

# A SHARPER VISION, A GREATER FOCUS



# Contents

Vision/ Mission and Core Values	3		
About the Company	4		
System and Product Certifications and Awards	5		
Financial Highlights	6		
Chairman's Review	8		
Director /CEO's Review	10		
Board of Directors	12		
Senior and Middle Management Team	14		
Business Review and Marketing Strategy	16		
Product Portfolio	19		
Sustainability Report	23		
Risk Management	32		
Corporate Governance	34		
Audit Committee Report	41		
Remuneration Committee Report	42		
Report of the Related Party Transactions Review Committee	43		
Report of the Directors	44		
Directors' Responsibility for Financial Reporting	47		
		<b>Financial Reports</b>	
		Independent Auditors' Report	49
		Statement of Profit or Loss and Other Comprehensive Income	54
		Statement of Financial Position	55
		Statement of Changes in Equity	56
		Statement of Cash Flows	57
		Notes to the Financial Statements	58
		Statement of Value Addition	92
		Investors' Information	93
		Decade at a Glance (Company & Investee)	94
		Glossary of Financial Terms	95
		Notice of Meeting	96
		Form of Proxy - Enclosed	
		Corporate Information - IBC	

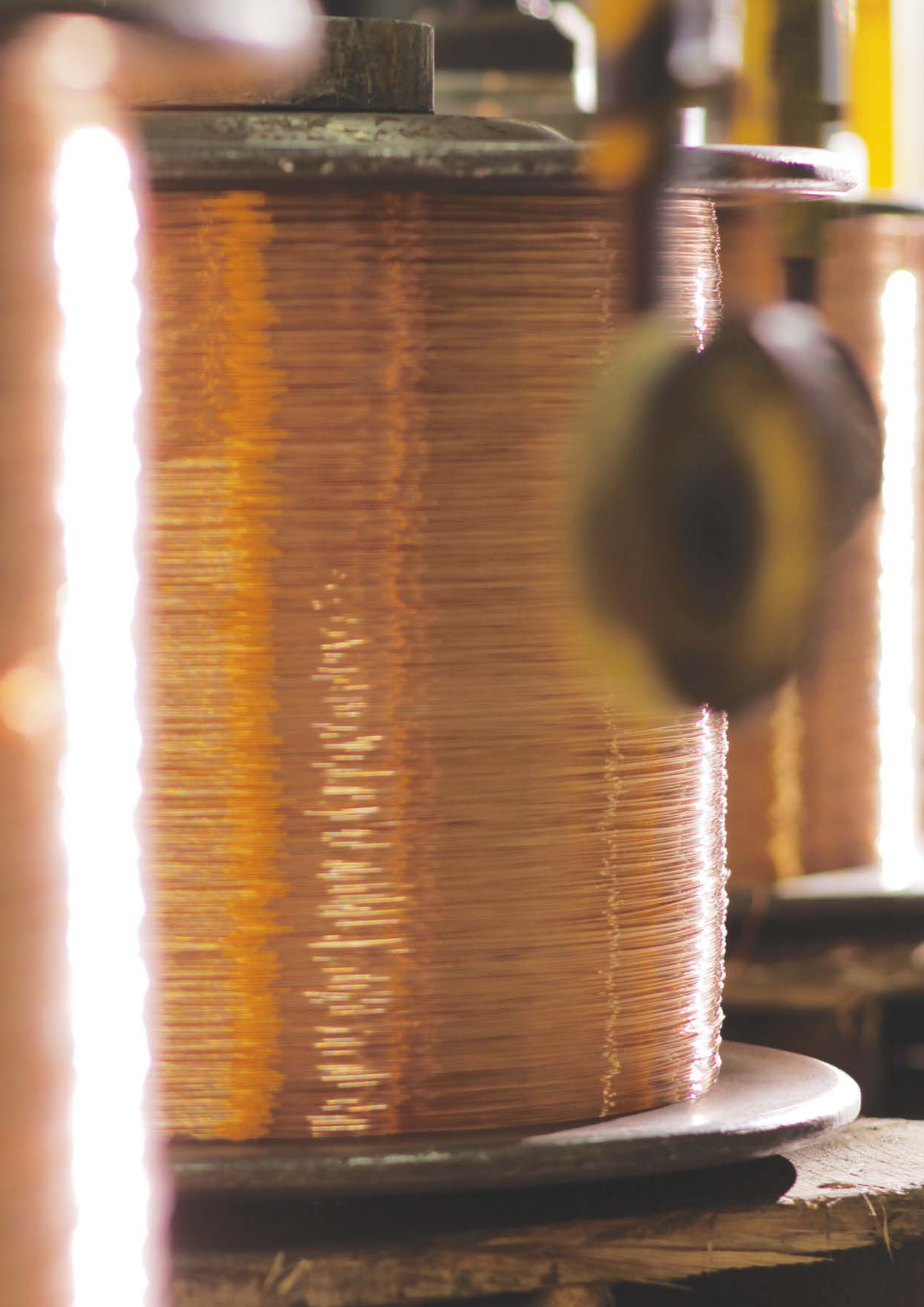


Scan the QR Code with your smart device to view this report online.

[www.kelanicables.com](http://www.kelanicables.com)



Strength and resilience are hallmarks of Kelani Cables - and are qualities that define both our corporate philosophy and the products we deliver. Over nearly half a century of operations, we have remained focused on our goals and steadfast in our resolve to lead our industry. The results reflected in this annual report underpin our performance within a tough operating landscape, and we are proud to note that we have stayed true to our strategies to create value over the long term. Tough times bring out the best in us - and we stand ready to grow exponentially, with a sharper vision and a greater focus.



# Vision

To become the nation's leading electrical solutions provider

# Mission

Deliver optimum value to our stakeholders through product development, advanced technology and improved productivity, while creating an open culture within the organisation to harness creativity and innovation to be competitive

# Core Values

- Respect
- Integrity
- Quality
- Family
- Learning



# About the Company



Kelani Cables was founded in 1969 as a manufacturer and distributor of power and telecommunication cables and enamelled winding wires. Having begun operations with just twelve workers, Kelani Cables is a household name today with over 500 - strong workforce and a solid reputation for quality and stability.

Kelani Cables has undergone several changes in ownership over the years; founded by the Wijegoonawardena family, the company became a subsidiary of the Australian multinational Pacific Dunlop Cables Group in 1994 and in late 1999, the major shareholding was transferred to ACL Cables PLC. These alliances have provided opportunities for expansion and knowledge sharing which have enabled the company to enhance its operations.

Kelani Cables became a public quoted company in 1973 and its shares trade on the Colombo Stock Exchange.

# System and Product Certifications and Awards

<b>1980</b>	SLS 40 Product Certification for Building Wires & Flexible Cords. This was later advanced to SLS 733 & SLS 1143	<b>2008</b>	CNCI Achiever of Industrial Excellence - Crystal Award for having won the Gold award for three consecutive years - 2006, 2007 & 2008
<b>1986</b>	SLS 750 Product Certification for All Aluminium Conductors	<b>2010</b>	<ul style="list-style-type: none"> <li>National Safety Awards - Award winner - Manufacturing and Processing Sector</li> <li>National Engineering &amp; Technology Exhibition - Silver Award for the stall with best display of local products.</li> <li>SLIM Brand Excellence - Award for the Best Entry Kit.</li> <li>Annual Report Awards - Certificate of Compliance in Manufacturing Sector</li> </ul>
<b>1994</b>	SLS 412 Product Certification for Auto Cables	<b>2011</b>	<ul style="list-style-type: none"> <li>SLS 1186: Product certification for Armoured Electric Cables having Thermosetting Insulation.</li> <li>ISO 14001: 2004 Environmental Management System Certification.</li> <li>National Cleaner Production Awards - Manufacturing (Large) - Merit Certificate.</li> <li>Annual Report Awards - Certificate of Compliance in Manufacturing Sector</li> </ul>
<b>2000</b>	ISO 9001 Quality Management System Certification	<b>2012</b>	<ul style="list-style-type: none"> <li>SLIM Brand Excellence Business to Business- B2B Brand of the year, Bronze Award</li> <li>SLIM Brand Excellence - Best Entry Kit - Gold Award</li> <li>Annual Report Awards - Certificate of Compliance in Manufacturing Sector</li> </ul>
<b>2004</b>	UL Certification for Enamelled Winding Wires from Underwriters Laboratories of India		

<b>2005</b>	<ul style="list-style-type: none"> <li>CNCI Achiever of Industrial Excellence - Silver Award</li> <li>Sri Lanka National Quality Awards - under the Large Scale Manufacturing Category - Merit Certificate</li> <li>Taiki Akimoto 5S Award- All Island 2nd Runner Up</li> <li>National Productivity Awards - 2nd Runner-up and Provincial Productivity Awards - 2nd Runner-up</li> </ul>	<b>2013</b>	<ul style="list-style-type: none"> <li>SLIM Brand Excellence B2B Brand of the year category - Gold Award</li> <li>SLIM Brand Excellence Best Entry Kit - Gold Award</li> <li>SLITAD People Development Award - Gold Award</li> <li>National Cleaner Production Awards - Manufacturing (Large) Merit award</li> </ul>
<b>2006</b>	<ul style="list-style-type: none"> <li>Sri Lanka National Quality Awards - Award Winner - Manufacturing category</li> <li>CNCI Achiever of Industrial Excellence - Gold Award</li> <li>Taiki Akimoto 5S Award- All Island 1st Runner Up</li> <li>Business Excellence Awards - 2nd Runner Up - Processing, Manufacturing &amp; Industrial Engineering Sector</li> </ul>	<b>2014</b>	<ul style="list-style-type: none"> <li>Geo Responsibility Awards - Excellence in Environmental System Compliance – Merit Award</li> </ul>
<b>2007</b>	<ul style="list-style-type: none"> <li>Taiki Akimoto 5S Awards - Overall Gold Award winner, Gold award winner - Manufacturing sector</li> <li>CNCI Achiever of Industrial Excellence - Gold Award</li> <li>Business Excellence Awards Processing, Manufacturing, Industrial Engineering - 2nd Runner Up</li> <li>National Convention in Quality Circles - Seven trophies received</li> <li>LMD, the premier Business Magazine, rated Kelani Cables as one of the most valuable brands</li> <li>Awarded Business Superbrand status Voted one of Sri Lanka's strongest brands</li> <li>The Kelani brand was accredited with the Soorya Sinha Logo</li> </ul>	<b>2015</b>	<ul style="list-style-type: none"> <li>Awarded the Responsible Care® Logo</li> <li>National Green Award - Silver Award (Private Enterprises)</li> <li>SLIM Brand Excellence - CSR Brand of the Year - Silver Award</li> <li>SLIM Brand Excellence - B2B Brand of the Year-Silver Award</li> <li>Asia's Best Employer Brand Award</li> <li>Social Dialogue &amp; Work Place Cooperation Award Manufacturing Sector - Bronze Award</li> <li>Annual Report Awards - Certificate of Compliance in Manufacturing Sector</li> </ul>
		<b>2016</b>	<ul style="list-style-type: none"> <li>National Quality Award</li> <li>Asia's best employer brand award</li> <li>Best green reporter Gold award in Tier 2 in National Green reporting system</li> <li>Presidential environmental awards - Bronze award in Metal and mineral processing industries</li> <li>National HR excellence awards - Silver award</li> <li>Social dialogue and workplace cooperation awards - Gold award</li> <li>SLIM brand excellence awards - B2B brand of the year Silver award</li> </ul>
		<b>2017</b>	<ul style="list-style-type: none"> <li>The World Class Global Performance Excellence Awards</li> <li>Gold Award, Industry Sector of National Chamber of Export awards</li> <li>SLIM brand excellence awards - B2B brand of the year Gold award</li> </ul>

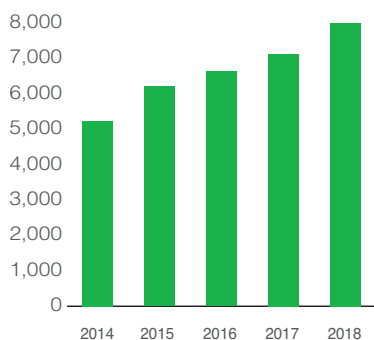
# Financial Highlights

For the year ended 31 March,

		2018	2017
Revenue	Millions	7,994	7,123
Gross profit	Millions	1,006	1,135
Profit before tax	Millions	252	498
Profit after tax	Millions	185	379
Net assets	Millions	3,687	3,475
Net assets per share	Rs.	169.13	159.38
Earnings per share (EPS)	Rs.	9.03	17.27
Return of investment (ROI)	%	8.8%	15.4%
Market price per share (End)	Rs.	93.00	117.50

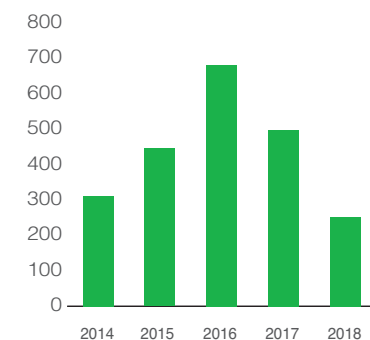
## Revenue

Rs. Mn



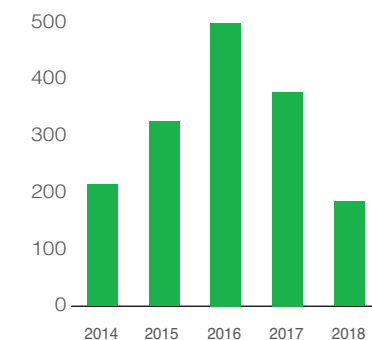
## Profit before tax

Rs. Mn



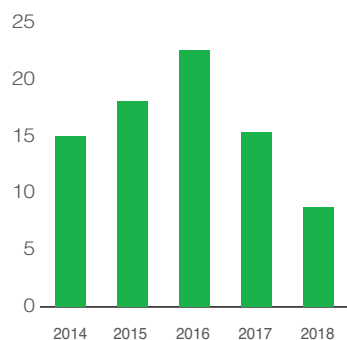
## Profit after tax

Rs. Mn



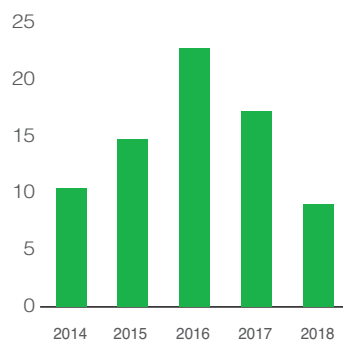
## Return on investment

%



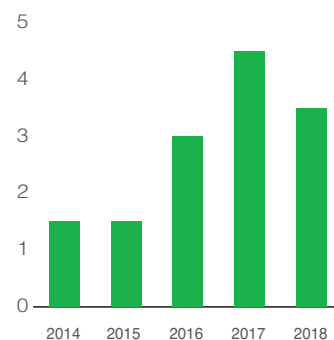
## Earnings per share

Rs.



