial Statements of the Company and of the Group were approved by the Board of Directors on 6th August 2020.

By Order of the Board

(Sgd.)
Corporate Affairs (Private) Limited
Secretaries

6th August 2020

# Independent Auditor's Report

## To the Shareholders of ACL Plastics PLC

### Report on the audit of the financial statements

### Our opinion

In our opinion, the financial statements of ACL Plastics PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 March 2020, 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 2020;
- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Basis for opinion

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

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

#### Independence

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

### Key audit matters

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit 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.

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*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, Ms S Hadgie FCA, Ms S Perera ACA, N R Gunasekera FCA**
**T U Jayasinghe FCA, H P V Lakdeva FCA, M D B Boyagoda ACA**

## Other information

Management is responsible for the other information. The other information comprises the information included in the ACL Plastics PLC Annual Report - 2019/20 but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional 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.

# Independent Auditor's Report

## To the Shareholders of ACL Plastics PLC (Contd.)

### Report on the audit of the financial statements (Contd.)

### Auditor's responsibilities for the audit of the financial statements (Contd.)

- 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 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

06 August 2020

# Statement of Profit or Loss

(all amounts in Sri Lanka Rupees)

| Year ended 31st March | Note | Group Year ended 31 March 2020 | Group Year ended 31 March 2019 | Company Year ended 31 March 2020 | Company Year ended 31 March 2019 |
|---|---|---|---|---|---|
| Revenue from contracts with customers | 6 | 1,580,780,286 | 1,487,778,504 | 1,580,780,286 | 1,487,678,504 |
| Cost of sales | 8 | (1,349,272,049) | (1,409,328,621) | (1,349,272,049) | (1,408,434,332) |
| Gross profit | | 231,508,237 | 78,449,883 | 231,508,237 | 79,244,172 |
| Other income | 7 | 932,019 | 2,901,113 | 932,019 | 705,737 |
| Administrative costs | 8 | (7,200,345) | (5,422,190) | (6,205,355) | (5,114,202) |
| Operating profit | | 225,239,911 | 75,928,806 | 226,234,901 | 74,835,707 |
| Finance income | 10 | 2,235,000 | 4,859,791 | - | 2,690,000 |
| Finance costs | 10 | (4,470,321) | (23,427,428) | (9,206,705) | (27,904,379) |
| Finance costs - net | 10 | (2,235,321) | (18,567,637) | (9,206,705) | (25,214,379) |
| Profit before tax | | 223,004,590 | 57,361,169 | 217,028,196 | 49,621,328 |
| Income tax | 11 | (67,239,413) | (27,562,981) | (65,208,945) | (25,560,036) |
| Profit for the year | | 155,765,177 | 29,798,188 | 151,819,251 | 24,061,292 |
| Net profit attributable to shareholders of the Company | | 155,765,177 | 29,798,188 | 151,819,251 | 24,061,292 |
| Earnings per share (Rs) | 12 | 36.98 | 7.07 | 36.04 | 5.71 |
| Dividend per share (Rs) | 13 | 6.00 | 6.00 | 6.00 | 6.00 |

The notes on pages 43 to 80 form an integral part of these financial statements

Independent auditor's report - pages 34 - 36

# Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees)

| Year ended 31st March | Note | Group Year ended 31 March 2020 | Group Year ended 31 March 2019 | Company Year ended 31 March 2020 | Company Year ended 31 March 2019 |
|---|---|---|---|---|---|
| Profit for the year | | 155,765,177 | 29,798,188 | 151,819,251 | 24,061,292 |
| Other comprehensive income / expense | | | | | |
| Items that will not be reclassified to profit or loss | | | | | |
| Actuarial (loss) / gain on defined benefit obligation | 24 | (1,759,465) | 1,187,959 | (1,759,465) | 1,187,959 |
| Deferred tax on actuarial loss / (gain) | 25 | 492,650 | (332,629) | 492,650 | (332,629) |
| Changes in the fair value of equity investments at fair value through other comprehensive income | 17 | (4,093,745) | (1,970,609) | (4,093,745) | (1,970,609) |
| Other comprehensive expense for the year, net of tax | | (5,360,560) | (1,115,279) | (5,360,560) | (1,115,279) |
| Total comprehensive income for the year | | 150,404,618 | 28,682,909 | 146,458,692 | 22,946,013 |

The notes on pages 43 to 80 form an integral part of these financial statements
Independent auditor's report - pages 34 - 36

# Statement of Financial Position

(all amounts in Sri Lanka Rupees)

| | Note | Group As at 31 March 2020 | Group As at 31 March 2019 | Company As at 31 March 2020 | Company As at 31 March 2019 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 14 | 280,958,118 | 274,991,729 | 280,958,118 | 274,991,729 |
| Right-of-use assets | 15.1 | 1,620,819 | - | 1,620,819 | - |
| Prepaid lease rentals | 15.2 | - | 1,620,819 | - | 1,620,819 |
| Investment in subsidiary | 16 | - | - | 10,000,010 | 10,000,010 |
| Financial assets at fair value through other comprehensive income (FVOCI) | 17 | 16,792,198 | 20,885,943 | 16,792,198 | 20,885,943 |
| | | 299,371,135 | 297,498,492 | 309,371,145 | 307,498,501 |
| **Current Assets** | | | | | |
| Inventories | 19 | 237,319,917 | 238,423,419 | 237,319,917 | 238,423,419 |
| Trade and other receivables | 20 | 896,441,034 | 557,455,776 | 871,441,043 | 532,455,785 |
| Prepaid lease rentals | 15.2 | - | 22,203 | - | 22,203 |
| Deferred tax assets | 25.3 | - | 1,956,880 | - | - |
| Income tax refund due | 21 | - | 3,639,542 | - | 3,639,542 |
| Cash and cash equivalents | 22 | 80,069,471 | 245,312,487 | 62,593,439 | 229,002,854 |
| | | 1,213,830,422 | 1,046,810,307 | 1,171,354,399 | 1,003,543,803 |
| **Total Assets** | | 1,513,201,557 | 1,344,308,798 | 1,480,725,544 | 1,311,042,304 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and Reserves** | | | | | |
| Stated capital | 27 | 79,974,555 | 79,974,555 | 79,974,555 | 79,974,555 |
| Revaluation surplus | 28 | 126,210,142 | 129,491,999 | 126,210,142 | 129,491,999 |
| Revenue reserve | 29.1 | 170,000,000 | 170,000,000 | 170,000,000 | 170,000,000 |
| Financial assets at FVOCI reserve | 29.2 | 3,494,242 | 7,587,987 | 3,494,242 | 7,587,987 |
| Retained earnings | | 948,371,151 | 815,865,931 | 887,148,008 | 758,588,714 |
| Shareholders' funds | | 1,328,050,090 | 1,202,920,472 | 1,266,826,947 | 1,145,643,255 |
| **Non-Current Liabilities** | | | | | |
| Defined benefit obligations | 24 | 18,213,151 | 13,906,673 | 18,213,151 | 13,906,673 |
| Deferred tax liability | 25.2 | 68,795,156 | 69,324,626 | 68,795,156 | 69,324,626 |
| | | 87,008,307 | 83,231,299 | 87,008,307 | 83,231,299 |
| **Current Liabilities** | | | | | |
| Trade and other payables | 23 | 42,064,545 | 30,495,431 | 98,546,861 | 82,167,750 |
| Income tax payable | 21 | 56,078,615 | 27,661,598 | 28,343,429 | - |
| | | 98,143,160 | 58,157,028 | 126,890,290 | 82,167,750 |
| **Total Liabilities** | | 185,151,467 | 141,388,326 | 213,898,597 | 165,399,049 |
| **Total Equity and Liabilities** | | 1,513,201,557 | 1,344,308,798 | 1,480,725,544 | 1,311,042,304 |

The Board of Directors is responsible for the preparation and presentation of these financial statements. Approved and signed for and on behalf of the Board of Directors on 6th August 2020.

U. G. Madanayake
Chairman

Suren Madanayake
Managing Director

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

Champika Coomasaru
Group Chief Financial Officer

The notes on pages 43 to 80 form an integral part of these financial statements

Independent auditor's report - pages 34 - 36

# Statement of Changes in Equity - Group

(all amounts in Sri Lanka Rupees)

| | Note | Stated capital | Revenue reserve | Revaluation reserve | Financial assets at FVOCI reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| 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 | 24 | - | - | - | - | 1,187,959 | 1,187,959 |
| Deferred tax on actuarial gain | 25 | - | - | - | - | (332,629) | (332,629) |
| Changes in the fair value of equity investments at FVOCI | 17 | - | - | - | (1,970,609) | - | (1,970,609) |
| Total comprehensive income | | - | - | - | (1,970,609) | 30,653,518 | 28,682,909 |
| | | | | | | | |
| Depreciation transfer - gross | 29 | - | - | (4,558,136) | - | 4,558,136 | - |
| Deferred tax on transfer | 29 | - | - | 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 |
| | | | | | | | |
| Balance at 1 April 2019 | | 79,974,555 | 170,000,000 | 129,491,999 | 7,587,987 | 815,865,931 | 1,202,920,472 |
| Profit for the year | | - | - | - | - | 155,765,177 | 155,765,177 |
| Actuarial loss on defined benefit obligation | 24 | - | - | - | - | (1,759,465) | (1,759,465) |
| Deferred tax on actuarial loss | 25 | - | - | - | - | 492,650 | 492,650 |
| Changes in the fair value of equity investments at FVOCI | 17 | - | - | - | (4,093,745) | - | (4,093,745) |
| Total comprehensive income | | - | - | - | (4,093,745) | 154,498,363 | 150,404,618 |
| | | | | | | | |
| Depreciation transfer - gross | 29 | - | - | (4,558,136) | - | 4,558,136 | - |
| Deferred tax on transfer | 29 | - | - | 1,276,278 | - | (1,276,278) | - |
| Dividend paid | 13 | - | - | - | - | (25,275,000) | (25,275,000) |
| Balance at 31 March 2020 | | 79,974,555 | 170,000,000 | 126,210,142 | 3,494,242 | 948,371,151 | 1,328,050,090 |

The notes on pages 43 to 80 form an integral part of these financial statements

Independent auditor's report - pages 34 - 36

# Statement of Changes in Equity - Company

(all amounts in Sri Lanka Rupees)

| | Note | Stated capital | Revenue reserve | Revaluation reserve | Financial assets at FVOCI reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| 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 | 24 | - | - | - | - | 1,187,959 | 1,187,959 |
| Deferred tax on actuarial gain | 25 | - | - | - | - | (332,629) | (332,629) |
| Changes in the fair value of equity investments at FVOCI | 17 | - | - | - | (1,970,609) | - | (1,970,609) |
| Total comprehensive income | | - | - | - | (1,970,609) | 24,916,622 | 22,946,013 |
| | | | | | | | |
| Depreciation transfer - gross | 29 | - | - | (4,558,136) | - | 4,558,136 | - |
| Deferred tax on transfer | 29 | - | - | 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 |
| | | | | | | | |
| Balance at 1 April 2019 | | 79,974,555 | 170,000,000 | 129,491,999 | 7,587,987 | 758,588,714 | 1,145,643,255 |
| Profit for the year | | - | - | - | - | 151,819,251 | 151,819,251 |
| Actuarial loss on defined benefit obligation | 24 | - | - | - | - | (1,759,465) | (1,759,465) |
| Deferred tax on actuarial loss | 25 | - | - | - | - | 492,650 | 492,650 |
| Changes in the fair value of equity investments at FVOCI | 17 | - | - | - | (4,093,745) | - | (4,093,745) |
| Total comprehensive income | | - | - | - | (4,093,745) | 150,552,437 | 146,458,692 |
| | | | | | | | |
| Depreciation transfer - gross | 29 | - | - | (4,558,136) | - | 4,558,136 | - |
| Deferred tax on transfer | 29 | - | - | 1,276,278 | - | (1,276,278) | - |
| Dividend paid | 13 | - | - | - | - | (25,275,000) | (25,275,000) |
| Balance at 31 March 2020 | | 79,974,555 | 170,000,000 | 126,210,142 | 3,494,242 | 887,148,008 | 1,266,826,947 |

The notes on pages 43 to 80 form an integral part of these financial statements
Independent auditor's report - pages 34 - 36

# Statement of Cash Flows

(all amounts in Sri Lanka Rupees)

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | Year ended 31 March | | Year ended 31 March | |
| | | 2020 | 2019 | 2020 | 2019 |
| **Operating activities** | | | | | |
| Cash used in operations | 30 | (89,373,077) | (138,192,616) | (83,568,087) | (146,186,133) |
| Interest paid | 10 | (10,410,507) | (15,746,734) | (15,146,891) | (20,223,685) |
| Gratuity paid | 24 | (60,254) | - | (60,254) | - |
| Income tax paid | 21 | (33,262,794) | (32,535,267) | (33,262,794) | (31,298,511) |
| **Net cash used in operating activities** | | (133,106,632) | (186,474,619) | (132,038,027) | (197,708,329) |
| **Investing activities** | | | | | |
| Interest received | 10 | 2,235,000 | 4,859,791 | - | 2,690,000 |
| Payments for property, plant and equipment | 14 | (21,508,023) | (1,971,735) | (21,508,023) | (1,971,735) |
| Dividend received | 7 | 932,019 | 705,737 | 932,019 | 705,737 |
| **Net cash (used in) / generated from investing activities** | | (18,341,004) | 3,593,794 | (20,576,005) | 1,424,002 |
| **Financing activities** | | | | | |
| Dividend paid | 13 | (25,275,000) | (25,275,000) | (25,275,000) | (25,275,000) |
| Proceed from import loans | | 1,096,106,487 | 808,366,984 | 1,096,106,487 | 808,366,984 |
| Repayments of import loans | | (1,084,626,868) | (808,568,037) | (1,084,626,868) | (808,568,037) |
| **Net cash used in financing activities** | | (13,795,382) | (25,476,053) | (13,795,382) | (25,476,053) |
| **Decrease in cash and cash equivalents** | | (165,243,017) | (208,356,877) | (166,409,415) | (221,760,381) |
| **Movement in cash and cash equivalents** | | | | | |
| At the beginning of the year | | 245,312,487 | 453,669,364 | 229,002,854 | 450,763,235 |
| Decrease | | (165,243,017) | (208,356,877) | (166,409,415) | (221,760,381) |
| **At the end of the year** | 22 | 80,069,471 | 245,312,487 | 62,593,439 | 229,002,854 |

The notes on pages 43 to 80 form an integral part of these financial statements
Independent auditor's report - pages 34 - 36

# 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.

### 2.1 Basis of preparation and statement of compliance.

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). Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka; and comply with the requirements of the Companies Act, No.07 of 2007 and the listing rules of the CSE. These financial statements have been prepared under the historical cost convention except for financial assets, liabilities and land which are measured at fair value. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's and the Group's financial statements are disclosed in note 4 to the financial statements.

The following amendments to the Sri Lanka Accounting Standards that are relevant for the preparation of the Group's financial statements have been adopted by the Group (a) new standards and amendments that are effective for the first time for periods commencing on or after 01 January 2019 and (b) forthcoming requirements, being standards and amendments that will become effective on or after 01 April 2020.

#### (a) New standards and amendments applicable from 01 April 2019

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019:

i) SLFRS 16 Leases

ii) IFRIC 23 Uncertainty over Income Tax Treatments

The Group has changed its accounting policy and the new standard listed above did not have any impact on the amounts recognised in the prior periods and are not expected to significantly affect the current or future periods.

#### (i) SLFRS 16 Leases

SLFRS 16 Leases 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 statement of profit or loss 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 out flows will be lower 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 the annual periods beginning on or after 1 January 2019.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

a) How to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty

b) That the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored

c) That the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment

d) That the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and

e) That the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

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

### (b) New standards and amendments but not adopted in 2019/20

The following standards and interpretations had been issued but not mandatory for annual reporting periods ending 31 March 2020.

(i) Definition of Material – Amendments to LKAS 1 and LKAS 8

The amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in LKAS 1 about immaterial information.

In particular, the amendments clarify:

a) That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

b) The meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need

This amendment is effective for the annual periods beginning on or after 1 January 2020.

(ii) Revised Conceptual Framework for Financial Reporting

The revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

a) Increasing the prominence of stewardship in the objective of financial reporting

b) Reinstating prudence as a component of neutrality

c) Defining a reporting entity, which may be a legal entity, or a portion of an entity

d) Revising the definitions of an asset and a liability

e) Removing the probability threshold for recognition and adding guidance on derecognition

f) Adding guidance on different measurement basis, and

g) Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

There are no other standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact to the financial statements of the Group.