## Dividend per share

Rs.





Profit after tax

---

**185 Mn**

---

Gross profit

---

**1,006 Mn**

---

Revenue

---

**7,994 Mn**

---



## Chairman's Review



“

Our team excelled by utilising all the resources available to achieve this record sales turnover. The sales growth year on year was 12.2%

Upali Madanayake  
Chairman

During the year under review there were many issues concerning the economic and political situation in the country. However your company has performed extremely well and recorded the highest sales turnover of Rs 7,994 Million in the history of the company. It was truly a remarkable achievement despite competition in the local market.

Our team excelled by utilising all the resources available to achieve this record sales turnover. The sales growth year on year was 12.2%

Our export sales recorded the highest by reaching Rs 1,188 Million.

### Financial Performance

Your company was able to safeguard the shareholder interest and ensure sustained growth despite competition in the local market. The market share was maintained by appropriate pricing strategy.

Prices of our main raw material of Copper increased by 16% during the period under review. Average exchange rate for US\$ has also increased over 3% thereby impacting on our bottom line.

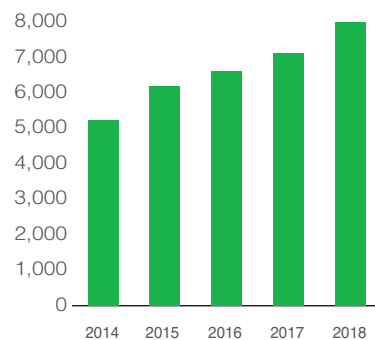
The gross profit for the year was Rs 1,006 Million and net profit was Rs 185 Million.

Many internal controls to minimize waste and improve our operational efficiencies are continued to bring down costs. Inventory control to minimize stocks, improved delivery efficiencies from our fleet of delivery trucks that deliver stocks island wide has improved over the last year. We coupled our cost control strategy with an aggressive sales & promotional campaign to ensure strong incomes, while containing costs.

2017/18	(Rs. Mn)
Turnover	7,994
Gross Profit	1,006
PBT	252
Net Profit	185

### Revenue

Rs. Mn



### Expansion programme

Two cable manufacturing lines were added during the year and our capacity has been enhanced to meet the Market requirements.

A regional warehouse is in operation in Matara. We have seen considerable savings in transport and handling costs. The product availability has improved in the region has helped us to reduce competitor activity and improve penetration.

### Share performance

The earnings per share is 9.03 for 2018. Your share fared well during the year and traded between Rs 129.00 to Rs 86.00 and closed at Rs 93.00 per share.

### Our achievements

We continue to maintain ISO 9001, ISO 14001, good manufacturing practices, 5S Kaizen concepts etc. Regular compliance audits are carried out to ensure adherence to the given standards. Employees are rewarded and recognised for good Kaizen projects annually.

Kelani Saviya CSR project is in place for the 10 year since its inception with University of Peradeniya, Engineering Faculty and we have trained over 400 electricians to date.

Kelani Shakthi CSR project was launched with the University of Jaffna, Engineering Faculty Killinochchi. 50

Electricians were inducted since the CSR project was launched.

We won the ASIA PACIFIC QUALITY ORGANISATION, WORLD CLASS and GLOBAL PERFORMANCE EXCELLENCE AWARD 2017 in the manufacturing large category. The award ceremony was held in Manila Philippines in October 2017.

GOLD award for the B2B Brand of the year at SLIM Brand Excellence Awards 2017.

GOLD Award in the large industry category for Exports, conducted by the National Chamber of Exporters for 2017.

### Future outlook

We will continue to grow through a clear strategic direction and strive towards sustaining of strong growth through a process of market expansion and cost controls in all our activities.

Export market will be enhanced by improving sales in Maldives and Bangladesh. We will expand the exports to Dubai, Oman, Seychelles and the African region.

### Appreciations

I express my gratitude to the Board of Directors, and the Director/ Chief Executive Officer Mahinda Saranapala, for their support and guidance throughout the year for another successful year of operations. I thank all employees for their invaluable services and contributions and dedication towards the company. I also acknowledge our valued customers, distributors, dealers, bankers, suppliers for their loyalty to the company.

I acknowledge with gratitude the trust of our shareholders in the management and Board of Directors.

**Upali Madanayake**  
Chairman

02 July 2018

## Director /CEO's Review



“

We are pleased to report that your company has maintained the growth momentum with good performances from the “Team Kelani” this year too.

Mahinda Saranapala  
Director/Chief Executive Officer



We are pleased to report that your company has maintained the growth momentum with good performances from the "Team Kelani" this year too. With our clear strategic directions we have been able to get the maximum from all our resources to record the highest turnover of Rs 7,994 Million.

Focusing on our theme of sustainable growth and to maintain our market share we were cautious in our pricing strategy and the top line grew by 12.2%.

(Rs. Mn)	2016/17	2017/18
Turnover	7,123	7,994
Gross Profit	1,135	1,006
PBT	497	252
Net Profit	378	185

## Sales & Marketing

The Sales team has performed extremely well despite competition in the local market. Year on year turnover growth is 12.2% and this has helped the company to maintain its market share.

Redistribution, Projects, CEB/LECO and Exports have contributed to boost the Sales Turnover to Rs 7,994 Million which is the highest in the history of your company.

## Human Resources

We maintain cordial relations with our staff and have constant dialogue with them. Regular JCC/welfare meetings are held. Employee training on various topics are conducted by internal and external resource personnel.



We are working on improving employee engagement in all our activities.

Eminent resource persons are invited as guest speakers on various management topics once a month and appreciated by the management team and is eagerly looked forward to by all.

## Manufacturing

The manufacturing Plants 1,2 and 3 utilized all the resources available efficiently and supported the Sales and marketing by providing all requirements as per the budget whilst maintaining the required quality, standards and meeting delivery targets. All products manufactured for exports too met the stringent international standards. Their effort is much appreciated.

LMD 100 Sri Lanka's Leading Listed Companies

We have been recognized by LMD and have come up the rankings annually.

We were recognized as the "most loved brand" under building materials category by Brands Annual 2018.

## Achievements

Prestigious awards and accolades during the last several years highlight the company's robust systems and processes. We were recognized by following organizations during the year under review.

ASIA PACIFIC QUALITY ORGANIZATION (APQO) - WORLD CLASS AWARD FOR GLOBAL PERFORMANCE EXCELLENCE 2017, Category large scale industrial. The award ceremony was held in Manila, Philippines.

The GOLD award for Exports in the large industrial sector 2017 conducted by the National Chamber of Exporters.

GOLD award for the B2B category SLIM BRAND EXCELLENCE 2017.

## Renewable Energy

Pleased to report that we installed a RENEWABLE ENERGY BASE GENERATING FACILITY (SCHEME 03 – NET PLUS) using SOLAR PANELS at our Siyambalape Plant.

The system capacity is 142,272 kWh per year.

## Community Engagement

Our approach towards engaging with the communities we operate in is based on meaningful and active collaboration, participation and dialog which results in mutually beneficial relationships.

## Future Outlook

As in the past we will strive to maximize the efficient use of our resources to sustain growth and assure our shareholders of better corporate performance. We envisage that the political and economic environment will be stable with consistent policies to work with. Let us look forward to another year of good corporate performance.

## Appreciation

In conclusion I express my appreciation to the Chairman, Deputy Chairman, and Board of Directors for the support and guidance given during the year. The excellent support extended by the management and employees is much appreciated.

I appreciate very much the excellent support extended to us by our business partners, banks, Government institutes, local authorities, customers and suppliers.

**Mahinda Saranapala**  
Director/Chief Executive Officer

02 July 2018



# Board of Directors



01

**01 Mr. Upali Madanayake**  
*Chairman*

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

He joined the Board of Associated Motorways Ltd, and subsequently became the Deputy Chairman of the Company. He became a Director of ACL Cables PLC (then Associated Cables Ltd.) in January 1963, its Managing Director in July 1978 and Chairman cum Managing Director in May 1990. He relinquished his duties as Managing Director in September 2005 after appointing Mr. Suren Madanayake as Managing Director.

With the acquisition of Kelani Cables PLC by the ACL Group in October 1999, he was appointed as Chairman of Kelani Cables PLC and Lanka Olex Cables (Private) Ltd., which is the holding Company of Kelani Cables PLC.

Mr. U.G Madanayake is also the Chairman of Fab Foods (Pvt) Ltd., Ceylon Tapioca Ltd., ACL Plastics PLC and Lanka Olex Cables (Pvt.) Ltd. He is also a Director of ACL Metals



02

**02 Mr. Suren Madanayake**  
*Deputy Chairman*

& 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 had his education at Royal College, Colombo and qualified as a Mechanical Engineer from the University of Texas at Austin, USA. He was appointed to the Board of ACL Cables PLC in June 1991 and appointed as Managing Director in September 2005. When Kelani Cables PLC was acquired in October 1999, he was appointed as Managing Director of Kelani Cables PLC and Lanka Olex Cables (Private) Ltd which is the holding Company of Kelani Cables PLC. In 2003 he was appointed as Deputy Chairman of Kelani Cables PLC.

He also serves as the Chairman of RESUS Energy PLC, Managing Director of ACL Plastics PLC and Director of ACL Electric (Pvt.) Ltd., Ceylon Bulbs & Electricals Ltd., ACL Metals & Alloys (Pvt.) Ltd., ACL Polymers (Pvt.) Ltd., ACL-Kelani Magnet Wire (Pvt.) Ltd., Ceylon Copper (Pvt.) Ltd., SM Lighting (Pvt) Ltd., Fab Foods (Pvt.) Ltd, Ceylon Tapioca Ltd, Destination Ceylon (Pvt.) Ltd., and National Asset Management (Pvt) Ltd. He also serves as Trustee of CCC Foundation of Sri Lanka, which is an approved charity. He captained the Royal College 1st XV Rugby team in 1987.



03

**03 Mrs. N. C. Madanayake**  
*Director*

Mrs. N.C. Madanayake was appointed to the Board of Kelani Cables PLC in 1999. She is also a Director of ACL Cables PLC, ACL Plastics PLC, Ceylon Bulbs & Electricals Ltd., Lanka Olex Cables (Pvt) Ltd., and Ceylon Tapioca Ltd.

Mrs. N.C. Madanayake is a pioneering Director of Fab Foods (Pvt) Ltd.

**04 Dr. Ranjith Cabral**  
*Director*

Dr. Ranjith Cabral is a Graduate in Science from University of Ceylon and holds a Doctorate in Psychometrics and Education from Brunel University, UK. He is a former Chairman of Colombo Gas Company, Vice Chairman of Ceylon Electricity Board and has served on the Boards of Ceylon Petroleum Corporation, Industrial Development Board and the Management of the University of Colombo-School of Computing (UCSC). He also served as a Member of the Councils of the Open University of Sri Lanka and the University of Colombo.

Dr. Cabral has held several Senior Management positions in both the Public and Private sectors, and a Past President of the Institute of Personnel Management Sri Lanka (IPM). He is the Chairman/Director of Sikshana Educational Investment (Pvt) Ltd and Sparkgrid Pvt Ltd. He is also a Council Member of the South Asian Institute



04

of Technology and Medicine of Sri Lanka (SAITM).

He was appointed to the Board of Kelani Cables PLC in March 2008.

**05 Dr. Bandula Perera**  
*Director*

Dr. Bandula Perera counts more than forty years of experience in both Public and Private sectors.

He is a former Chairman of SME Bank, former Board Member of Credit Information Bureau of Sri Lanka, former Managing Director of Ceylon Glass Company, former Additional Director General of Board of Investments, former Chairman of the Industrial Development Board, former General Manager of Lanka Tiles Ltd and a former Chairman of the Ceylon National Chamber of Industries among others. Dr. Perera is currently a Director of Piramal Glass (Ceylon) PLC and a Council Member of Japan Lanka Industrial Development Corporation.

Dr. Perera holds a PhD and a BSc (Hons) from UK and also holds a BSc (Ceylon) and is a Fellow of the Institute of Materials, Minerals and Mining (UK).

He was appointed to the Board of Kelani Cables PLC in March 2008.



05

**06 Mr. Mahinda Saranapala**  
*Director/CEO*

Mr. Mahinda Saranapala was appointed as the Chief Executive Officer of the Company on April 1, 2011.

His career spans over 40 plus years and he has worked for top Sri Lankan corporates such as Ceylon Tobacco Company, The Maharaja Organisation Ltd, Nawaloka Polysacks Ltd and Phoenix Industries Pvt Ltd. He held senior management positions and served as the Joint Managing Director of Phoenix Industries Pvt Ltd up to 1998.

He was awarded four scholarships to Japan and has had specialised training in productivity concepts and many Japanese Management techniques. He is known as one of the finest 5S/Kaizen practitioners in Sri Lanka. Incorporated his own company in 2004 mainly to offer consultancy in enhancing productivity to Sri Lankan corporates. He has provided consultancy services to approximately 62 companies and many of them have enhanced their productivity and also won national and international awards. He is the first Sri Lankan to be appointed as a consultant of the Kaizen Institute India. Kaizen Institute operates in 45 countries worldwide.

He received a merit award from the Plastics and Rubber Institute for the outstanding contribution made to the polymer industry



06

in Sri Lanka in 1992. The Japan Sri Lanka Technical & Cultural Association (JASTECA) recognised him, at the annual Jasteca awards night held on 23 March 2013 in appreciation of his contribution to the growth and development of JASTECA and for initiating the implementation of the 5S concept and for his devotion and continuing efforts to promote and propagate 5S in Sri Lanka.

He was commended by the Ambassador for Japan in Sri Lanka, on 11 May 2015 in recognition of his distinguished services in contributing to the deepening of mutual understanding and friendship between the people of Japan and Sri Lanka.

He serves as a member of the Board of Advisors to the Sri Lanka Association for the Advancement of Quality and Productivity-SLAAQP.

He is a past president of Japan Sri Lanka Technical & Cultural Association and now serves as a member of the Board of Trustees of Jasteca.

He is a distinguished old boy of St Peter's College Colombo.

Mr. Mahinda Saranapala was appointed to the Board of Kelani Cables PLC on December 23, 2015. He now serves as the Director/Chief Executive Officer.