### 2.2 Principles of 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

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.

Inter-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.

# Notes to the Financial Statements

## 2.3 Foreign currency translation

### (a) Functional and presentation currency

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

### (b) Transactions and balances

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

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

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

## 2.4 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.

## 2.5 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.

## 2.6 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.

## 2.7 Investments and other financial assets

### 2.7.1 Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost."

This classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

### 2.7.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

### 2.7.3 Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

#### Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value."

### 2.7.4 Impairment

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables."

## 2.8 Property, plant and equipment

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 flow to the group and the cost of 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 difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings. Buildings are depreciating and lands are not depreciating due to the infinite nature of the useful life time. All other property plant an equipment's are measured at cost model

Gains and losses on disposals are determined by comparing proceeds with carrying 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.

2.8.1 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 Intangible assets**

Basis of Recognition

An intangible asset is recognized if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Computer software

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

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

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

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

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

Currently the Groups' computer software were fully amortised.

**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

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 2.14 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. 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. However, no any impairment losses were identified in the current financial year as well as previous financial years."

### 2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### 2.16 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.

### 2.17 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.

**2.18 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.

**2.19 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.

**2.20 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.

**2.21 Revenue recognition**

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). As the number of products returned has been less for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

**2.22 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.

**2.23 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.

**2.24 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.

**2.25 Comparatives**

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

**2.26 Segment reporting**

An operating segment is a component of the Group that engages in the business activities from which it may earn revenues and incur expenses (including revenue and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. However, no reportable segments as only the Company is engaged with manufacturing process (PVC Compounds) and subsidiary transactions are not material to the Group.

**2.27 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.

**2.28 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.

**2.29 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.

**2.30 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.

**2.31 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

#### Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Sri Lanka Rupees, was as follows:

| | Group 31 March 2020 | Group 31 March 2019 | Company 31 March 2020 | Company 31 March 2019 |
|---|---|---|---|---|
| Trade Payables - USD | (47,504,358) | (33,253,623) | (47,504,358) | (33,253,623) |
| Bank balances - USD | 5,773,335 | 41,674,579 | 5,773,335 | 41,674,579 |
| | (41,731,024) | 8,420,956 | (41,731,024) | 8,420,956 |

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

| | Group 31 March 2020 | Group 31 March 2019 | Company 31 March 2020 | Company 31 March 2019 |
|---|---|---|---|---|
| Net foreign exchange gain/(loss) included in finance cost | 5,940,186 | (7,680,694) | 5,940,186 | (7,680,694) |
| Total net foreign exchange (losses) recognised in profit before income tax for the period | 5,940,186 | (7,680,694) | 5,940,186 | (7,680,694) |

The group exposed to foreign exchange risk, primarily the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The risk is measured through a forecast of highly probable US dollar expenditures.

### Sensitivity

As shown in the table above, the group is primarily exposed to changes in US/LKR exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US dollar-denominated financial assets and liabilities. 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.

| | Impact on post - tax profit | | | |
|---|---|---|---|---|
| | Group 31 March 2020 | Group 31 March 2019 | Company 31 March 2020 | Company 31 March 2019 |
| USD/LKR exchange rate – increase 5% (2019 – 5%) | (2,086,551) | 421,048 | (2,086,551) | 421,048 |
| USD/LKR exchange rate – decrease 5% (2019 – 5%) | 2,086,551 | (421,048) | 2,086,551 | (421,048) |

Profit is more sensitive to movements in the LKR/USD exchange rates in 2020 than 2019 because of the increased amount of US dollar denominated borrowings compared to the bank balances. No any other exposures to foreign exchange movements.

### (ii) Interest rate risk

The group's main interest rate risk arises from short term borrowings with variable rates, which expose the group to cash flow interest rate risk. During 2020 and 2019, the group's borrowings at variable rate were denominated in Sri Lanka Rupees.

The group's borrowings and receivables are carried at amortised cost.

The exposure of the group's borrowings to interest rate changes at the end of the reporting period are as follows:

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Variable rate borrowings | (33,748,416) | (22,022,645) | (90,748,416) | (74,022,645) |

Variable rate borrowings are consists of import loans and loans from subsidiary. Import loans have short term maturity of less than 6 months and subsidiary loans are granted on the terms of "payable on demand".

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. Please refer note 17 for exposure.

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 2020 Quoted shares – (Colombo Stock Exchange) | 10% | 1,679,220 | 1,679,220 |
| 31 March 2019 Quoted shares – (Colombo Stock Exchange) | 10% | 2,088,594 | 2,088,594 |
| **Company** | | | |
| 31 March 2020 Quoted shares – (Colombo Stock Exchange) | 10% | 1,679,220 | 1,679,220 |
| 31 March 2019 Quoted shares – (Colombo Stock Exchange) | 10% | 2,088,594 | 2,088,594 |

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 2020 | 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) | 41,446,988 | - | - | - | 41,446,988 |
| Total financial liabilities | 41,446,988 | - | - | - | 41,446,988 |

| 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 |

#### Company

| At 31 March 2020 | 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) | 6,462,065 | - | - | - | 6,462,065 |
| Total financial liabilities | 6,462,065 | - | - | - | 6,462,065 |

| 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 |

### (b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

### (i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A(lka)' are accepted.

If customers are independently rated, these ratings are used. Otherwise, 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 compliance with credit limits by customers is regularly monitored by line management.

### (ii) Security

For some trade receivables the group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

### (iii) Impairment of financial assets

The group has trade receivables for sales of inventory that are subject to the expected credit loss model. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

### Trade receivables

"The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2020 or 1 April 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors."

On that basis, the loss allowance as at 31 March 2020 and 31 March 2019 was determined to be nil for trade receivables.

## 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 2020.

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 2020 and 31 March 2019, the Group and the Company operated as non geared.

# Notes to the Financial Statements

**3.3 Fair value estimation**

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

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

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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

| As at 31 March 2020 | Level 2 | Total balance |
|---|---|---|
| **Group** | | |
| Assets | | |
| Financial assets at fair value through other comprehensive income | 16,792,198 | 16,792,198 |
| | **16,792,198** | **16,792,198** |
| **Company** | | |
| Assets | | |
| Financial assets at fair value through other comprehensive income | 16,792,198 | 16,792,198 |
| | **16,792,198** | **16,792,198** |

| 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 |

### (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.

Last trading prices were considered as level 2 inputs due to un-availability of an active and orderly market as at 31st March 2020 due to the Covid-19 pandemic.

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 2.19. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. Other key assumptions for defined benefit plan are based in part on current market conditions. Additional information is disclosed in Note 24.

#### (c) Provisions

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

#### (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. During the current financial year, last trading prices were considered as level 2 inputs due to unavailability of an active and orderly market at year end due to the Covid-19 pandemic.

#### (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) 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.

### (i) Impairment of assets

The Group recognises loss allowances for financial assets measured at amortised cost.

Loss allowances for trade receivables is always measured at an amount equal to lifetime Expected Credit Loss (ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward- looking information. The majority of the trade receivables are from related parties with strong financial positions which do not require a loss allowance.

### (j) 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.

### (k) Useful life-time of the intangible assets

#### Computer software

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

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

### (l) Net realisable value of inventory items

When assessing the net realisable value of inventory items company has used estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### (m) Impact of COVID-19 (Coronavirus) pandemic

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. As at 31 December 2019 no infections were reported in Sri Lanka but by mid March 2020 number of cases were reported in Sri Lanka. Measures taken by the Sri Lankan government to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of the COVID-19 virus, such as safety and health measures for our people (such as social distancing and working from home). The impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. As we operate in manufacturing, dealing and marketing of PVC compound utilised inter alia for the sheathing and insulation of electric cables, we have found no significant change in demand for our services considering the post pandemic situation in Sri Lanka. We expect this to continue at least until end of 2020. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people. Accordingly, no significant events have occurred which would require adjustments to, or disclosure in the financial statements other than the matters disclosed above in critical accounting estimates and assumptions.