# Senior and Middle Management Team



**Hemamala Karunasekara**  
Chief Financial Officer



**Anil Munasinghe**  
General Manager – Marketing



**Upul Mahanama**  
General Manager – Operations



**Devinda Lorensuhewa**  
Deputy General Manager Marketing



**Abhaya Ranawaka**  
Manager - Projects & Engineering



**Sajeewa De Zoysa**  
Manager Procurement



**Namalke Ekanayake**  
Manager - Plant 3



**Shyama Perera**  
Manager Technical Operations



**Channa Jayasinghe**  
Manager - Brand Development



**Ralph Rajasundaram**  
Sales Controller



**Kumara Withanarachchi**  
IT Manager



**Narmal De Zylva**  
Stores Manager





**Rohana Wadduwage**  
Sales Manager - Power & Energy Sector



**Asela Jayatillaka**  
Accountant



**Asitha Sumanasekara**  
Human Resources Manager



**Sagara Balasuriya**  
Manager – Transport



**Chaminda Waidyathillake**  
Sales Manager - Distribution



**Suranga Pathirana**  
Sales Manager - Projects



**Chandima Weerasinghe**  
Head of Sales – Lighting



**Dinuka Chandrakeerthi**  
Production Manager Plant 1



**Jaliya Ranaweera**  
Production Manager Plant 3



**Chinthaka Fernando**  
Manager - Quality Assurance



**Pradeep Roshantha**  
Production Manager Plant 2



**Pradeep Abeyratne**  
Accounts Manager

# Business Review and Marketing Strategy



In a challenging year with changes in several macro environmental factors your company continued to strengthen the Kelani brand which is today a household name in Sri Lanka.

To further differentiate the Kelani brand and to strengthen the brand positioning, an integrated marketing strategy was executed, which improved brand equity. Competitors continued to adopt the strategy of heavy price discounting but our strategy was to offer customers and consumers an excellent value proposition in terms of product quality and personalized service quality.

Cable related accessories were introduced to the market, by offering a total cable solution to customers.

A stakeholder approach was implemented in line with a triple bottom line focus to build and strengthen our relationships for mutual benefits.

## Marketing Strategy

An integrated marketing strategy was adopted to achieve the following objectives.

- To further increase brand revenue and profits
- To consolidate the market leadership position in the domestic cable industry
- To further enhance top-of-the-mind brand awareness and recall
- To further enhance brand equity and strengthen the brand positioning

We are happy to state that the integrated marketing strategy has made the Kelani brand a powerful force in the extremely competitive cable industry. Company managed to get vital growth in top line. Slight drop in bottom line is purely due to severe market competition.

The pillars of the marketing strategy were the products, brand, quality and after sales service. These elements were given continuous focus at all times, during the year under review.

## Market Segments

Our marketing strategy targets four main segments.

## 1. Projects

Despite slow movement in infrastructure development in the country, company project sales team maintained the sales growth.





The projects team was further restructured to provide greater customer focus and quick response to customer inquiries. Decision making has been further decentralized and team leaders empowered operationally. The support staff at the Projects division was strengthened, in order to provide the sales team greater mobility and flexibility.

The project market segment recorded an excellent growth during the year under review, due to dynamic selling, world class service, customized product solutions, excellent product quality and strong relationship building initiatives.

During the year under review, a “Kelani Knowledge Forum 2017” was conducted, which further enhanced the stature of the Kelani corporate brand amongst Consultants, Engineers and Contractors. Several customer visits were also facilitated to the factory, which no doubt helped to build relationships.

Annual six a side cricket tournament organized by the company for the staff of institutional customers is further nearing the business relationship.



Annual six a side cricket tournament 2017



**“Kelani Knowledge Forum 2017” was conducted, which further enhanced the stature of the Kelani corporate brand amongst Consultants, Engineers and Contractors.**

## 2. Exports

Among the initiatives taken to strengthen the brand equity, carrying out in BTL activities such as exhibitions, vehicle branding, dealer branding and point of sales materials gave a significant mileage to enhance the brand equity.

Company direct operations in Bangladesh and Maldives have shown a positive growth compared to year 2016/17.

Along with above professional negotiation skills and providing customized product solutions have resulted in achieving superior results in export sales.

During the year reviewed, established a company Liaison Office in Bangladesh to support the company representative there and strengthen the business in Bangladesh.

Company won the Gold Award in industrial sector large category at Annual Exports Awards 2017 organized by National Chamber of Exporters



Gold Award in industrial sector large category at Annual Exports Awards 2017

# Business Review and Marketing Strategy

## 3. Power and Energy

This is the dedicated sector to cater mainly to Ceylon Electricity Board and Lanka Electricity Company.

During the year under review this sector has also given a positive contribution towards to achieve annual turnover.

## 4. Distribution

This is a highly competitive market with 7 players. Self-motivated and dynamic sales team worked hard to achieve the excellent results.

Product availability was improved and the productivity of the sales team was also increased.

The brand visibility was improved dramatically in retail outlets and the outdoor brand visibility campaign was supported by an aggressive mass media advertising campaigns, which no doubt increased brand awareness and recall levels.

## Lighting Division

During the year the lighting division was strategically changed faces to compete with the competition as the brand was growing with the customer satisfaction and success acclaimed accolades. Your company will come out with total lighting solutions in the near future and initially we have launched the LED bulbs for the domestic market which will be no doubt a premium player.

Our main objective was to penetrate more in to the retail sector along with Hitachi “Maxell” batteries which is a new agency tie to trading business. And we will expand to modern trade, government institutions and industries,

hospitals, garment factories, city lighting and specially the estate sector where still we have a potential for the incandescent lamp.

## Brand Building

Your company continued to invest significantly in building the “Kelani” brand and enhancing brand equity.

As in the past years a combination of strategic and tactical brand building initiatives were conducted throughout the year. These initiatives have resulted in a dramatic increase in consumer

and dealer loyalty. The Kelani brand continues to be positioned on safety platform at all times. The brand has been awarded Gold Award in B2B brand of the year category at SLIM Brand Excellence 2016/17.

Your brand placed the 5th position under review of most loved brands category and No. 1 in the existing business of hardware and building material category, the research conducted by the Brand Finance.



*B2B Brand of the Year – Gold Award Winner at SLIM Brand Excellence 2017.*

## Internal Marketing

The employees of Kelani Cables are the company's most effective brand ambassadors and several initiatives continue to be taken to make employees feel appreciated and to encourage them to promote the Kelani brand. We at Kelani Cables believe that happy employees create happy customers.

## Customer Service and Retention

The backbone of your company's marketing strategy is excellent customer service. Customer service is given the highest priority and every effort is made to satisfy customer requirements and even to exceed them. Frequent customer feedback is obtained and service standards are specified accordingly.

# Product Portfolio

## Bare conductors

All Aluminium Conductors (AAC) and Aluminium Conductors Steel Reinforced (ACSR), up to 400 mm<sup>2</sup> manufactured to BS 215 and ASTM.



## Aerial Bundled Cables (ABC)

Aluminium compacted conductors XLPE insulated with or without messenger neutral core; manufactured to NF C 33-209 to a voltage rating of 600/1000V.



## Auto Cables

Flexible copper conductors PVC insulated, manufactured to SLS 412 and ISO 6722, to a voltage of 600V and to a temperature of 100°C.



## Kelani Welding Cables

High conductivity bare copper flexible conductors, with a covering that consists of two layers with specially developed flexible Elastomer. Outer layer is Orange or Black with an Orange strip.



## Armoured and Unarmoured Power Cables

Copper conductors PVC or XLPE insulated steel wire armoured and PVC sheathed designated as armoured cables. Copper conductors with PVC or XLPE insulated and PVC sheathed designated as unarmoured cables. Manufactured to BS 5467, IEC 60502 and BS 7889 to a voltage rating of 600/1000V.



## Iron Cables

High quality nylon braided flexible cords for electric iron & similar applications. It is specially designed with an inner cover to avoid damages to insulated cores. The cotton braiding and the insulation are special heat resistant type materials.



733

1504

412

1186

750



Nationally and internationally  
certified products



## Product Portfolio

### Control Cables

Multiple conductor cable PVC insulated and PVC sheathed. Number of cores range from 5 to 48. Manufactured to IEC 60502 to a voltage rating of 600/1000V. The cables can be armoured or unarmoured.



### Screen Cables

Annealed copper conductors PVC insulated, copper braided and PVC sheathed in multi core cables. Manufactured to BS EN 50525.



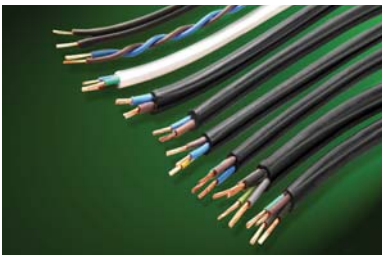
### Kelani Enamelled Winding Wires

Kelani Enamelled winding wires manufactured to IEC standards. The Company holds the prestigious UL Certification for the Dual Coated Enamelled winding wires (Keldual & Kelduale).



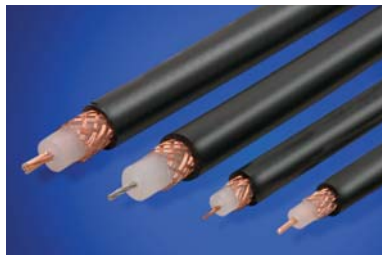
### Flexible Cords

Class 5 copper conductors PVC insulated twisted twin, parallel twin and PVC insulated and sheathed circular multi core cables, manufactured to BS 6004 and BS EN 50525 to a voltage rating of 300/500V and 300/300V.



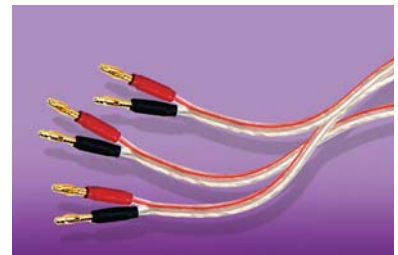
### TV Down Leads/ RG Series

Annealed copper conductors polyethylene insulated and copper braided and PVC sheathed. Co-axial and RG cables, manufactured to JIS, MIL and BELDON standards. Categories are, 3C-2V, 5C-2V, RG 6, RG 11A/U, RG 58B/U, RG 59B/U and RG 213/U.



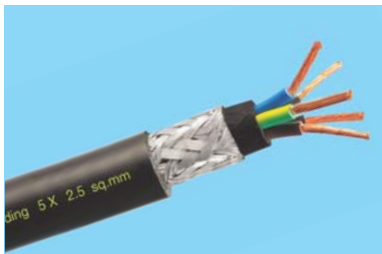
### Speaker Cable

Flexible tinned copper conductor, transparent PVC insulated available in AWG 10, 12, 16, 18 and 20.



### Kelani Super Flex Armour

Galvanized steel wire braided, flexible copper conductor, multi-core cables offer protection against mechanical damage and electromagnetic emissions. For voltages up to 600/1000V.



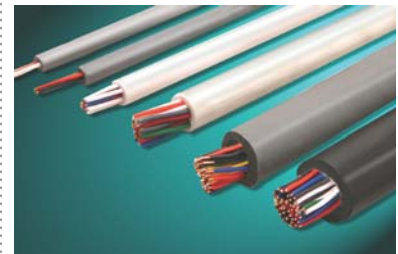
### Trailer Cable

Copper conductor PVC Insulated/PVC sheathed Seven Core cable used for electrical connections between tractor and trailer unit.



### Telephone Cables

Plain annealed copper conductors, PE insulated and PVC sheathed. Manufactured from single pair to 25 pair.



### 3 core & 4 Core with Reduced neutral

Copper conductor XLPE insulated & PVC sheathed, armoured and unarmoured cables. 4 core cables are with reduced neutral core conductor.



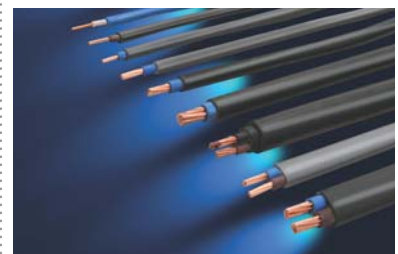
### RG6 Jelly Filled Cable

75 OHM RG 6 Jelly Filled Coaxial Cable suitable for up to 3000MHz frequency. Country of origin - Korea.



### House & Building Wires

Copper conductors PVC insulated with or without sheathed. Manufactured to BS 6004 to a voltage ratings of 450/750V and 300/500V.





## Product Portfolio

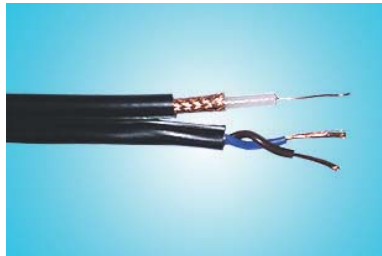
### Cable to Bangladesh Market

Copper conductor PVC Insulated, Manufactures to BDS 900:2000 to a voltage ratings of 450/750V.



### Kelani CCTV Camera Cable

3C - 2V Power Plus - 3C - 2V Coaxial cable with 0.5mm<sup>2</sup> two core (Twisted) power cable.



### Cables to Australia / New Zealand Market

Copper conductor, insulated & sheathed cables to AS/NZS 5000.



### Kelani Lead Free Submersible Pump Cables

Kelani Submersible Pump Cables manufactured with lead free PVC compound which is resistant to water and oil. High flexibility is guaranteed and manufactured to BS and IS standards.



### Cat 5e and Cat 6

UTP 4 pair 24 AWG CMX Country of origin – Korea .



### Solar Cables

Halogen Free UV resistant PV Solar Cables to 2pfg 1169.



### Jumper/Booster Cable

Flexible Copper Conductor PVC insulated, used for jump start of a dead battery of a vehicle.



### Rosette Telephone Cable

Plain annealed copper conductors, PE insulated and PVC sheathed. Four core flat cable.



# Sustainability Report



*Kelani Cables team receiving the GPEA world class award. From left:*

*Mr. Harnek Singh - President APQO, Mr. Upul Mahanama - GM operations Kelani Cables, Ms. Shyama Perera - Manager Technical Operations Kelani Cables, Dr. Charles Aubrey - Chairman of APQO and the Global Performance Excellence Award Executive Committee, Mr. Mahinda Saranapala - CEO Kelani Cables, Mr. Abraham Fenn - President (Elect) APQO.*

## Kelani Cables tops at World Class Performance Excellence awards

Kelani Cables was awarded the World Class Award in the large manufacturing category at the Global Performance Excellence Awards (GPEA) 2017. The award ceremony was held on October 22nd at Okada Manila, Philippines. Asia Pacific Quality Organisation organises (APQO) the Global Performance Excellence Awards every year to recognise the best performing business organizations in the Asia & Pacific Rim region. The GPEA award criteria is based on the renowned Malcolm Baldrige criteria of USA. To become world class an organisation has to perform excellence on 7 criteria; Leadership, Strategy, Customers, Measurement and analysis, Workforce, Operation and Results. Kelani Cables was the only Sri Lankan company to win at GPEA 2017. Organisations who win National Quality Award in their respective country are eligible to participate to GPEA. Kelani Cables won the Sri Lanka national quality award in 2016.