## 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. Please refer note 32: changes in accounting policies.

# Notes to the Financial Statements

## 6 Revenue from contracts with customers

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 31 March | | Year ended 31 March | |
| | 2020 | 2019 | 2020 | 2019 |
| Local sales from contracts with customers | 1,580,780,286 | 1,487,778,504 | 1,580,780,286 | 1,487,678,504 |
| Net revenue | 1,580,780,286 | 1,487,778,504 | 1,580,780,286 | 1,487,678,504 |

## 7 Other income

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 31 March | | Year ended 31 March | |
| | 2020 | 2019 | 2020 | 2019 |
| Dividend income | 932,019 | 705,737 | 932,019 | 705,737 |
| Retirement benefit obligation write back from subsidiaries | - | 2,195,376 | - | - |
| | 932,019 | 2,901,113 | 932,019 | 705,737 |

## 8 Expenses by nature

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 31 March | | Year ended 31 March | |
| | 2020 | 2019 | 2020 | 2019 |
| Directors' emoluments (Note 31.6 (e)] | 510,000 | 120,000 | 510,000 | 120,000 |
| Auditor's remuneration | 933,960 | 576,612 | 540,000 | 540,000 |
| Depreciation (Note 14) | 15,541,634 | 17,616,456 | 15,541,634 | 17,616,456 |
| Staff costs (Note 9) | 69,830,065 | 65,060,611 | 69,830,065 | 64,298,708 |
| Raw material consumption | 1,223,169,698 | 1,282,407,707 | 1,223,169,698 | 1,282,407,707 |
| Other costs | 46,487,039 | 48,969,425 | 45,886,009 | 48,565,663 |
| Total cost of sales and administrative costs | 1,356,472,395 | 1,414,750,811 | 1,355,477,405 | 1,413,548,534 |

Other costs mainly consist of electricity expenses amounting to Rs.24,730,630 (2019 - Rs.25,675,248 ), repairs and maintenance expenses amounting to Rs. 9,592,162 (2019 - Rs. 12,811,392) for both Group and Company.

## 9 Staff costs

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 31 March | | Year ended 31 March | |
| | 2020 | 2019 | 2020 | 2019 |
| Wages and salaries | 51,247,636 | 46,763,213 | 51,247,636 | 46,436,767 |
| Defined contribution plan | 3,802,052 | 3,505,226 | 3,802,052 | 3,456,259 |
| Defined benefit plan (Note 24) | 4,366,732 | 4,113,688 | 4,366,732 | 4,113,688 |
| Other staff costs | 10,413,644 | 10,678,483 | 10,413,644 | 10,291,993 |
| | 69,830,065 | 65,060,611 | 69,830,065 | 64,298,708 |
| Average number of employees during the year | 66 | 52 | 66 | 52 |

Group other staff costs mainly include bonus cost amounting to Rs 3,701,273 (2019 - Rs 3,379,152) and staff welfare expenses amounting to Rs 4,403,597(2019 - Rs 3,963,266).

## 10 Finance costs- net

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 31 March | | Year ended 31 March | |
| | 2020 | 2019 | 2020 | 2019 |
| Finance income : | | | | |
| Interest income | 2,235,000 | 4,859,791 | - | 2,690,000 |
| Finance costs : | | | | |
| Interest expense | (10,410,507) | (15,746,734) | (15,146,891) | (20,223,685) |
| Exchange gain / (loss) | 5,940,186 | (7,680,694) | 5,940,186 | (7,680,694) |
| | (4,470,321) | (23,427,428) | (9,206,705) | (27,904,379) |
| Net finance cost | (2,235,321) | (18,567,637) | (9,206,705) | (25,214,379) |

## 11 Income tax

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended 31 March | | Year ended 31 March | |
| | 2020 | 2019 | 2020 | 2019 |
| Current tax | 65,319,353 | 17,792,833 | 65,245,765 | 17,792,833 |
| Deferred tax charge / (release) | 1,920,060 | 9,770,148 | (36,820) | 7,767,203 |
| | 67,239,413 | 27,562,981 | 65,208,945 | 25,560,036 |

# Notes to the Financial Statements

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 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Profit before tax | 223,004,590 | 57,361,168 | 217,028,196 | 49,621,327 |
| Consolidation adjustments | (5,976,394) | (7,739,841) | - | - |
| Profit before tax after adjustments | 217,028,196 | 49,621,327 | 217,028,196 | 49,621,327 |
| Tax calculated at effective tax rate of 28% (28% - 2019) | 60,767,895 | 13,893,972 | 60,767,895 | 13,893,972 |
| Tax effect of income not subject to tax | 260,965 | (197,606) | 260,965 | (197,606) |
| Tax effect of expenses not deductible | 4,290,493 | 4,096,467 | 4,216,905 | 4,096,467 |
| Deferred tax charge / (release) | 1,920,060 | 9,770,148 | (36,820) | 7,767,203 |
| Tax charge | 67,239,413 | 27,562,981 | 65,208,945 | 25,560,036 |

## 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 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Net profit attributable to shareholders | 155,765,177 | 29,798,187 | 151,819,251 | 24,061,291 |
| Weighted average number of ordinary shares in issue (Note 27) | 4,212,500 | 4,212,500 | 4,212,500 | 4,212,500 |
| Basic earnings per share | 36.98 | 7.07 | 36.04 | 5.71 |

## 13 Dividend per share

| | Group Year ended 31 March | | Company Year ended 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| 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 |
| | | | | |
| Number of ordinary shares in issue (Note 27) | 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 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 |
| 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 | 19,188,235 | 3,102,381 | 21,110,426 | 477,577,452 |
| Accumulated depreciation | (4,560,000) | (160,742,125) | (14,747,893) | (2,388,943) | (20,146,762) | (202,585,723) |
| Net book amount | 226,440,000 | 42,434,286 | 4,440,341 | 713,437 | 963,664 | 274,991,729 |
| **Year ended 31 March 2020** | | | | | | |
| Opening net book amount | 226,440,000 | 42,434,286 | 4,440,341 | 713,437 | 963,664 | 274,991,729 |
| Additions | - | 11,060,679 | 8,694,478 | 352,866 | 1,400,000 | 21,508,023 |
| Depreciation charge (Note 8) | (4,560,000) | (8,739,583) | (1,007,028) | (127,904) | (1,107,119) | (15,541,634) |
| Closing net book amount | 221,880,000 | 44,755,382 | 12,127,790 | 938,399 | 1,256,546 | 280,958,118 |
| **At 31 March 2020** | | | | | | |
| Cost / Valuation | 221,880,000 | 233,513,158 | 27,882,712 | 3,455,247 | 22,510,426 | 509,241,544 |
| Accumulated depreciation | - | (188,757,776) | (15,754,922) | (2,516,848) | (21,253,881) | (228,283,425) |
| Net book amount | 221,880,000 | 44,755,382 | 12,127,790 | 938,399 | 1,256,546 | 280,958,118 |

# Notes to the Financial Statements

## 14 Property, plant and equipment - Company

| (a) | Land and buildings | Plant machinery and accessories | Equipment tools and implements | Furniture fittings and office equipment | Motor vehicles | Total |
|---|---|---|---|---|---|---|
| **At 1 April 2018** | | | | | | |
| Cost / Valuation | 231,000,000 | 144,542,385 | 18,189,321 | 2,935,380 | 21,110,425 | 417,777,511 |
| Accumulated depreciation | - | (94,148,895) | (13,982,885) | (2,278,535) | (16,730,748) | (127,141,062) |
| Net book amount | 231,000,000 | 50,393,491 | 4,206,436 | 656,846 | 4,379,677 | 290,636,449 |
| **Year ended 31 March 2019** | | | | | | |
| Opening net book amount | 231,000,000 | 50,393,491 | 4,206,436 | 656,846 | 4,379,677 | 290,636,449 |
| Additions | - | 805,821 | 998,914 | 167,000 | - | 1,971,735 |
| 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 | 419,749,247 |
| Accumulated depreciation | (4,560,000) | (102,913,922) | (14,747,892) | (2,388,943) | (20,146,762) | (144,757,519) |
| Net book amount | 226,440,000 | 42,434,285 | 4,440,342 | 713,437 | 963,664 | 274,991,729 |
| **Year ended 31 March 2020** | | | | | | |
| Opening net book amount | 226,440,000 | 42,434,285 | 4,440,342 | 713,437 | 963,664 | 274,991,729 |
| Additions | - | 11,060,679 | 8,694,478 | 352,866 | 1,400,000 | 21,508,023 |
| Depreciation charge (Note 8) | (4,560,000) | (8,739,583) | (1,007,028) | (127,904) | (1,107,119) | (15,541,634) |
| Closing net book amount | 221,880,000 | 44,755,382 | 12,127,792 | 938,399 | 1,256,546 | 280,958,118 |
| **At 31 March 2020** | | | | | | |
| Cost / Valuation | 231,000,000 | 156,408,886 | 27,882,713 | 3,455,245 | 22,510,426 | 441,257,270 |
| Accumulated depreciation | (9,120,000) | (111,653,505) | (15,754,921) | (2,516,846) | (21,253,880) | (160,299,152) |
| Net book amount | 221,880,000 | 44,755,382 | 12,127,792 | 938,399 | 1,256,546 | 280,958,118 |

## 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).

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

| Company / Group<br>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 84.2 Mn (2019 - Rs 71 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 2020 | 3,740,925 | 35,312,748 |
| Accumulated depreciation at 31 March 2020 | - | (29,853,451) |
| Net book value | 3,740,925 | 5,459,296 |

(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 2020<br>Level 2 | At 31 March 2019<br>Level 2 |
|---|---|---|
| Land and buildings | 221,880,000 | 226,440,000 |
| | | |
| Total non-financial assets | | |
| Land and buildings | 221,880,000 | 226,440,000 |
| | | |
| Total non-financial assets | 221,880,000 | 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).