**Global Performance Excellence Award Winner 2017**

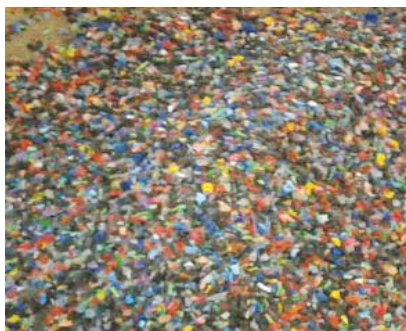
# Sustainability Report

For Kelani Cables, acting in line with the principles of sustainability means striving to achieve long-term business success on a viable basis. To make this possible, our activities must always be in harmony with society and the environment. We are convinced that good sustainability management is essential so that we can remain as Sri Lanka's foremost cable manufacture in the future.

## For Planet --

### Recycling & waste management

As a responsible organization having ISO 14001 certified environmental management system, we always work resource efficiently and we practice the 3R - Reduce, Reuse and Recycle concept. Copper and Aluminium waste material from our processes are totally given for recycling. PVC process waste is totally given to SME partners to use as an input to manufacture various products with economic value. Fluorescent bulbs and CFL were given to a recognised recycler for environmentally friendly disposal. We have a company policy to replace all burnt fluorescent and CFL bulbs with only LED bulbs. Cardboard, polythene and paper were given for recycling and reuse. Electronic waste is handed over to a CEA recognised waste recycling agency. The company has collaborated with industry experts, governmental and non-governmental agencies and universities to search methodologies for recycling/disposing of different types of waste. Waste segregation within our operating locations is in place with an established colour code for waste types. Waste items which we were unable to reuse or recycle were thermally destroyed in an environmentally friendly manner. To encourage environment friendly packaging, we replaced some of our product packaging from plywood bobbins with reusable plastic bobbins and we reuse those plastic bobbins for packaging enamelled winding wires.



PVC waste from our production being converted in to a shoe sole at a SME partner's site



### Energy

The primary energy source of the manufacturing operation is Electricity purchased from the grid. Kelani Cables have been able to reduce electricity consumption per product output gradually over the past years through increased overall equipment effectiveness, increased productivity and by use of efficient equipment. We continually monitor the electricity

consumption and carry out programs to optimal use of electricity.

In 2018 we commissioned solar photovoltaic system in a 7,000 ft2 area in Siyambalape plant premises which has a capacity of generating 104 kWp. This investment brings environmental benefits such as saving of 55,100 kg of CO2 emissions per year and is equivalent as 187 trees being planted



Solar PV panels on a 7,000 ft2 area were installed at the Siyambalape plant

## IN A YEAR



CO2 emissions saved 55.1 tons



Coal saved 48 tons



Fuel saved 41,766 litres



Equivalent trees planted 187 nos



Light bulbs powered per day 431,127



a year. Status of the solar photovoltaic system can be monitored real time through the mobile app. The project was implemented under “Soorya Bala Sangraamaya”, the government’s initiative on promoting solar energy generation for communities and businesses.

### Water

The water used for wire cooling is reused infinitely in a circulation system. Water sourced from Municipal supply is used in the staff cafeteria and office pantry. Water from a ground well is used for gardening and sanitary purposes. As we continuously monitor our water footprint, we improved our water productivity in high water consuming areas.

### Air quality

Air quality measurements and volatile organic carbon particle measurements are performed regularly by reputed testing organisations to ensure our working environments remain healthy for our people and for the neighbour community.

### Metabuild™

METABUILD is a 4-year project (2016-2020) supported by the European Union (EU) under the SWITCH Asia Programme, aimed at resource efficient and cleaner production in metal processing industries in Sri Lanka, India and Bangladesh. It provides free technical consultation to companies for enhancing energy efficiency, water productivity and material productivity. National Cleaner Production centre of Sri Lanka selected Kelani Cables for this. Comprehensive assessments and measurements were carried out at the factory location by experts from Netherland and India and we are implementing energy improvement

options suggested by Metabuild™ project in the areas of energy and water.

### Responsible Care®



Responsible Care® is a global, voluntary initiative to improve health, safety, and environmental performance in chemical related companies. The signatory chemical companies agree to commit themselves to improve their performances in the fields of environmental protection, occupational safety and health protection, plant safety, product stewardship and logistics, as well as to continuously improve dialog with their neighbours and the public, independent from legal requirements.

### Eco-friendly products

#### --Lead Free Submersible Cables

Kelani submersible cable range carries no Lead in its outer cover sheath. Thus it is the safest cable choice to supply power to centrifugal pumps used for wells and tube wells reducing the risk of water contamination.



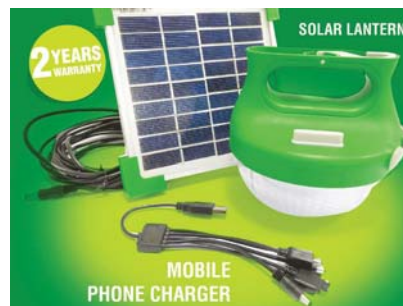
#### --Solar Cables for Solar Grids Wiring

We offer Kelani Solar Cables for the wiring of solar photovoltaic systems with high withstand properties to UV radiation and fire.



#### --LED lighting solutions

We offer a wide range of Energy efficient LED lighting products including B22 and E27 LED bulbs from 3W to 11W and the Solar lantern, which is a solar charged lighting device.



#### --UL Recognised enamelled winding wire complying with RoHS & REACH

Kelani Cables is the pioneer in enamelled winding wire (magnet wire) manufacturing in Sri Lanka. Manufactured in extremely controlled environments and tested to most extreme conditions, Keldual® and Kelduale® holds for itself the most prestigious UL recognised component mark. It is also a European Union’s The Restriction of Hazardous Substances Directive (RoHS) and Registration, Evaluation, Authorisation and

# Sustainability Report

Restriction of Chemicals (REACH) compliant product.



## World Environment Day commemoration

We celebrated World Environment Day 2017 with this year's theme "I'm with nature". We passed the message along to our team to go out and feel the nature while preserving the nature for future generations.



## For Our People--

### Our People

As a manufacturing company, People plays a crucial role in our success. Hence, our investments in Human Capital are focused mainly on having the right people, with the right skill set, at the right time. Human Capital is a primary contributor to its earning potential, productivity and long-term sustainability. Kelani Cables PLC places significant importance in attracting fresh talent, retaining and motivating talent whilst fostering employee productivity and satisfaction, thereby creating value for both the employee and the company. The Company's holistic approach to the management of its Human Capital, is founded on the core building blocks of "inspiring people", "caring for people" and "leadership". This framework continually strives towards ensuring diversity, encouraging and facilitating innovation and excellence.

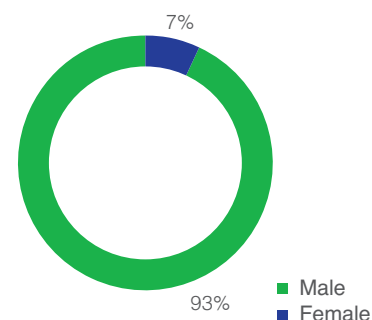
### Kelani Family

As an equal opportunity employer, Kelani Cables PLC encourages workplace diversity in all its forms, and prides its self in continuously innovating, updating and upgrading to foster an enabling and inclusive environment, which promotes a content and productive workforce. The Company's non-discrimination policy commits to maintain a workplace

that is free from physical and verbal harassment and discrimination based on race, religion, gender, age, nationality, social origin, disability, sexual orientation, gender identity, political affiliation or opinion, among others. The Company believes in communal kinship and advocates that it is every citizen's duty to protect and foster cross-culture acceptability, regardless of race, religion or ethnic group.

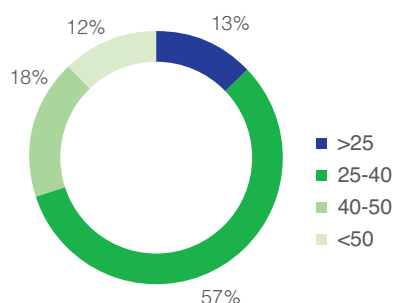
Kelani Cables PLC monitors the diversity of its workforce based on age and gender, as illustrated by the following diagrams. In businesses, active steps have been taken to enhance female participation to better meet business needs. The Company has seen a positive demographic breakdown within the workforce with 57 per cent of its employees being between 25 to 40 years. The company has also seen a positive increase in the female population.

### Gender Diversity

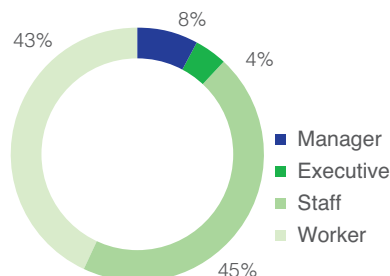




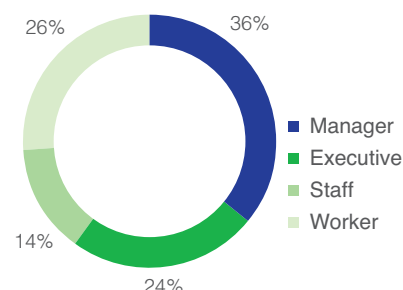
### Age Diversity



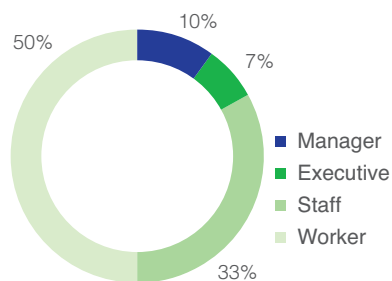
### Talent acquisition -Category Wise



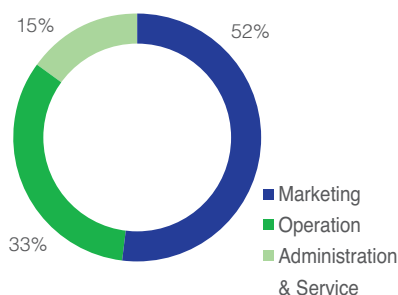
### Trainings By Category



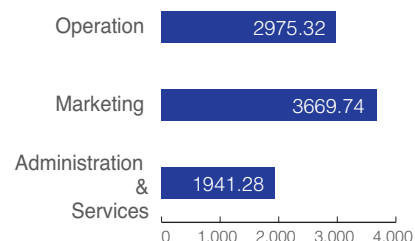
### Category Diversity



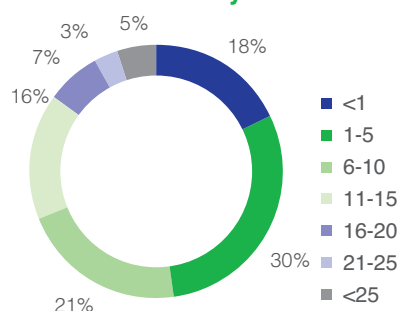
### Talent Acquisition-Department Wise



### Training By Departments



### Service Diversity



### Talent Acquisition

Kelani Cables PLC continuously monitors its employee retention, and in particular seeks to address staff attrition in typically high attrition prone industry groups, by implementing proactive initiatives that engage employees. The Company's total attrition, where staff turnover is expected to be high and is an industry norm. With the increased market of service sector & FMCG, some pressure on staff retention was faced

by the manufacturing segment, which contributed to the higher attrition rate.

During the year under review, Company adopted diverse approaches to attract and retain employees. The Company continued to have its partnerships with universities, higher education institutions and vocational training institutions. Its robust Internal Job Posting Programme, which allows employee mobility across the company, is a unique selling proposition the company leverages on, to attract and retain high calibre motivated employees.

### Talent Development

Kelani Cables PLC learning and development programmes are pivotal for talent retention and ensuring a sustainable competitive advantage. During the year under review, a total of 8586 training hours were provided

to employees. In each year, trainings for employees are determined on a need basis, aligning the business specific requirements with gaps identified in employee skills and the roof competencies. Through the performance management system, employees can request training when conducting self-appraisals while supervisors also can nominate employees for training, as required, taking advantage of the company's extensive training calendar. On average, 16 hours of training were provided per employee per annum.

There were number of training Programs for individuals who have the potential to be future leaders, preparing them for the next stage of their development and ensuring they gather the right skills and experience to accelerate their careers.

# Sustainability Report



To enable employees to maximize their potential and get the most out of their career, Kelani Cables promotes the continuous professional and personal development of its staff. Total investment in training was increased annually. The company maintained a broad offering of programs. In accordance with the strategic priorities of Kelani Cables, there has been a greater focus on sales and marketing topics. A significant part of training is now delivered via innovative learning tools.

## Talent Retention

Kelani Cables PLC continuously monitors its employee retention and, in particular, seeks to address staff attrition through proactive initiatives that engage employees.

Kelani family refers various policies and practices which let the employees

stick to an organization for a longer period of time. Our organization invests time and money to groom a new joined, make him a corporate ready material and bring him at par with the existing employees. The organization is completely at loss when the employees leave their job once they are fully trained. We are committed to ensure that an individual stays in our organization for the maximum period of time. We believe on career opportunities, compensation, work environment, company culture and benefits are the key factors that retain the talent for longer period. Market based compensation and remuneration as well as benefits help our people to stay one step ahead from comparative cost of living. In order to keep good culture in organization we conduct welfare events such as Annual Pirith enchanting at January 1st, Annual New year festival, Annual X'mas party

etc, we are committed to make Kelani Cables is their second home.

For year 2017/18 our welfare society had organized a musical show called "Prabhanandaya" as a fund raising project and supported a series of welfare activities including renovation of houses for needy employees, donation of funds to employees in instances of critical illnesses and providing financial support to the employees' children for their education. Furthermore, children of employees who excelled at GCE Ordinary Level and Advanced Level examinations and gained entry to University were awarded scholarships. It also provides financial assistance to the employees' at the time of a death of a family member, marriage and donations for children for their education.

## Health and Safety

Kelani Cables PLC places significant emphasis on ensuring a safe working environment for all its' employees, taking steps to ensure that health and safety concerns are prioritised and addressed across the Company. All departments within the Company have been empowered to undertake any measure it may deem necessary to ensure that it is a "Safe Place to Work." As part of its Human Capital management strategy, incidents are logged, recorded and tracked on a continuous basis. There were no fatalities reported during the year under review.



## Way Forward

By strategically expanding its capacity, the business continues to seek best talent, develop talent and retain talent with an even more aggressive roll out plan, over the next few years. To make that possible HR plays major role in securing the future success of Kelani Cables PLC. In doing so, the function is guided by its long-term vision of working in partnership to create an environment where employees can thrive and enable to deliver sustainable organizational performance. Specifically, our HR activities were in line with these priorities, which have come into particular focus with Kelani Cables PLC's Strategy and its execution over the coming years.

## For Society--

### Community Engagement

Our approach engaging with communities is based on meaningful and active collaboration, participation and dialogue which results in mutually beneficial relationships. The community engagement projects initiated by Kelani Cables helps in forming strong links with local communities, enhancing corporate reputation and competitiveness, retaining employees and contributing towards the economic and social development of people.

### Kelani Saviya

Our unique initiative "Kelani Saviya" set up to promote professionalism in the occupation of electricians continues for the 11th consecutive year. The program was launched under the patronage of Vice Chancellor, University of Peradeniya, Prof. S.B.S. Abeykoon, one of the key founders of the program. During the year under review the 10th batch commenced the program with 50 students. The key objective of this program is to persuade youth to achieve high standards in their chosen vocation as electricians and gain social recognition as well as better their career stability and prospects. Set up in 2007, the course registered 450 students from across the island to date, with over 400 achieving the required goals and completing the all three levels to obtain full qualification.



Passed students of Kelani Saviya 9th batch at the Certificate Awarding Ceremony on 02nd August 2017.



### Kelani Shakthi

Further we have strengthened and extended the above program to the Northern Province with the name "Kelani Shakthi" in collaboration with the University of Jaffna. The initial program accommodated 50 students. The passing out ceremony of these students was held and the third batch of the Kelani Shakthi students commenced the program.



Passed students of Kelani Shakthi 2nd batch at the Certificate Awarding Ceremony on 16th November 2017.

### Knowledge Sharing

In the last financial year we have given the opportunity to 12 organizations to visit our premises and share the best practices of us. The Sri Lanka Navy, Air Force, Government organizations,



# Sustainability Report

private organizations, hospitals and students of vocational training institutes visit us regularly.



## Knowledge sharing programs

### Kelani Electricians' Club

Our pioneering effort towards raising the standards of electricians, both professionally and socially, completed another successfully year by conducting 17 seminars throughout the country with over 100 participants attending each. These seminars covered the area of usage, safety and conservation of electricity.



## Electrician training program

### Motor Winders

The company continued to build a strong relationship and support the motor winders, through various activities in order to help them to keep their profession alive.

## Environment and Community

Care for Kiribathgoda base hospital waste management

Waste segregation is the foundation to reduce forming of waste dumps and dispose each waste type in an optimal way. We contributed to developing systematic waste management at Kiribathgoda base hospital in 2017.



## Helping hand for differently abled

*"We make a living by what we get, but we make a life by what we give"*

-Winston Churchill-

The business has a responsibility to give back to the community. As a leading company in cables industry we did not forget to reciprocate towards our surrounding community.

Among the numerous CSR activities, providing Hearing Solution to the needed parties take a significant insight of the community. We furnish Hearing Aids as per the request we receive from the needed. We donated 59 Hearing Aids to the School for Deaf, Rathmalana. At the same time we extended our service to Lions Club - Panadura, social service society- Moratuwa, Sri Punyawardanaramaya - Ayagama, and some needy individuals. By this CSR activity 317 individuals were benefited.



*Helping few people might not change, the whole world, but it could change the world for few persons.*

## Product responsibility

### Brand promise

Consistent with our brand promise "Safety Forever", we offer our customers with products that meet and exceed requirements of national and international standards. All Kelani cables are tested extensively at internal and external state of the art testing laboratories by experienced and skilled professionals before they are released to the market. We keep a regular dialogue with our customers, professionals in the electrical field, governmental institutions, regulatory bodies and other stakeholders as appropriate to understand current and future needs, trends and developments in the electrical wiring field and how we can offer better products to our customers. We conduct regular trainings and seminars for members of Kelani Electricians



Club to arm them with industry new developments and enhancing their professions.

#### Product certifications

Kelani cables holds product certifications from the national standards body Sri Lanka Standards Institution, and Kelani Enamelled winding wire is an Underwriters Laboratories (UL) recognised component accepted internationally.



#### Product information & technical Assistance

We provide our customers with necessary information on cables and other products that are required to ensure safety while storing, installing, operation and if required disposal. Voltage category is a necessary indication in product labelling to avoid damage to humans and equipment by misusing cables. Optimal and safe current ratings for cables are recommended in our catalogues based on UK IET wiring regulations-BS 7671 latest version. Product catalogues are available in Sinhala, Tamil and English languages with information understandable to both experts in the field and the common consumer. Our emphasis is on customer safety

in the use of wiring. Therefore, we offer free technical service on cable selection for local and international customers. Our technical service hotline is available 24x7 to provide our customers a total cable solution. This service is further extended by means of technical seminars for engineers and electricians. Last year we introduced the wire calculator mobile app, a mobile phone app that helps selecting right electrical cables for varied purposes. Using the new app, with the support of an electrician households and anyone in the electrical engineering field could select the most suitable wire for wiring a house or a more complex place. The wire calculator app is available on iPhone, android and as a web app.

Consistent with our brand promise “Safety Forever”, we offer our customers with products that meet and exceed requirements of national and international standards.



# Risk Management

Kelani Cables 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 economic and external factors. Risks arise in all our business activities cannot be completely eliminated, however we work to manage risks in our internal control environment. Once the risks pertaining to a particular business environment are identified,

strategies for managing them are formulated.

The responsibility for managing risks rests with everybody in the organisation including the Board of Directors, who have set policies and processes to manage the same. They are monitored in the discharge of their duties by the Audit Committee, who have oversight responsibility for risk management and internal controls.

These identified risks and mitigation action plans are discussed at the regular Audit Committee meetings and implemented with the guidance of the Committee. In addition during the year end audits a management letter is issued by the external auditors

and informs the Board of Directors the outcomes of these evaluations.

Internal Control systems that include policies and standard operating procedures to ensure achievement of Company objectives of efficient business operation, safeguarding of assets, prevention of fraud and errors, the accuracy and completeness of accounting records, compliance to laws and regulations and timely recording of all transactions, timely preparation of reliable information are achieved are in place and forms part of the Risk Management process of the Company.

The risks identified by the Company and strategies and mitigating actions are discussed and analysed below.

Risk category	Description	Strategies and Mitigating Actions
Business/ Market Risk	Economic conditions and government policies Aggressive competition New entrants	<ul style="list-style-type: none"> <li>Company closely monitors competitor activities and strategies. This includes review of market share of competitors' and performance, where necessary new strategies are formulated or existing strategies are revised to counter the actions of competitors.</li> <li>Strengthen market position by improving brand image and ensuring availability of the products island wide.</li> <li>Take advantage of group synergies and ongoing expansion of capacity in target areas.</li> <li>Implementing various marketing and pricing strategies to protect the market share</li> <li>Reduce dependency on one segment by balancing the focus to other segments to create more revenues.</li> </ul>
Operational Risk/ Fraud Risk	Losses arising from fraud, human errors, unethical behaviour, fraud and error by one or more participants in a particular process which creates lack of trust in dealings	<ul style="list-style-type: none"> <li>Conduct periodic internal audit reviews and report to the Audit Committee</li> <li>Maintain a business continuity plan to ensure disaster preparedness</li> <li>Stringent internal controls</li> <li>Strong internal audit function</li> </ul>
Human Resource Risk	Disruption to continuity of business Operations as a result of failure to attract, develop and retain skilled workforce	<ul style="list-style-type: none"> <li>Effective communication lines are developed in the company's culture to foster good employer employee relationships.</li> <li>Maintain healthy and cordial relationship with employees at all levels through joint consultative committees and welfare activities</li> <li>Regular training programs are carried out in order to infuse motivation, commitment and empowerment among the staff.</li> <li>Career planning and evaluating performance on regular intervals. Opportunities for career progression.</li> </ul>
Credit Risk	Potential losses arising due to customer bankruptcy	<ul style="list-style-type: none"> <li>Adherence to business specific credit policies.</li> <li>Regular follow up.</li> </ul>

Risk category	Description	Strategies and Mitigating Actions
Liquidity Risk	Adverse impact on the liquidity position as a result of payment delays by customers, long stock residence period and early payment for creditors	<ul style="list-style-type: none"> <li>Continuous reviewing of business models and working capital management</li> <li>Strong relationship with banks and unutilised funding lines</li> <li>Credit risks are assessed, credit limits are set and credit granted is closely monitored</li> </ul>
Exchange Rate Risk	Potential losses as a result of adverse movement in the exchange rates	<ul style="list-style-type: none"> <li>Managing foreign exchange/ interest rate exposure with positive negotiations with banks and applying effective management of financial risk management techniques.</li> </ul>
Interest Rate Risk	Fluctuation in market interest rates having an impact on the profitability by way of interest income and borrowing cost	<ul style="list-style-type: none"> <li>Consistent negotiations with banks to obtain attractive interest rates</li> </ul>
Asset Risk	Potential losses that may be caused due to machine breakdowns and damages from fire, flood or theft	<ul style="list-style-type: none"> <li>Obtain comprehensive insurance covers for plant, machinery and inventory.</li> <li>Carry out planned preventive maintenance programs at regular intervals</li> <li>Maintain fire fighting equipment within standards and fire drills are conducted annually.</li> <li>Upkeep security precautionary systems</li> </ul>
Technological and Quality related risk	Possibility of products or processes being outdated or obsolete due to Standard upgradation	<ul style="list-style-type: none"> <li>Manufacture products conform to latest national and international standards.</li> <li>Keep pace with current technological developments in the industry.</li> <li>Upgrade knowledge of technical staff through international exhibitions, trainings and seminars</li> <li>Obtain national and international product certifications to ensure quality and safety.</li> <li>Ensure strong supplier and customer relationship to meet customers changing requirements and suppliers new developments</li> </ul>
Inventory Risk	Risk of carrying Finished Goods inventory that is not saleable, raw materials or Work in Progress inventory that is not usable or obsolete	<ul style="list-style-type: none"> <li>Conduct regular planning meetings to plan production in line with sales demand in order to reduce items made for stock</li> <li>Ensure required quality standards are met at all stages of inventory to verify quality and maintain until the product is delivered</li> </ul>
System Risk (IT) Risk	Potential for system failures, inaccuracy or delays in decision making due to inaccurate or non-availability of timely information from key computer systems	<ul style="list-style-type: none"> <li>Centralised IT operation and Data back ups are stored in outside locations</li> <li>Mirroring of hard disks with critical data</li> <li>Vendor agreements for support services and maintenance</li> <li>Regular upgrading of virus scanners and firewalls</li> <li>Upgrading of software with new releases</li> </ul>
Environmental Risk	Risks associated with environmental emissions and the related risks due to violation of regulations	<ul style="list-style-type: none"> <li>Ensuring compliance to applicable legal and other requirements</li> <li>Setting environmental objective targets and programs to mitigate the environment impact.</li> <li>Independent review and monitoring of internal control systems and monitoring/measurement of environmental performance</li> <li>Educating staff on emergency preparedness</li> <li>Practicing the 3R concepts : reduce, reuse and recycle of resources.</li> <li>Disposing of waste in the best possible environmental friendly manner.</li> <li>Certified to ISO 14001:2015 system.</li> </ul>

# Corporate Governance

The Board of Directors of Kelani Cables PLC is committed to meeting high standards of Corporate Governance. The Company firmly believes that the professionalism, integrity and commitment of its Board members and employees, supported by a sound system of policies, practices and internal controls are prime concerns that will sustain long term value and returns for its shareholders.

In pursuit of achieving high standard of Corporate Governance the Board ensures the compliance of the regulations set out in the Listing Rules of the Colombo Stock Exchange (CSE), the Code of Ethics jointly issued by the Securities and Exchange Commission (SEC), the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Companies Act No. 7 of 2007 of Sri Lanka (Companies Act).

The ensuing sections below demonstrates the manner and the extent to which the Kelani Cables PLC adheres to the Code of Best Practice on Corporate Governance issued by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka.

## A Board of Directors

### A 1 Board Leadership

Kelani Cables PLC is headed by an effective Board of Directors with wide array of experience and currently comprises of the Chairman, Deputy Chairman and four Directors. As evident from the profiles of Board of Directors, Kelani Cables PLC Board comprise of professionals as well as entrepreneurs who have many years of experience in the corporate world. The Board gives leadership in setting the strategic direction and establishing a sound control framework and is accountable for the governance of the Company.

The Board's composition reflects sound balance of independence and anchors shareholder commitment.

### Responsibilities of the Board

The Board is responsible for the formulation and implementation of sound business strategies and is responsible to ensure that the Company adheres to the relevant laws and regulations of the country, regulatory authorities, professional institutes and trade associations.

### The Board is responsible for:

- Providing direction and guidance to the Company in the formulation of medium and long term strategies;
- Reviewing and approving annual plans and long term business plans;
- Tracking actual progress against plans;
- Overseeing systems of internal control and risk management;
- Appointing and reviewing the performance of the CEO;
- Reviewing HR policies and HR process on management succession planning
- Reviewing and approving investments, acquisitions, disposals and capital expenditure
- Monitoring systems of governance and compliance

Board meetings are held once a month. Sufficient time is dedicated at every meeting to ensure all responsibilities are discharged satisfactorily. Timely information are provided before a meeting with a clear agenda with the Board papers. Directors dedicate adequate time before a meeting to review Board papers. The Company convened twelve Board Meetings for the year. Information provided covers the monthly accounts and

comparison of performance against the Budget are discussed and remedial action taken when necessary. Senior Managers make presentations on the performance in their respective area on request. When the Board requests additional information, which is also provided.

Board obtains professional advice when required at the expense of the Company. During the year professional advice was sought on legal, accounting, property valuation and actuarial valuation etc.

The Directors have not formulated a formalised plan for training. The service and advice of the Company Secretary is made available to the Directors where necessary. The Company Secretary is responsible for keeping the Board informed with new laws, regulations and other requirements that are relevant to them as individuals as well as collectively as members of the Board.

### Committees Under purview of the Board

#### Remuneration Committee

Remuneration committee of the parent-company acts as the remuneration committee of the company. This committee comprises of two independent Non- Executive Directors of the parent company. Mr Ajith Jayaratne serves as the Chairman of the committee and Mr. Rajiv Casie Chitty serves as the member.

#### Audit Committee

Details are given in D3 in page 38 of this report.

#### Related Party Transactions Review Committee

As a subcommittee of the Board, it's primary objective is to ensure that the interests of all its shareholders



are taken into account by the Company when entering into related party transactions. All related party transactions were reviewed by the committee.