# Notes to the Financial Statements

## 15 Right-of-use assets / prepaid lease rentals

### 15.1 Right-of-use assets

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Balance at 1 April | 1,643,022 | - | 1,643,022 | - |
| Depreciation during the year | (22,203) | - | (22,203) | - |
| Balance at 31 March | 1,620,819 | - | 1,620,819 | - |

### 15.2 Prepaid lease rentals

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Balance at 1 April | - | 1,665,225 | - | 1,665,225 |
| Amortisation during the year | - | (22,203) | - | (22,203) |
| Balance at 31 March | - | 1,643,022 | - | 1,643,022 |
| Amount to be amortised within one year | - | 22,203 | - | 22,203 |
| Amount to be amortised after one year | - | 1,620,819 | - | 1,620,819 |
| | - | 1,643,022 | - | 1,643,022 |

### 15.3 The group's leasing activities and how these are accounted for

| | |
|---|---|
| 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 |

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, lease of property was classified as operating leases. From 1 January 2019, lease was recognised as a right-of-use asset. Please refer note 15.1 No lease liability is recognised as all the lease payments were done in advance.

Right-of-use assets are measured at cost comprising the lease payments made at or before the commencement date. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use assets held by the group."

## 16 Investment in subsidiary

Investment in subsidiary wholly consists of Rs 10,000,010 (2019 - 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

### 17. 1 Classification of 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.

### 17. 2 Equity investments at fair value through other comprehensive income

Equity investments at FVOCI comprise the following individual investments:

| | 31 March 2020 | | | 31 March 2019 | | |
|---|---|---|---|---|---|---|
| | Number of shares | Cost | Market value | Number of shares | Cost value | Market value |
| **Diversified holdings** | | | | | | |
| Hayleys PLC | 38,907 | 2,952,614 | 4,808,905 | 38,907 | 2,952,614 | 6,536,376 |
| **Banking finance and insurance** | | | | | | |
| Nations Trust Bank PLC | 26,826 | 512,005 | 1,695,403 | 26,826 | 512,005 | 2,411,657 |
| People's Insurance PLC | 585,500 | 8,782,500 | 10,012,050 | 585,500 | 8,782,500 | 11,534,350 |
| **Plantations** | | | | | | |
| Maskeliya Plantations PLC | 8,200 | 374,258 | 50,840 | 8,200 | 374,258 | 88,560 |
| Kotagala Plantations PLC | 45,000 | 676,580 | 225,000 | 45,000 | 676,580 | 315,000 |
| Total cost of investments by the Company | | 13,297,957 | 16,792,198 | | 13,297,957 | 20,885,943 |
| Total cost of investments by the Group | | 13,297,957 | 16,792,198 | | 13,297,957 | 20,885,943 |

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

# Notes to the Financial Statements

**17.3 Movement in financial assets at fair value through other comprehensive income**

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Balance at 1 April | 20,885,943 | 22,856,553 | 20,885,943 | 22,856,553 |
| Net change in fair value | (4,093,745) | (1,970,609) | (4,093,745) | (1,970,609) |
| Balance at 31 March | 16,792,198 | 20,885,943 | 16,792,198 | 20,885,943 |

## 18 Financial instruments by category

(a) Financial instrument

| Group | Financial assets at amortised cost | Financial assets at FVOCI income (FVOCI) | Total |
|---|---|---|---|
| 31 March 2020 | | | |
| Assets as per the statement of financial position | | | |
| Equity instruments | - | 16,792,198 | 16,792,198 |
| Trade and other receivables (excluding pre-payments) | 895,756,434 | - | 895,756,434 |
| Cash and cash equivalents | 80,069,471 | - | 80,069,471 |
| | 975,825,905 | 16,792,198 | 992,618,104 |

| Group | Financial Liabilities at fair value through profit or loss | Liabilities at amortised cost | Total |
|---|---|---|---|
| 31 March 2020 | | | |
| Liabilities as per the statement of financial position | | | |
| Trade and other payables (excluding statutory liabilities) | - | 41,446,988 | 41,446,988 |
| | - | 41,446,988 | 41,446,988 |

| Company | Financial assets at amortised cost | Financial assets at FVOCI income (FVOCI) | Total |
|---|---|---|---|
| 31 March 2020 | | | |
| Assets as per the statement of financial position | | | |
| Equity instruments | - | 16,792,198 | 16,792,198 |
| Trade and other receivables (excluding pre-payments) | 870,756,434 | - | 870,756,434 |
| Cash and cash equivalents | 62,593,439 | - | 62,593,439 |
| | 933,349,874 | 16,792,198 | 950,142,072 |

| Company | Financial Liabilities at fair value through profit or loss | Liabilities at amortised cost | Total |
|---|---|---|---|
| **31 March 2020** | | | |
| Liabilities as per the statement of financial position | | | |
| Trade and other payables (excluding statutory liabilities) | - | 6,462,065 | 6,462,065 |
| | - | 6,462,065 | 6,462,065 |

| Group | Financial assets at amortised cost | Financial assets at FVOCI income (FVOCI) | Total |
|---|---|---|---|
| **31 March 2019** | | | |
| Assets as per the statement of financial position | | | |
| Equity instruments | - | 20,885,943 | 20,885,943 |
| Trade and other receivables (excluding pre-payments) | 556,920,797 | - | 377,600,981 |
| Cash and cash equivalents | 245,312,487 | - | 453,669,363 |
| | 802,233,284 | 20,885,943 | 852,156,287 |

| Group | 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 | Financial assets at amortised cost | Financial assets at FVOCI income (FVOCI) | Total |
|---|---|---|---|
| **31 March 2019** | | | |
| Assets as per the statement of financial position | | | |
| Equity instruments | - | 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 | 781,809,595 |

| Company | 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 |

## 19 Inventories

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Raw materials | 144,946,748 | 166,872,688 | 144,946,748 | 166,872,688 |
| Work-in-progress | 2,553,808 | 162,477 | 2,553,808 | 162,477 |
| Finished goods | 89,569,593 | 71,118,110 | 89,569,593 | 71,118,110 |
| Other stocks | 249,767 | 270,143 | 249,767 | 270,143.49 |
| | 237,319,917 | 238,423,419 | 237,319,917 | 238,423,419 |

## 20 Trade and other receivables

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Trade receivables | 13,786,959 | 16,649,513 | 13,786,959 | 16,649,513 |
| Loss allowance for trade and other receivable | - | - | - | - |
| | 13,786,959 | 16,649,513 | 13,786,959 | 16,649,513 |
| | | | | |
| Receivable from related companies [Note 31.6 (b)] | 804,114,387 | 475,213,247 | 804,114,396 | 475,213,256 |
| Loan given to holding Company [Note 31.6 (c)] | 25,000,000 | 25,000,000 | - | 0 |
| Advances and prepayments | 51,190,246 | 36,751,494 | 51,190,246 | 36,751,494 |
| Other receivables | 2,349,441 | 3,841,522 | 2,349,441 | 3,841,522 |
| | 896,441,034 | 557,455,776 | 871,441,043 | 532,455,785 |

Other receivables of the Group include Economic Service Charge Tax receivable amounting to Rs.3,347,843 (2019 - Rs.12,644,037).

The average interest rate (based on 90 days treasury bill rates) on loan given to holding company is 8.07% (2019 - 7.69%).