## **A 2 Chairman and Chief Executive Officer**

There is a clear division of Responsibilities in conducting the business of the Board and the day-to-day operations in order to ensure a balance of power and authority. A clear division of responsibility is maintained between the Chairman and the Chief Executive Officer ensuring that the balance of power and authority is preserved since the Positions of Chairman and Chief Executive Officer are separated.

## **A 3 Chairman's Role**

The Chairman is responsible for leading, directing and managing the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities.

- He ensures good governance and effective discharge of Board functions by the Board Members at all times and implementations of decisions taken.
- The Chairman will ensure, Effective participation of both Executive and Non- Executive Directors and views of directors are ascertained.
- All Directors are encouraged to make an effective contribution.
- The Board is in full control of the Company's state of affairs and make aware its obligations to shareholders and stakeholders.
- Proper conduct of meetings, accuracy and timeliness of information and accurate minutes.

## **A 4 Financial Acumen**

The Board include directors who possess the necessary knowledge and experience to offer the Board guidance on financial matters. Audit Committee and Remuneration Committee of the Company is headed by the Chairman of the Audit Committee and Remuneration Committee of the Parent company. Qualifications of Directors are disclosed in Board of Directors section on page 12 and 13 and in Remuneration Committee Report.

## **A 5 Board Balance**

There should be a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking.

The Board of Kelani Cables PLC currently comprises of six Directors, three of whom are Executive Non-Independent Directors. Two of the three Non-Executive Directors have met the criteria for independence. All the Directors have made a declaration to that effect.

## **A 6 Information to the Board**

The code requires the Company's management to provide timely information to the Board in a form and of quality appropriate to enable it discharge its duties.

Procedures exist to ensure that Directors receive timely information on monthly basis and a clear agenda and papers with guidance on contents.

## **A 7 Appointments to the Board**

There should be a formal and transparent procedure for the appointment of new Directors to the Board.

The appointments to the Board is undertaken by the Board itself,

taking into consideration the Board composition required and the strategic input required. This is done according to Articles of Association. All Board appointments are informed to the SEC as per the existing regulations.

A profile of Directors' qualifications, experience and the other directorships are given under the Directors' profile section of the Annual Report. Details of the new Directors are disclosed to the shareholders at the time of their appointment by way of a public announcement as well as in the Annual Report.

## **A 8 Retirement and Re-election**

All Directors' should be required to submit themselves for re-election at regular intervals.

In terms of the Articles of Association, all the Directors are elected by the shareholders at the Annual General Meeting immediately after their appointment. Thereafter, each year one third of the Directors, other than the Chairman, Deputy Chairman and the Chief Executive Officer, retire by rotation. The Directors who hold office for a longest period retire and offer themselves for re-election with the recommendation of the Board of Directors. When they are re-elected at AGM, immediately after their appointment, they have to come up for re-election in three years or shorter period.

In terms of the Section 210 of the Companies Act No. 07 of 2007, Directors reaching the age of 70 years are recommended for re-election on a substantive motion by a shareholder. The profile details of the Directors who are subject to re-election at the forthcoming AGM are given under the Directors' Profile section of the Annual Report.

# Corporate Governance

## A 9 Appraisal of Board Performance

The Board should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.

The Board should annually appraise itself in the key responsibilities. The Board annually undertake a self-evaluation of itself and that of its committees. The Board carries a monthly follow up sheet on decisions made by it, and the time taken to implement it. This sheet is discussed every other meeting to self-evaluate the Board.

## A 10 Disclosure of Information in respect of Directors

Details in respect of each Director should be disclosed in the Annual Report for information of the shareholders.

Name, qualifications, brief profile, nature of expertise, names of other companies each director serves as a Director are given under the Directors Profile section of the Annual Report.

Director's interests in the contracts with the company are disclosed on pages 82 to 83.

The Board meets once a month to review the performance of the Company and take strategic decisions. Scheduled Board meetings and Committee meetings were arranged well in advance and all the Directors were expected to attend each Meeting. Any instance of non-attendance at Board meetings were generally related to prior business, personal commitments or illness.

The Table below provides the Directors' individual attendance at Board and Sub-committee Meetings.

Name of the Director	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Related Party Transactions Review Committee Meetings
<b>Executive Directors</b>				
Mr. U.G.Madanayake - Chairman	12/12			
Mr. Suren Madanayake - Deputy Chairman	12/12			
Mr. Mahinda Saranapala - Director/ Chief Executive Officer	12/12			
<b>Non Executive Directors</b>				
Mrs. N.C. Madanayake	9/12			
<b>Independent Non Executive Directors</b>				
Dr. Bandula Perera	12/12	3/4		
Dr. Ranjith Cabral	12/12	3/4		
<b>Non-Executive Directors of Holding Company</b>				
Mr. Ajit Jayaratne		4/4	1/1	4/4
Mr. Rajiv Casie Chitty			1/1	4/4

## A 11 The Board should be required, at least annually, to assess the performance of the CEO

The performance of the Chief Executive Officer is reviewed annually.

## B Director's Remuneration

### B 1 Directors' Remuneration

The Company should have a formal and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of individual

Directors. No Director should be involved in deciding his/her own remuneration.

Remuneration Committee of the parent company functions as the Remuneration Committee of the Company. Details of the Remuneration Committee and the statement of

Remuneration policy are provided on the page 42 of the Annual Report.

## **B 2 Level and Make-up of Remuneration**

Level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.

Details of the Remuneration committee and the statement of remuneration policy are provided in the Annual Report.

Remuneration for Non-Executive Directors of the Company consist of a fee paid on a fixed basis for participation of monthly Board Meetings. Chairman and Deputy Chairman have acted in an honorary capacity and only a fee for attending Board Meetings were paid to them during the year under review. The remuneration paid to Chief Executive Officer is disclosed in the Report.

The Company does not have an employee share option scheme.

## **B 3 Disclosure of Remuneration**

The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole. The aggregate remuneration paid to Executive and Non-Executive Directors are disclosed on page 68 of this Report.

## **C Relationship with Shareholders**

C 1 Constructive use of the Annual General Meetings (AGM) and conduct of General Meetings and building up relationships with Shareholders. Company should always encourage participation of the shareholders and solicit the views.

The Annual General Meeting and the published reports of the Company are a means of communicating and encouraging shareholder and investor participation. The Board believes that maintaining a good relationship with shareholders is of prime importance. The members of the Board are present at the Annual General Meeting and are willing to answer questions raised by the shareholders. The Notice and the related documents are sent out to the shareholders 15 working days prior to the date of the AGM.

## **C 2 Communication with Shareholders**

The Board should implement effective communication with shareholders. The Company uses many methods to disseminate information to the shareholders including the annual and quarterly financials, company publications, information sent to CSE etc. The Annual report produced for the year ended 31st March 2018, is available to all shareholders on the Company website or in paper form on request. Shareholders are invited to express their views on any issues of concern at the AGM. The Board will respond to all validly received shareholder correspondences and will direct the Company Secretary to send the response to the shareholder.

Contact persons for shareholder matters are Company Secretary and in the absence of them, the Chief Executive Officer or the Deputy Chairman.

## **C 3 Major and Material Transactions**

Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/ vary the Company's net assets base of the Company.

There is no materially significant related-party transactions or

relationships between the Company and the Directors, subsidiary companies or related parties except for those disclosed in the Financial Statements for the year ended 31st March 2018.

## **D Accountability and Audit**

### **D 1 Financial Reporting**

The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.

The Board through the Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements of Company and its subsidiary in accordance with the Sri Lanka Accounting Standards, comprising SLFRSs and LKAs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of these financial statements. This includes selecting and applying appropriate accounting policies and making estimates that are reasonable.

The Financial review from pages 54 to 57 provides a fair assessment of the Group's performance and results for the year. Chairman's Review, CEO's Review and Annual Report of the Board of Directors on the Affairs of the Company is given on pages 8 to 11 and pages 44 to 46. The Statement of Directors' Responsibility for Financial Reporting is given on page 47 and the Independent Auditors' Report on the Financial Statements of the Company for the year ended 31st March 2018 is given on page 49 to 53.

### **D 2 Internal Controls**

The Board should have a process of Risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.

# Corporate Governance

The Board is responsible for the effectiveness of the internal controls. The effectiveness of the internal control system is periodically reviewed by the Audit Committee and major observations are reported to the Board. The internal audit function is carried out by Messrs. Ernst & Young Advisory Services (Pvt) Ltd.

The Board reviews the reports arising from internal audits and also observations presented by the External Auditors Messrs. KPMG and monitors the progress of the Company. The Board has reviewed the internal control procedures in existence and is satisfied with its effectiveness.

## **D 3 Audit Committee**

The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors.

The Audit Committee, among other functions reviews the operation and effectiveness of the internal control systems. The internal controls within the company are designed to provide reasonable assurance to the Directors and assist them to monitor the financial position of the Group. The Company ensures cordial relationship with the Internal Auditors Messrs. Ernst & Young Advisory Services (Pvt) Ltd and External Auditors, Messrs. KPMG.

The Audit Committee comprises of two Independent Directors of the Company and the Chairman of the Parent

Company Audit Committee act as the Chairman of the Committee. The CEO and the CFO attend the meetings on invitation. The Audit Committee Report is given in this Report.

## **D 4 Code of Business Conduct & Ethics**

The Companies must adopt a Code of Business Conduct & Ethics for directors and members of the senior management team and must promptly disclose any waivers of the Code for Directors or others. The Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka the Securities and Exchange Commission is adopted by the Directors who then ensure that the company employees behave ethically.

## **D 5 Corporate Governance Disclosures**

Directors must disclose the extent to which the Company adheres to established principles and practices of good governance.

Adhered to as per the Corporate Governance principals given in this Report.

## **E Institutional Investors**

### **E 1 Shareholder Voting**

Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.

All shareholders are invited for AGM. Company uses Annual General Meeting as an effective channel to create a dialogue between Directors'

and the shareholders. All shareholders are welcome to express their opinion. The Quarterly and the Annual Financial Statements are mainly considered at the AGM. When evaluating Company's governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.

## **F Other Investors**

### **F 1 Investing/Divesting Decision**

Institutional shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis seek independent advice in investing or divesting decisions. The shareholders are provided with adequate information on the performance of the Company thereby encouraging them to analyse their investments adequately through CSE web site and other public announcements.

All shareholders are encouraged to participate in General Meetings and to exercise their voting rights. Adequate Notice is given in order to obtain maximum participation.



Compliance with Corporate governance rules as in sections 7.10, 9.2 and 9.3 of the Listing rules of the Colombo Stock Exchange.

CSE Rule No.	Applicable Rule	Governance Requirement	Company's Adherence
<b>Board of Directors</b>			
7.10.1 (a)	Non-Executive Directors	Two or at least one third of the total number of Directors should be Non-Executive Directors, whichever is higher.	Compliant
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher, should be independent.	Compliant
7.10.2 (b)		Each Non-Executive Director should submit a declaration of Independence / non-independence.	Compliant
7.10.3 (a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report.	Compliant
7.10.3 (b)		The basis for determining the independence of Non Executive Directors, if criteria for independence is not met.	Not applicable as it complies with listing rules.
7.10.3 (c)		A brief resume of each Director should be included in the Annual Report, including his / her area of expertise.	Please refer pages 12 & 13 of the Annual Report.
7.10.3 (d)		Upon appointment of a new Director a brief resume of the Director should be submitted to the Stock Exchange.	Compliant
<b>Composition of Remuneration Committee</b>			
7.10.5 (a)	Composition	The Committee shall comprise of majority of whom shall be independent. One Non- Executive Director shall be appointed as Chairman of the committee by the Board of Directors.	Compliant Parent Company Remuneration committee acts as the Remuneration committee for the company. Refer Remuneration Committee Report of the Annual Report
7.10.5 (b)	Functions	Committee shall recommend the remuneration payable to Executive Directors and the Chief Executive Officer or equivalent role.	Compliant
7.10.5 (c)	Disclosure in Annual Report	Annual Report should set out the names of the members of the Committee, a Statement of Remuneration Policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	Compliant Refer Remuneration Committee Report and Note 7
<b>Audit Committee</b>			
7.10.6 (a)	Composition Directors	The Audit Committee shall comprise of a minimum two Independent or of Non-Executive Directors, a majority of whom shall be independent. The Chairman of the Audit Committee shall be a Non-Executive Director.	Compliant Refer Audit Committee Report in the Annual Report. The Audit Committee Comprises of two Independent Directors of the Company and the Chairman of the Parent Company Audit Committee, act as the Chairman of the Committee.
		Unless otherwise determine by the Committee, the CEO and the CFO shall attend meetings. Chairman or one of the Committee member should be a member of a recognised professional accounting body.	The CEO and the CFO attend the meetings on invitation. Compliant

# Corporate Governance

CSE Rule No.	Applicable Rule	Governance Requirement	Company's Adherence
7.10.6 (b) Functions Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with the SLAS.		Overseeing compliance with the financial reporting related regulations and requirements. Overseeing the process to ensure that internal controls and risk management are adequate. Assessing the independence and performance of the external auditors. Recommending to the Board the appointment, re-appointment and removal of the Auditors and approving their remuneration and terms of engagement.	Compliant. Refer Audit Committee Report in the Annual Report
7.10.6 (c) Disclosure in Annual Report		The names of the members of the Audit Committee The basis of determination of the independence of Auditors A report of the Audit Committee setting out the manner of compliance	Compliant. Refer Audit Committee Report
<b>Related Party Transactions Review Committee</b>			
9.2.1 Related Party Transaction Review Committee (RPTRC)	Functions	The Annual report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions to ensure the interest of the shareholders as a whole is taken to account by the Company when entering into Related Party Transactions.	Compliant. Refer the Related Party Transactions Review Committee Report of The Annual report.
9.2.2 Composition of RPTR Committee		Such number of Non-Executive Directors and Executive Directors at the option of the Company and the Chairman of the RPTR Committee shall be an Independent Non-Executive Director.	Compliant. Parent Company RPTR Committee act as the RPTR Committee for the Company. Refer RPTR Committee Report of the Annual Report.
9.2.3		Holding Company RPTR Committee to function as the RPTR Committee of Subsidiary.	Compliant
9.2.4 Frequency of Meeting		The Committee shall meet at least once a calendar quarter. The Committee shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.	The Committee met 4 times during the financial year under review and the minutes of the Committee are tabled at Board Meetings.
9.3.1 Immediate Disclosures		i. Any non-recurrent Related Party Transaction with a value exceeding 10% of the Equity or 5% of the total Assets of the Equity as per the latest Financial Statements. ii. Any subsequent Non-recurrent Transaction after it exceeds 5% of equity entered with the same related party.	N/A
9.3.2 Disclosure in the Annual Report		a. Non-recurrent Related Party Transactions b. Recurrent Related Party Transactions c. Report of the Related Party Transactions Review Committee d. An affirmative Statement by the Directors that they are in compliance with the rules pertaining to Related party transactions	Compliant. Compliant. Please refer page 82 to 83 of the Annual Report. Compliant Compliant. Refer RPTR Committee Report of the Annual Report.

# Audit Committee Report

The Audit Committee consists of the Chairman of the Audit Committee of the Parent Company and two Independent Non-Executive Directors of the Company, biographical details of whom are set out in the Director's profiles section and the Remuneration Committee Report of this Annual Report.

- Mr. Ajit Jayaratne  
- Chairman of the Committee
- Dr. Bandula Perera  
- Member
- Dr. Ranjith Cabral  
- Member

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

## Role

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

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

- The effectiveness of the external audit process and making recommendations to the Board of Directors on the appointment of the external auditors.

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

## Meetings and Attendance

The Committee met on four occasions in 2017/2018 timed to coincide with the financial and reporting cycles of the Company. Members' attendance at these meetings is set out in the Corporate Governance Report. The Chairman, Deputy Chairman, Director/Chief Executive Officer, Group Financial Controller and Chief Financial Officer are invited to attend meetings whenever required.

## Financial Reporting

The Audit Committee considered a wide range of financial reporting and related matters in respect of the 2017/2018 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 Kelani Cables PLC for other non-audit work unless there are compelling reasons to do so. Any proposal to use the external auditors for non-audit work must be submitted to the Deputy Chairman, via the Group Financial Controller, for approval prior to appointment.

The Audit Committee, having evaluated the performance of the external auditors, decided to recommend to the Board of Kelani Cables PLC, the re-appointment of Messrs. KPMG, 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 2017/2018 can be found in Note 7 to the Financial Statements.

## Internal Control System

In 2017/2018 the Committee reviewed the results of the audits undertaken by Internal Auditors, Messrs. Ernst & Young Advisory Services (Pvt) Ltd., and considered the adequacy of Management's response to the matters raised, including the implementation of any recommendations made.

On behalf of the Committee

(Sgd.)

**Ajit Jayaratne**

Chairman of the Audit Committee

02 July 2018

# Remuneration Committee Report

The Remuneration Committee of the parent company functions as the Remuneration Committee of Kelani Cables PLC. The Committee comprises of the two Independent Non-Executive Directors of the parent company, brief profiles of whom are set out below.

Mr. Ajit Jayaratne - Chairman of the 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 in November 2005.

Mr. Rajiv Casie Chitty – Member

Mr. Rajiv Casie Chitty is a fellow of the Association of Chartered Certified Accountants (ACCA), UK and an Associate Member of the Chartered Institute of Management Accountants (CIMA), UK and a Chartered Financial Analyst, USA. He obtained his Masters in Economics from the University of Colombo and won the Janashakthi Gold at the 2006 CIMA Pinnacle Awards. Mr. Casie Chitty was appointed as a Director of ACL Cables PLC in November 2005. He is the Chief Operating Officer of Commercial Credit & Finance PLC and Non-Executive

Independent Director of Tangerine Beach Hotels PLC, Royal Palms Beach Hotels PLC, Ceylon Printers PLC and Office Equipment PLC. He is a former President of the ACCA Sri Lanka panel. He has over 20 years of experience in Senior Managerial positions in the private sector.

The members of the Committee and the Chairman of the Committee shall be appointed from time to time by a resolution of the Board, from amongst the Non-Executive Directors. The Remuneration Committee formally met once in the last financial year.

## Role

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

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

## Activities

The Committee considered a range of issues including,

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

Members' attendance at meetings of the Remuneration Committee in 2017/2018 is set out in the table in the Corporate Governance Report.

## Executive Directors

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

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

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

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

On behalf of the Committee

(Sgd.)

**Ajit Jayaratne**

Chairman of the Remuneration Committee

02 July 2018



# Report of the Related Party Transactions Review Committee

## Composition of the Committee

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

- Mr. Ajit Jayaratne - Chairman (Independent Non-Executive Director of Parent Company)
- Mr. Rajiv Casie Chitty- (Independent Non-Executive Director of Parent Company)

## Objective

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

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

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

## Scope of the Committee

- The Committee reviews in advance all proposed related party transactions to ensure they are carried out on an arm's length basis.
- At each subsequent scheduled meeting of the Committee, the management shall update the Committee as to any proposed material changes in any previously reviewed related party transactions and seek approval of the Committee for such proposed material changes prior to the completion of the transaction.
- The Committee reviews related party transactions based on rules stipulated in the Code (rules 28 – 33 in the appendix to the Code) and the need of special approval from shareholders and disclosure requirements for such transactions.

- The Committee intends to meet as and when a need arises. However, at least quarterly meetings are scheduled to review related party transactions of the Company. The minutes of all meetings are properly documented and communicated to the Board of Directors.
- The Company Secretary, Corporate Affairs (Pvt) Limited serves as the Secretary to the RPTRC.
- The Directors of the RPTRC ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed related party transactions, and where necessary, they shall obtain appropriate professional and expert advice from an appropriately qualified person.

## Role of the Committee

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

transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.

- Obtain 'competent independent advice' from independent professional experts with regard to the value of the substantial assets of the related party transaction under consideration and circulate the same with the notice of meeting to obtain the shareholder approval.
- Make immediate market disclosures on applicable related party transactions as required by the Listing Rules of CSE.
- Make appropriate disclosures on related party transactions in the Annual Report as required by CSE Listing Rules.
- Any concerned transactions, to be highlighted to the Board.

## Committee Meetings

Four Committee meetings were held during the financial year 2017/18. The Finance Division submitted a comprehensive report on related party transactions to the Committee.

Attendance of the members of the Committee for the said meeting is provided on page 36.

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

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

## Conclusion

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

(Sgd.)

**Ajit Jayaratne**

Chairman - Related Party Transactions Review Committee

02 July 2018

# Report of the Directors

The Directors have pleasure in presenting their 49th Annual Report of your Company together with the Audited Financial Statements for the year ended 31st March 2018.

## Principal Activities

The principal activities of the Company are manufacturing and selling of Power Cables, Telecommunication Cables and Enamelled Winding Wires.

## Vision and Mission

The Corporate vision and mission are provided on page 3 of this Report. In achieving its vision and mission, all directors and employees conduct their activities with highest level of ethical standards and integrity.

## Review of Business

A review of the Company's performance during the financial year is given in the Chairman's Review (pages 8 to 9), Director/Chief Executive Officer's Review (pages 10 to 11) and Business Review and Marketing Strategy on pages 16 to 18. These reports, which form an integral part of this report, together with the Audited Financial Statements, reflect the state of affairs of the Company and Investee.

## Revenue and Profitability

The revenue of the Company and the Company and Investee for 2017/18 was Rs.7.9 Bn (Rs. 7.1 Bn in 2016/17). The profit after tax of the Company and Investee for 2017/18 was Rs. 184.7 Mn (Rs. 378.3 Mn in 2016/17), while the Company's profit after tax for 2017/18 was Rs 196.8 Mn (Rs. 376.4 Mn in 2016/17).

## Financial Statements and Auditors' Report

The Financial Statements duly signed by the Directors are provided on pages 54 to 91 and Auditors' Report on the Financial Statements is provided on page 49 to 53.

## Accounting Policies

The accounting policies adopted in preparation of the Financial Statements are given on pages 58 to 67 of this report.

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which have become applicable for the financial period beginning on or after 1 April 2018.

Sri Lanka Accounting Standards SLFRS 9 "Financial Instruments"

Sri Lanka Accounting Standards SLFRS 15 "Revenue from contracts with Customers".

Sri Lanka Accounting Standards SLFRS 16 "Leases" - applicable for the financial period beginning on or after 1 April 2019.

## Dividends

The interim dividend of Rs.3/50 per share for the financial year ended 31st March 2017 amounting to Rs. 76.3 Mn was paid during the financial year on 31st July 2017. The Board of Directors, declared an interim dividend of Rs. 3/50 per share for the year ended 31st March 2018 amounting to Rs. 76.3 Mn at the Board meeting held on 26 June 2018 and will pay on 17 July 2018.

As required by Section 56(2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that

the Company satisfies the Solvency Test in accordance of the Section 57 of the Companies Act 7 of 2007 and have obtained a certificate from the Auditors.

## Stated Capital

The stated capital of the Company as at 31st March 2018 is Rs.218,000,000 comprising of 21,800,000 shares and was unchanged during the year.

## Reserves

The movements during the year relating to Capital Reserves and General Reserves are disclosed in Notes 22 to 23 to the Financial Statements respectively.

## Share Information

Information relating to earnings, dividend, net assets and market price per share is given in the Investors Information on page 93 of the Annual Report.

## Related Party Transactions

There were no related party transactions required to be disclosed under the Listing Rules of the Colombo Stock Exchange other than as disclosed under Note 31 to the Financial Statements. Related Party Transactions Review Committee report is given on page 43.

## Board of Directors

The Board of Directors of the Company consists of six Directors throughout the financial year and their profiles are given on pages 12 to 13.

The Directors retiring by rotation in terms of Section 85 of Articles of Association will be Mrs. N.C. Madanayake and Dr. Bandula Perera who being eligible in terms of Section 86 of Articles of Association, is recommended for re-election.

### **Directors' Responsibilities for Financial Statements**

The Statement of the Directors' Responsibilities for Financial Statements is given on page 47 of this Annual Report.

### **Donations**

Donations made by the Company during the year amounted to Rs.20,000/- (31st March 2017 Rs. 30,700/-).

### **Property, Plant and Equipment**

The Land and Buildings of the Company were revalued as at 31st March 2018 by Mr. J. M. Senanayaka Bandara, B.sc (Estate Management and Valuation), Postgraduate Diploma (Land Settlement and Development), FIV (Sri Lanka), IRRV (Hons), United Kingdom an Independent Certified Valuer. Details of Land and Buildings with net book values with the details of Property, Plant and Equipment and their movements are given in Note 12 to the Financial Statements.

### **Market Value of Freehold Properties**

The details of the market value of freehold properties are given in the Note 12 to the Financial Statements.

### **Investment Property**

Investment property represents a land owned by the Company. The Valuation was carried out by an independent professional Valuer Mr. J. M. Senanayake Bandara, a Fellow Member of Institute of Valuers of Sri Lanka, as at 31st March 2018. The details of Investment Property are explained in Note 14 to the Financial Statements.

### **Investment in Equity Accounted Investee**

The details of Investment in Equity Accounted Investee held as at the balance sheet date are given in Note 16 to the Financial Statements.

### **Corporate Governance**

The Directors confirm that the Company is in compliance with the relevant rules on Corporate Governance contained in the Listing rules of the Colombo Stock Exchange. Corporate Governance practices and principles with respect to the management and operations of the Company are set out on pages 34 to 40 of this Report.

### **Risk Management**

The details of the significant risks identified by the Company and strategies and actions adopted in managing those are set out on pages 32 to 33 of this Report.

### **Directorate**

The Board of Directors of the Company are given below and the profiles are given on pages 12 to 13 of this Report.

Mr. U.G.Madanayake - Chairman

Mr. Suren Madanayake - Deputy Chairman

Mrs. N.C.Madanayake

Dr. Bandula Perera

Dr. Ranjith Cabral

Mr. Mahinda Saranapala

### **Interest Register**

The Interest Register is maintained by the Company, as per the Companies Act No. 7 of 2007. The Interest Register is available for inspection as required by the Companies Act at the registered office of the Company.

### **Directors' Interests in Contracts**

Directors' interests in contracts of the Company are disclosed in Note 31 to the Financial Statements.

### **Directors' Remuneration**

Remuneration received by the Directors is set out in Note 7 to the Financial statements. The Chairman and Deputy Chairman of the Company, who are also the Chairman and Managing Director respectively of the Holding Company ACL Cables PLC. They have acted in honorary capacity and the Company has not paid any remuneration to them during the year under review. The remuneration paid to the Executive Director and the fees paid for attending Board Meetings are given in Note 7 to the Financial Statements.

# Report of the Directors

## Directors' Interest in Shares of the Company

The shareholdings of Directors at the beginning and at the end of the year were as follows:

As at 31st March	No. of Shares		% Holding	
	2018	2017	2018	2017
Mr. U.G.Madanayake	56,200	56,200	0.26	0.26
Mr. Suren Madanayake	61,000	61,000	0.28	0.28
Mrs. N.C.Madanayake	Nil	Nil	Nil	Nil
Dr. Bandula Perera	Nil	Nil	Nil	Nil
Dr. Ranjith Cabral	Nil	Nil	Nil	Nil
Mr. Mahinda Saranapala	Nil	Nil	Nil	Nil

## Statutory Payments

All known statutory dues as were due and payable by the Company as at the reporting date have been paid or, where relevant provided for in the Financial Statements.

## Events After the Reporting Date

There are no material post reporting date events which require adjustments or disclosure in the Financial Statements other than disclosed in Note 37.

## Going Concern

The Board of Directors 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.

## Corporate Social Responsibility

The activities undertaken by the Company in recognition of its responsibility as a corporate citizen are disclosed on pages 23 to 31 of this Report.

## Environmental Protection

The Company has used its best endeavours to comply with the relevant environmental laws and regulations. The Company is directed towards better control and mitigation of its impact on the environment as explained in the Sustainability Report in pages 23 to 26.

## Capital Commitments and Contingent Liabilities

Detail of the Capital Commitments and Contingent Liabilities are disclosed on page 91 of the Annual Report.

## Auditors

The Financial Statements for the period under review have been audited by Messrs KPMG, Chartered Accountants. Rs. 717,822/- has been paid as Audit Fee for the year ended 31st March 2018.

## Auditors relationship with the Company

Fees paid for other services in the capacity of an Auditor were Rs. 51,622/-. Messrs KPMG, Chartered Accountants do not have any other relationship (other than that of an Auditor) with the Company or with the Associate Company.

A Resolution to re-appoint Auditors, KPMG Chartered Accountants, and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting to be held on 2 August 2018.

The Report of the Independent Auditors' is given on page 49 to 53. The functions of the Audit Committee, Remuneration Committee and Related Party Transactions Review Committee are given on pages 41 to 43 of this Report.

## Notice of Meeting

The Notice of Meeting of the Annual General Meeting is given on page 96 of this Report.

By Order of the Board

(Sgd.)

**Corporate Affairs (Private) Limited**  
Secretaries

Colombo  
02 July 2018



# Directors' Responsibility for Financial Reporting

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 2018, have been prepared based on the new Sri Lanka Accounting Standards (SLFRSs/ LKASs) which came into effect for the financial periods commencing after

1st January 2012. The Directors have selected the appropriate accounting policies and such policies adopted by the Company and the Company and Investee are disclosed and explained in the Financial Statements.