As of 31 March 2020, trade receivables of Rs. 13,786,959 (2019 - Rs. 16,649,513 ) were fully performing.

The trade receivable balances not impaired are as follows.

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Up to 3 months | 11,679,532 | 11,679,532 | 11,679,532 | 11,679,532 |
| 3 to 6 months | 2,107,427 | 4,969,981 | 2,107,427 | 4,969,981 |
| | 13,786,959 | 16,649,513 | 13,786,959 | 16,649,513 |

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The carrying amounts of the trade and other receivables are dominated in following currencies:

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| US dollars | 6,074,708 | 10,865,811 | 6,074,708 | 10,865,811 |
| Sri Lankan Rupees | 890,366,326 | 546,589,965 | 865,366,335 | 521,589,974 |
| | 896,441,034 | 557,455,776 | 871,441,043 | 532,455,785 |

## 21 Income tax payable / (refund due)

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Balance at 1 April | 24,022,056 | 38,764,490 | (3,639,542) | 9,866,136 |
| Provision for the current year | 65,319,353 | 17,792,833 | 65,245,765 | 17,792,833 |
| | 89,341,409 | 56,557,323 | 61,606,223 | 27,658,969 |
| Payments made during the year | (33,262,794) | (32,535,267) | (33,262,794) | (31,298,511) |
| Balance at 31 March | 56,078,615 | 24,022,056 | 28,343,429 | (3,639,542) |

Group income tax payable balance in 2019 is netted with the income tax receivable balance to the Company due to the excess payment amounted to Rs.3,639,542 which is disclosed under current assets.

# Notes to the Financial Statements

## 22 Cash and cash equivalents

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Cash at bank | 79,918,471 | 245,161,487 | 62,442,439 | 228,851,854 |
| Cash in hand | 151,000 | 151,000 | 151,000 | 151,000 |
| | 80,069,471 | 245,312,487 | 62,593,439 | 229,002,854 |

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

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Cash at bank and in hand | 80,069,471 | 245,312,487 | 62,593,439 | 229,002,854 |
| | 80,069,471 | 245,312,487 | 62,593,439 | 229,002,854 |

## 23 Trade and other payables

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Trade payables | 1,012,888 | 1,661,751 | 1,012,889 | 1,661,751 |
| Payables to related parties [Note 31.6 (a)] | 12,777 | - | 12,777 | - |
| Loans from related parties [Note 31.6 (d)] | - | - | 57,000,000 | 52,000,000 |
| Payroll related payables and other taxes | 1,709,167 | 1,320,103 | 1,381,482 | 992,423 |
| Accrued expenses and other payables | 5,626,397 | 5,490,932 | 5,436,398 | 5,490,932 |
| Import Loans | 33,703,316 | 22,022,645 | 33,703,316 | 22,022,645 |
| | 42,064,546 | 30,495,431 | 98,546,861 | 82,167,750 |

Group other taxes mainly comprise of VAT, NBT, PAYE and stamp duty payable to the Department of Inland Revenue amounting to Rs. 395,213 (2019 - Rs.343,590).

The import loans were previously presented under the accrued expenses and other payables. However, management considers it to be more relevant if imort loans are presented in the separate line item. Prior year comparatives as at 31 March 2019 have been restated by reclassifying Rs. 22,022,648 from accrued expenses and other payments to import loans (Rs. 22,223,698 as of 1 April 2018).

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

## 24 Defined benefit obligations

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

| | Group | | Company | |
|---|---|---|---|---|
| | 31 March | | 31 March | |
| | 2020 | 2019 | 2020 | 2019 |
| At beginning of year | 13,906,673 | 13,176,321 | 13,906,673 | 10,980,945 |
| Transfer in / (out) | - | 2,195,376 | - | 2,195,376 |
| Expense recognised in statement of profit and loss (Note 24.1) | 2,607,268 | 1,918,311 | 2,607,268 | 1,918,311 |
| Actuarial loss / (gain) recognised in OCI | 1,759,465 | (1,187,959) | 1,759,465 | (1,187,959) |
| | 18,273,405 | 16,102,049 | 18,273,405 | 13,906,673 |
| Retirement benefit obligation reversal | - | (2,195,376) | - | - |
| Payments made during the year | (60,254) | - | (60,254) | - |
| At end of year | 18,213,151 | 13,906,673 | 18,213,151 | 13,906,673 |

### 24.1 Expense recognised in income statement

| | Group | | Company | |
|---|---|---|---|---|
| | 31 March | | 31 March | |
| | 2020 | 2019 | 2020 | 2019 |
| Current service cost | 1,008,001 | 765,312 | 1,008,001 | 765,312 |
| Interest cost | 1,599,267 | 1,152,999 | 1,599,267 | 1,152,999 |
| | 2,607,268 | 1,918,311 | 2,607,268 | 1,918,311 |

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 2020, 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 | |
| | 2020 | 2019 |
| Rate of discount | 10% | 11.5% |
| 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 | (1,381,421) | (1,381,421) | (1,381,421) | 1,381,421 |
| | -1 | 1,563,128 | 1,563,128 | 1,563,128 | (1,563,128) |
| Future salary increases | +1 | 1,571,980 | 1,571,980 | 1,571,980 | (1,571,980) |
| | -1 | (1,413,361) | (1,413,361) | (1,413,361) | 1,413,361 |

### 24.3 Maturity analysis

The weighted average duration of the defined benefit obligation is 8.79 years (2019 – 9.11 years). The expected maturity analysis of defined benefit obligation is as follows:

| Group<br>31 March 2020 | Less than a year | Between 1-2 years | Between 2-5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Defined benefit obligation | 239,067 | 468,990 | 7,016,048 | 10,489,046 | 18,213,151 |

| Group<br>31 March 2019 | Less than a year | Between 1-2 years | Between 2-5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Defined benefit obligation | 262,049 | 393,295 | 4,871,495 | 8,379,834 | 13,906,673 |

| Company<br>31 March 2020 | Less than a year | Between 1-2 years | Between 2-5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Defined benefit obligation | 239,067 | 468,990 | 7,016,048 | 10,489,046 | 18,213,151 |

| Company<br>31 March 2019 | Less than a year | Between 1-2 years | Between 2-5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Defined benefit obligation | 262,049 | 393,295 | 4,871,495 | 8,379,834 | 13,906,673 |

## 25 Deferred income tax

Deferred income taxes are calculated on temporary differences under the liability method using the future effective tax rate of 28% (2019 - 28%).

### 25.1 Movement in net deferred tax liability (non-current)

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Balance at the beginning of the year | 69,324,626 | 61,224,794 | 69,324,626 | 61,224,794 |
| (Reversal) / Origination of temporary differences recognized in profit or loss | (36,820) | 7,767,203 | (36,820) | 7,767,203 |
| (Reversal) / Origination of temporary differences recognized in other comprehensive income | (492,650) | 332,629 | (492,650) | 332,629 |
| | 68,795,156 | 69,324,626 | 68,795,156 | 69,324,626 |

### 25.2 Composition of net deferred tax liability (non-current)

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Property, plant and equipment | 74,471,006 | 73,794,663 | 74,471,006 | 73,794,663 |
| Provision for slow moving inventory | (576,169) | (576,169) | (576,169) | (576,169) |
| Defined benefit obligations | (5,099,682) | (3,893,868) | (5,099,682) | (3,893,868) |
| | 68,795,156 | 69,324,626 | 68,795,156 | 69,324,626 |

### 25.3 Movement in net deferred tax asset (current)

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Balance at the beginning of the year | (1,956,880) | (3,959,825) | - | - |
| (Reversal) / Origination of temporary differences recognized in profit or loss | 1,956,880 | 2,002,945 | - | - |
| | - | (1,956,880) | - | - |

### 25.4 Composition of net deferred tax asset (current)

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Tax losses | - | (1,956,880) | - | - |
| Defined benefit obligations | - | - | | - |
| | - | (1,956,880) | - | - |

# Notes to the Financial Statements

## 26 Commitments

### Financial commitments

The Group and the Company have commitments on letters of credit as at 31 March 2020 as follows:

| | |
|---|---|
| Company | 15,003,849 |
| Group | 15,003,849 |

### Capital commitments

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

## 27 Stated capital

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **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 |

## 28 Revaluation surplus

The revaluation surplus, comprises gains on revaluation (land and buildings).

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| At beginning of year | 129,491,999 | 132,773,857 | 129,491,999 | 132,773,857 |
| Depreciation transfer - gross | (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 |
| At end of year | 126,210,142 | 129,491,999 | 126,210,142 | 129,491,999 |

## 29 Reserves

### 29.1 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.

**29.2 Financial assets at FVOCI**

The following table shows a breakdown of the balance sheet line item 'Financial assets at FVOCI' and the movements in this reserve during the year. A description of the nature and purpose of the reserve is provided below the table.

| Company | Financial assets at FVOCI | Total |
|---|---|---|
| At 1 April 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 |
| Changes in the fair value of equity investments at FVOCI | (4,093,745) | (4,093,745) |
| At 31 March 2020 | 3,494,242 | 3,494,242 |

(a) Nature and purpose of other reserve

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.

## 30 Cash used in operations

**Reconciliation of profit before tax to cash used in operations:**

| | Group 31 March | | Company 31 March | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Profit before tax | 223,004,590 | 57,361,169 | 217,028,196 | 49,621,328 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment (Note 14) | 15,541,634 | 17,616,456 | 15,541,634 | 17,616,456 |
| Dividend income | (932,019) | (705,737) | (932,019) | (705,737) |
| Retirement benefit obligation reversal | - | (2,195,376) | - | |
| Transfer of Retirement benefit obligation | - | 2,195,376 | - | 2,195,376 |
| Interest expense (Note 10) | 10,410,507 | 15,746,734 | 15,146,891 | 20,223,685 |
| Interest income (Note 10) | (2,235,000) | (4,859,791) | - | (2,690,000) |
| Amortization of leasehold properties (Note 15) | 22,203 | 22,203 | 22,203 | 22,203 |
| Provision for defined benefit obligations (Note 24.1) | 2,607,268 | 1,918,311 | 2,607,268 | 1,918,311 |
| Changes in working capital: | | | | |
| Inventories increase | 1,103,502 | (11,961,562) | 1,103,502 | (11,961,562) |
| Receivables and prepayments decrease | (338,985,257) | (179,408,442) | (338,985,257) | (179,626,254) |
| Trade and other payables increase / (decrease) | 89,498 | (33,921,957) | 4,899,497 | (42,799,939) |
| Cash used in operations | (89,373,077) | (138,192,616) | (83,568,087) | (146,186,133) |

# Notes to the Financial Statements

**31 Directors' interests in contracts and related party transactions**

**31.1** 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.

**31.2** 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.

**31.3** 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.

**31.4** 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.

**31.5**

| | Company Year ended 31 March | |
|---|---|---|
| | 2020 | 2019 |
| (a) Sale of goods (inclusive of taxes) | | |
| ACL Cables PLC | 929,748,015 | 902,648,227 |
| ACL Kelani Magnet Wire (Private) Limited | - | 461,500 |
| Kelani Cables PLC | 732,621,770 | 712,917,622 |
| Cable solutions (Private) Limited | 698,189 | - |
| | 1,662,369,785 | 1,616,027,349 |
| (b) Purchase of goods (inclusive of taxes) | | |
| ACL Cables PLC | 469,672 | 179,708 |
| Kelani Cables PLC | 249,755 | 256,625 |
| | 719,427 | 436,333 |
| (c) Interest income from loans | | |
| ACL Cables PLC | - | 2,690,000 |
| | | 2,690,000 |
| (d) Loan settled from related party | | |
| ACL Cables PLC | - | 100,000,000 |
| | - | 100,000,000 |
| (e) Interest on borrowings | | |
| ACL Polymers (Private) Limited | 4,736,384 | 4,476,951 |
| | 4,736,384 | 4,476,951 |

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

(a) Payable to related parties

| | Group 31 March 2020 | Group 31 March 2019 | Company 31 March 2020 | Company 31 March 2019 |
|---|---|---|---|---|
| ACL Polymers (Pvt) Ltd | 12,777 | - | 12,777 | - |
| | 12,777 | - | 12,777 | - |

(b) Receivable from related parties

| | Group 31 March 2020 | Group 31 March 2019 | Company 31 March 2020 | Company 31 March 2019 |
|---|---|---|---|---|
| ACL Cables PLC | 625,797,181 | 311,936,365 | 625,797,181 | 311,936,365 |
| Kelani Cables PLC | 178,317,216 | 163,276,891 | 178,317,216 | 163,276,891 |
| | 804,114,396 | 475,213,256 | 804,114,396 | 475,213,256 |

(c) Receivable on loans

| | Group 31 March 2020 | Group 31 March 2019 | Company 31 March 2020 | Company 31 March 2019 |
|---|---|---|---|---|
| ACL Cables PLC | 25,000,000 | 25,000,000 | - | - |
| | 25,000,000 | 25,000,000 | - | - |

(d) Payable on loans

| | Group 31 March 2020 | Group 31 March 2019 | Company 31 March 2020 | Company 31 March 2019 |
|---|---|---|---|---|
| ACL Polymers (Private) Limited | - | - | 57,000,000 | 52,000,000 |
| | - | - | 57,000,000 | 52,000,000 |

Terms and conditions

Transactions relating to dividends were on the same terms and conditions for all the shareholders.

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 10.51% (2019 - 8.07%).

Related party transactions disclosed above are based on the price lists approved by the board of directors.

There were no other related parties or related party transactions during the year ended 31 March 2020 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 2020 | Group 31 March 2019 | Company 31 March 2020 | Company 31 March 2019 |
|---|---|---|---|---|
| Directors' emoluments | 510,000 | 120,000 | 510,000 | 120,000 |

## 32 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements.

As indicated in note 2.1.(a) above, the group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

The table below show the adjustments recognised for each individual line item as at 1 April 2019, 31 March 2019 and 31 March 2020.

| Balance sheet (extract) Group/Company | 31 March 2020 (LKAS 17) | SLFRS 16 | 31 March 2020 - as presented | 31 March 2019 - as originally presented | SLFRS 16 | 01 April 2019 |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Non-current assets | | | | | | |
| Right-of-use assets | - | 1,620,819 | 1,620,819 | - | 1,643,022 | 1,643,022 |
| Prepaid lease rentals | 1,598,616 | (1,598,616) | - | 1,620,819 | (1,620,819) | - |
| Current assets | | | | | | |
| Prepaid lease rentals | 22,203 | (22,203) | - | 22,203 | (22,203) | - |

| Balance sheet (extract) Group/Company | 31 March 2020 (LKAS 17) | SLFRS 16 | 31 March 2020 - as presented |
|---|---|---|---|
| Admin expenses - Group | (7,200,345) | - | (7,200,345) |
| Admin expenses - Company | (6,205,355) | - | (6,205,355) |

## 33 Events after the reporting period

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

# Information to Shareholders

### Distribution of Shares as at 31st March 2020

| Category | | | Number of Shareholders | % Rs. | Number of Ordinary Shares |
|---|---|---|---|---|---|
| 1 | - | 1,000 shares | 696 | 3% | 144,002 |
| 1,001 | - | 5,000 shares | 123 | 7% | 288,403 |
| 5,001 | - | 10,000 shares | 22 | 4% | 157,289 |
| 10,001 | - | 50,000 shares | 34 | 17% | 722,774 |
| 50,001 | - | 100,000 shares | - | 0% | - |
| 100,001 | - | 500,000 shares | 2 | 13% | 557,663 |
| 500,001 | - | 1,000,000 shares | - | 0% | - |
| Over 1,000,000 shares | | | 1 | 56% | 2,342,369 |
| Total | | | 878 | 100% | 4,212,500 |

### Analysis Report of Shareholders as at 31st March 2018

| Category | Number of Shares | Total Holdings % |
|---|---|---|
| Institutional | 3,379,845 | 80.23% |
| Individuals | 832,655 | 19.77% |
| Total | 4,212,500 | 100% |

### Twenty Largest Shareholders

| | 2020 | | 2019 | |
|---|---|---|---|---|
| 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% |
| Seylan Bank PLC/S.R. Fernando | 89,266 | 2.12% | 36,465 | 0.87% |
| Seylan Bank PLC/Emil Joseph | 52,926 | 1.26% | 10,000 | 0.24% |
| Bansei securities capital (pvt) ltd/ d. gangadhar | 44,537 | 1.06% | 11,700 | 0.28% |
| 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% |
| Costa D.S.J.V | 30,395 | 0.72% | 30,395 | 0.72% |
| Abdulhussein R.H. | 27,000 | 0.64% | 27,000 | 0.64% |
| Gautam R. | 26,700 | 0.63% | 30,000 | 0.71% |
| Maheshwaran R.L. | 25,743 | 0.61% | 18,743 | 0.44% |
| Bank of Ceylon-First Capital Equity Fund | 25,000 | 0.59% | 25,000 | 0.59% |
| DFCC_ Mr Pranvan | 25,000 | 0.59% | 22,050 | 0.52% |
| 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% |
| Nirmalan R | 22,770 | 0.54% | 6,129 | 0.15% |
| Madanayake H.A.S. | 20,801 | 0.49% | 20,801 | 0.49% |
| Abdulhussein Y.H. | 20,000 | 0.47% | 20,000 | 0.47% |
| Hatton National Bank/ Arunasalam | 20,000 | 0.47% | 20,000 | 0.47% |

# Information to Shareholders

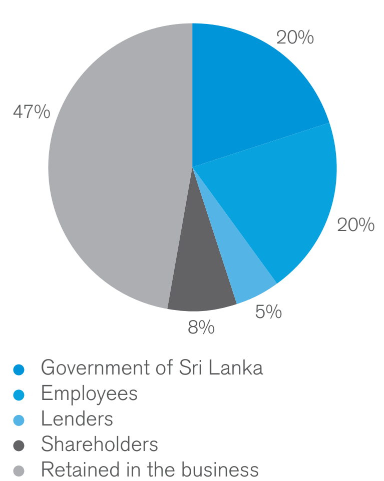
## Information to Shareholders

| | | 2020 | 2019 |
|---|---|---|---|
| Company | | | |
| a) | Earnings per share (Rs) | 36.04 | 5.71 |
| b) | Dividend per share (Rs) | 6.00 | 6.00 |
| c) | Dividend payout ratio | 0.17 | 1.05 |
| d) | Net assets value per share (Rs) | 300.73 | 271.96 |
| e) | Market value per share (Rs) | | |
| | - Highest value (Rs) | 170.00 | 84 |
| | - Lowest value (Rs) | 115.00 | 70 |
| | - Value as at the end of financial year (Rs) | 115.20 | 79 |
| f) | No of tradings for the year | 1,824 | 1,631 |
| g) | Total No of shares traded | 435,744 | 286,215 |
| h) | Total turnover (Rs) | 1,580,780,286 | 1,487,778,504 |
| i) | Percentage of Shares held by the public | 33.87% | 33.87% |
| j) | Number of Public shareholders | 844 | 882 |
| k) | No. of foreign Shareholders | 12 | 12 |
| Group | | | |
| a) | Earnings per share (Rs.) | 36.98 | 7.07 |
| b) | Dividend per share (Rs.) | 6 | 6 |
| c) | Dividend payout ratio | 0.16 | 0.85 |
| d) | Net assets value per share (Rs.) | 315.26 | 285.56 |

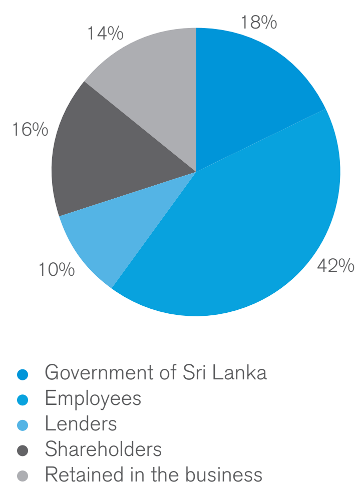
# Statement of Value Added - Group

| | | 2019/20<br>Rs. '000 | | 2018/19<br>Rs. '000 |
|---|---|---|---|---|
| Total revenue | | 1,580,780 | | 1,487,779 |
| Other operating & interest income | | 3,167 | | 7,761 |
| | | 1,583,947 | | 1,495,539 |
| Cost of material and services bought in | | (1,254,840) | | (1,346,268) |
| Total value added by the group | | 329,108 | | 149,271 |
| | | | | |
| Value added shared with | | | | |
| Government of Sri Lanka | 20% | 67,239 | 18% | 27,563 |
| (Taxes) | | | | |
| Employees | 20% | 65,689 | 42% | 65,061 |
| (Salaries and other costs) | | | | |
| Lenders | 5% | 15,139 | 10% | 15,747 |
| (Interest on loan capital) | | | | |
| Shareholders | 8% | 25,275 | 16% | 25,275 |
| (Dividends) | | | | |
| Retained in the business | 47% | 155,765 | 14% | 22,140 |
| (Depreciation & retained profits) | | | | |
| | 100% | 329,108 | 100% | 155,786 |

**2019/20**




**2017/18**



# Five Year Summary - Group

### Trading Results

| Year ended 31st March | 2020<br>Rs.'000 | 2019<br>Rs.'000 | 2018<br>Rs.'000 | 2017<br>Rs.'000 | 2016<br>Rs.'000 |
|---|---|---|---|---|---|
| Turnover | 1,580,780 | 1,487,779 | 1,355,597 | 1,449,361 | 1,283,520 |
| Operating profit | 225,240 | 75,929 | 106,259 | 255,131 | 282,029 |
| Profit before tax | 223,005 | 57,361 | 95,380 | 244,715 | 276,865 |
| Taxation | 67,239 | 27,563 | 21,049 | 75,064 | 70,629 |
| Profit after tax | 155,765 | 29,798 | 74,330 | 169,651 | 206,236 |

### Balance Sheet

| As at 31st March | 2020<br>Rs.'000 | 2019<br>Rs.'000 | 2018<br>Rs.'000 | 2017<br>Rs.'000 | 2016<br>Rs.'000 |
|---|---|---|---|---|---|
| Share capital | 79,974 | 79,974 | 79,974 | 79,974 | 79,974 |
| Capital reserve | 126,210 | 129,492 | 132,774 | 112,935 | 124,244 |
| Revenue reserves | 170,000 | 170,000 | 170,000 | 170,000 | 170,000 |
| Other Reserves | 3,494 | 7,588 | 9,559 | 9,985 | 8,470 |
| Retained profit | 948,371 | 815,866 | 807,205 | 754,931 | 605,830 |
| | 1,328,050 | 1,202,920 | 1,199,512 | 1,127,825 | 988,518 |
| | | | | | |
| Property plant & equipment | 280,958 | 274,992 | 290,636 | 239,201 | 253,384 |
| Operating lease prepayment | 1,621 | 1,621 | 1,643 | 1,665 | 1,687 |
| Investments (AFS financial assets) | 16,792 | 20,886 | 22,856 | 23,083 | 21,567 |
| Deferred tax asset | - | 1,957 | 3,960 | 1,774 | |
| Current assets | 1,213,830 | 1,044,853 | 1,058,201 | 962,210 | 883,254 |
| Current & non current liabilities | (185,151) | (141,388) | (177,784) | (100,108) | (171,374) |
| Capital employed | 1,328,050 | 1,202,920 | 1,199,512 | 1,127,825 | 988,518 |

# Notice of Meeting

NOTICE IS HEREBY GIVEN that, the Twenty Eighth Annual General Meeting of ACL Plastics PLC will be held on 17th September 2020, 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 2020 with the Report of the Auditors thereon.

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

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

(iv) To consider and if thought fit to pass the following Ordinary Resolutions, of which special notice has been given by a Shareholder of the Company.

a) "That Mr. U G Madanayake, who has passed the age of 70 years in May 2006, be and is hereby appointed as a Director of the Company and that the age limit of 70 years referred to in section 210 of the Companies Act No. 07 of 2007, shall not apply to him"

b) "That Mrs. N.C. Madanayake, who has passed the age of 70 years in August 2013, be and is hereby appointed as a Director of the Company and that the age limit of 70 years referred to in section 210 of the Companies Act No. 07 of 2007, shall not apply to her"

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

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

By Order of the Board

(Sgd.)
Corporate Affairs (Pvt) Ltd
Secretaries

6th August 2020

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

# 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 17th September 2020 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 2020 with the Report of the Auditors thereon, | | |
| 2 | To re-appoint PricewaterhouseCoopers, Chartered Accountants as Auditors and to authorise the Directors to determine their remuneration | | |
| 3 | To re-elect as director Mr. Das Meeriyagalla, 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 Meeriyagalla | | |
| 7 | To authorise Directors to determine donations to charity | | |

Signed this..........................................................................................day of.........................................................................................2020

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 29th 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 (ACA, ACMA, B.com(sp))

## 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