The Board of Directors confirm that the Individual (Company and Investee) and Separate (Company) Statements of Financial Position as at 31st March 2018 and Statements of Profit or Loss and Other Comprehensive Income for the year ended 31st March 2018 reflect true and fair view of the Company and Investee / Company Respectively.

## Approval of Financial Statements

The Directors' Report and the Financial Statements of the Company and Investee / Company were approved by the Board of Directors on 02 July 2018.

By Order of the Board

(Sgd.)

**Corporate Affairs (Private) Limited**  
Secretaries

Colombo  
02 July 2018

# Financial Reports

Independent Auditors' Report	49
Statement of Profit or Loss and Other Comprehensive Income	54
Statement of Financial Position	55
Statement of Changes in Equity	56
Statement of Cash Flows	57
Notes to the Financial Statements	58

# Independent Auditors' Report



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
Internet : [www.kpmg.com/lk](http://www.kpmg.com/lk)

## TO THE SHAREHOLDERS OF KELANI CABLES PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Kelani Cables PLC ("the Company") and the Company and its equity accounted investee ("the Company and Investee"), which comprise the statement of financial position as at 31 March 2018, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 54 to 91 of this Annual Report.

In our opinion, the accompanying financial statements of the Company and the Company and Investee give a true and fair view of the financial position of the Company and the Company and Investee as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### 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 are independent of the Company and the Company and Investee 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

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

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan ACA	M.N.M. Shameel ACA	

**Principals** - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA  
Ms. C.T.K.N. Perera ACA



## Revenue recognition

### Key audit matter description

**Refer to Note 3.16 (accounting policy), Note 5 (financial statement disclosures) to these financial statements.**

The revenue of the Company for the year ended 31 March 2018 was Rs. 7,994 Million.

#### Risks Description

Revenue of the Company comprise of local sales and export sales involves high volume of transactions and are recognized when significant risks and rewards of ownership have been transferred to the customers. Revenue recognition is a significant audit risk due to risk of inappropriate basis of recognition / recognition during incorrect accounting period.

#### Our responses - Our audit procedures included:

- Obtaining an understanding of and testing the key controls in respect of the Company's revenue recognition basis.
- Testing of invoices raised to customers on a sample basis, to ensure revenue is recognised and measured in accordance with the contractual terms of the contracts and the Company's accounting policies.
- Assessing the appropriateness of the recognition of revenue on a gross or net basis.
- On a sample basis testing revenue cut off around the year end date.
- Assessing the adequacy of financial statements disclosures.

## Carrying value of inventories

### Key audit matter description

**Refer to Note 3.8 (accounting policy), Note 17 (financial statement disclosures) to these financial statements.**

The Company carried inventories of Rs. 1,676 Million as at 31 March 2018 at the lower of cost or net realisable value.

#### Risks Description

Assessing net realisable value is an area of significant judgment, particularly with regards to the estimation of provisions for slow-moving and obsolete inventory.

#### Our responses - Our audit procedures included:

- Testing the design, implementation and operating effectiveness of the key controls management has established to manage inventories including the purchases, sales and holding of inventories.
- Assessing the valuation of reporting date inventory levels, including assessing the reasonability of judgments taken regarding obsolescence.
- Evaluating the adequacy and consistency of provisioning for inventories at the reporting date with the Company's inventory provision policy.
- On a sample basis, comparing the carrying amounts of the Company's inventories with net realisation value of those inventories.
- Testing the existence of inventories through physical verification as at year end for a sample selected based on the professional judgement.






---

## Revaluation of land and building

---

### Key audit matter description

**Refer to Note 3.5 and 3.6 (accounting policy), Note 12 and 14(financial statement disclosures) to these financial statements.**

As at reporting date, freehold land and buildings carried at fair value, classified as Property, Plant and Equipment and Investment Property amounted to Rs. 559 Million and Rs. 280 Million respectively.

### Risks Description

The Company has engaged a professional valuer to determine the revalued amounts of freehold land and building. Estimating the fair value is a complex process involving a number of judgments and estimates regarding various inputs such as price range per perch by considering factors such as the location, condition and accessibility of the property. This is one of the key judgemental areas that our audit has concentrated on.

### Our responses - Our audit procedures included:

- Assessing the competency, qualification, objectivity and independence of the external valuer.
  - Evaluating reasonableness of the value of the property by comparing the prices used for the land and building valuation with the comparable land and building prices based on the available information and challenging the reasonableness of key assumptions based on our knowledge of the business and industry.
  - Assessing the appropriateness of the valuation techniques used by the external valuer, taking into account the profile of the investment properties.
  - Testing the property database information supplied to external valuers by management was consistent with the underlying property records held by the Company.
  - Assessing the adequacy of the fair value disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates.
- 

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statement and our auditor's report there on.

Our opinion on the financial statements does not cover the other information and we 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 when it becomes available 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, 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 financial statements, management is responsible for assessing the Company and Investee'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 or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Company and Investee'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 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 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 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.



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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is FCA 2294.

A handwritten signature in black ink, appearing to read 'K. P. M. G.', written over the KPMG logo.

**KPMG**

Colombo, Sri Lanka

02 July 2018

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Company and Investee		Company	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Revenue	5	7,994,364,353	7,122,783,962	7,994,364,353	7,122,783,962
Cost of sales		(6,987,825,777)	(5,987,288,964)	(6,987,825,777)	(5,987,288,964)
<b>Gross profit</b>		<b>1,006,538,576</b>	<b>1,135,494,998</b>	<b>1,006,538,576</b>	<b>1,135,494,998</b>
Other income	6	9,841,523	14,478,944	9,841,523	14,478,944
Change in fair value of investment property	14	26,250,000	22,750,000	26,250,000	22,750,000
Distribution expenses		(462,554,206)	(439,901,718)	(462,554,206)	(439,901,718)
Administrative expenses		(263,561,896)	(249,583,182)	(257,203,592)	(248,589,701)
<b>Profit from operations</b>	<b>7</b>	<b>316,513,997</b>	<b>483,239,042</b>	<b>322,872,301</b>	<b>484,232,523</b>
Net finance income/(expense)	8	(59,123,601)	11,708,376	(59,123,601)	11,708,376
Share of profit/(loss) of equity accounted investee, net of tax	16	(5,733,164)	2,889,870	-	-
<b>Profit before tax</b>		<b>251,657,232</b>	<b>497,837,288</b>	<b>263,748,700</b>	<b>495,940,899</b>
Income tax expense	9	(66,888,423)	(119,502,986)	(66,888,423)	(119,502,986)
<b>Profit for the year</b>		<b>184,768,809</b>	<b>378,334,302</b>	<b>196,860,277</b>	<b>376,437,913</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Actuarial gain/(loss) on employee benefit obligation		(709,795)	3,677,874	(709,795)	3,677,874
Revaluation of property, plant and equipment		168,987,105	-	168,987,105	-
Share of OCI of equity accounted investee, net of tax		11,599,223	(2,214,454)	-	-
Related tax		(75,956,252)	(88,790)	(75,956,252)	(88,790)
<b>Other comprehensive income for the year, net of tax</b>		<b>103,920,281</b>	<b>1,374,630</b>	<b>92,321,058</b>	<b>3,589,084</b>
<b>Total comprehensive income for the year</b>		<b>288,689,090</b>	<b>379,708,932</b>	<b>289,181,335</b>	<b>380,026,997</b>
<b>Earnings per share</b>					
Basic earnings per share (Rs.)	10			9.03	17.27

The Notes to the Financial Statements from pages 58 to 91 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.



# Statement of Financial Position

As at 31 March	Company and Investee			Company	
		2018	2017	2018	2017
	Note	Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	852,736,597	663,112,135	852,736,597	663,112,135
Investment property	14	280,000,000	253,750,000	280,000,000	253,750,000
Investment in equity accounted investee	16	20,020,944	14,154,885	21,761,019	15,402,715
<b>Total non-current assets</b>		<b>1,152,757,541</b>	<b>931,017,020</b>	<b>1,154,497,616</b>	<b>932,264,850</b>
<b>Current assets</b>					
Inventories	17	1,676,332,970	1,648,221,958	1,676,332,970	1,648,221,958
Trade and other receivables	18	2,311,052,178	2,107,193,618	2,311,052,178	2,107,193,618
Amount due from related companies	19	-	41,854,000	-	41,854,000
Value added tax recoverable		394,906,105	246,915,539	394,906,105	246,915,539
Deposits and prepayments		14,280,620	10,438,325	14,280,620	10,438,325
Investment in Sri Lanka Development Bonds		-	164,143,800	-	164,143,800
Cash and cash equivalents	20	671,656,354	498,776,634	671,656,354	498,776,634
<b>Total current assets</b>		<b>5,068,228,227</b>	<b>4,717,543,874</b>	<b>5,068,228,227</b>	<b>4,717,543,874</b>
<b>Total assets</b>		<b>6,220,985,768</b>	<b>5,648,560,894</b>	<b>6,222,725,843</b>	<b>5,649,808,724</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated capital	21	218,000,000	218,000,000	218,000,000	218,000,000
Capital reserves	22	404,949,947	300,457,528	353,276,640	260,444,530
General reserves	23	431,136,000	431,136,000	431,136,000	431,136,000
Retained earnings	24	2,632,861,648	2,524,964,977	2,686,275,030	2,566,225,805
<b>Total equity</b>		<b>3,686,947,595</b>	<b>3,474,558,505</b>	<b>3,688,687,670</b>	<b>3,475,806,335</b>
<b>Non-current liabilities</b>					
Employee benefits	25	94,980,418	83,311,661	94,980,418	83,311,661
Deferred taxation	26	124,782,310	58,976,789	124,782,310	58,976,789
Interest bearing borrowings	27	11,100,768	7,841,000	11,100,768	7,841,000
<b>Total non-current liabilities</b>		<b>230,863,496</b>	<b>150,129,450</b>	<b>230,863,496</b>	<b>150,129,450</b>
<b>Current liabilities</b>					
Trade and other payables	28	1,689,790,450	1,529,763,029	1,689,790,450	1,529,763,029
Current taxation	29	290,895,714	254,627,512	290,895,714	254,627,512
Unclaimed dividends	30	12,111,368	11,102,821	12,111,368	11,102,821
Interest bearing borrowings	27	230,961,000	24,000,000	230,961,000	24,000,000
Bank overdrafts	20	79,416,145	204,379,577	79,416,145	204,379,577
<b>Total current liabilities</b>		<b>2,303,174,677</b>	<b>2,023,872,939</b>	<b>2,303,174,677</b>	<b>2,023,872,939</b>
<b>Total liabilities</b>		<b>2,534,038,173</b>	<b>2,174,002,389</b>	<b>2,534,038,173</b>	<b>2,174,002,389</b>
<b>Total equity and liabilities</b>		<b>6,220,985,768</b>	<b>5,648,560,894</b>	<b>6,222,725,843</b>	<b>5,649,808,724</b>

The Notes to the Financial Statements from pages 58 to 91 form an integral part of these Financial Statements.

These Financial Statements have been prepared in compliance with the requirements of the Companies Act No.07 of 2007.



**Hemamala Karunasekara**

Chief Financial Officer

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

Approved for and on behalf of the Board of Directors:



**U. G. Madanayake**

Chairman



**Suren Madanayake**

Deputy Chairman

02 July 2018

Colombo

# Statement of Changes in Equity

## Company and Investee

	Stated capital Rs.	Capital reserves Rs.	General reserves Rs.	Retained earnings Rs.	Total Rs.
<b>Balance as at 1 April 2016</b>	218,000,000	300,457,528	431,136,000	2,243,356,045	3,192,949,573
Profit for the year	-	-	-	378,334,302	378,334,302
Other comprehensive income for the year	-	-	-	1,374,630	1,374,630
<b>Total comprehensive Income for the year</b>	-	-	-	379,708,932	379,708,932
Interim dividend - 2015/16	-	-	-	(98,100,000)	(98,100,000)
<b>Balance as at 31 March 2017</b>	218,000,000	300,457,528	431,136,000	2,524,964,977	3,474,558,505
<b>Balance as at 1 April 2017</b>	218,000,000	300,457,528	431,136,000	2,524,964,977	3,474,558,505
Profit for the year	-	-	-	184,768,809	184,768,809
Other comprehensive income for the year	-	104,492,419	-	(572,138)	103,920,281
<b>Total comprehensive income for the year</b>	-	104,492,419	-	184,196,671	288,689,090
Interim dividend - 2016/17	-	-	-	(76,300,000)	(76,300,000)
<b>Balance as at 31 March 2018</b>	218,000,000	404,949,947	431,136,000	2,632,861,648	3,686,947,595

## Company

	Stated capital Rs.	Capital reserves Rs.	General reserves Rs.	Retained earnings Rs.	Total Rs.
<b>Balance as at 1st April 2016</b>	218,000,000	260,444,530	431,136,000	2,284,298,808	3,193,879,338
Profit for the year	-	-	-	376,437,913	376,437,913
Other comprehensive income for the year	-	-	-	3,589,084	3,589,084
<b>Total comprehensive Income for the year</b>	-	-	-	380,026,997	380,026,997
Interim dividend - 2015/16	-	-	-	(98,100,000)	(98,100,000)
<b>Balance as at 31 March 2017</b>	218,000,000	260,444,530	431,136,000	2,566,225,805	3,475,806,335
<b>Balance as at 1 April 2017</b>	218,000,000	260,444,530	431,136,000	2,566,225,805	3,475,806,335
Profit for the year	-	-	-	196,860,277	196,860,277
Other comprehensive income for the year	-	92,832,110	-	(511,052)	92,321,058
<b>Total comprehensive income for the year</b>	-	92,832,110	-	196,349,225	289,181,335
Interim dividend - 2016/17	-	-	-	(76,300,000)	(76,300,000)
<b>Balance as at 31 March 2018</b>	218,000,000	353,276,640	431,136,000	2,686,275,030	3,688,687,670

The Notes to the Financial Statements from pages 58 to 91 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# Statement of Cash Flows

For the year ended 31 March	Company and Investee		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
<b>Cash flow from operating activities</b>				
Profit before tax	251,657,232	497,837,288	263,748,700	495,940,899
Adjustments for:				
Share of (profit)/loss of equity accounted investee, net of tax	5,733,164	(2,889,870)	-	-
Reversal of impairment of the associate	-	-	(6,358,304)	(993,481)
Interest income	(15,153,045)	(30,710,236)	(15,153,045)	(30,710,236)
Interest expense	70,542,950	37,184,360	70,542,950	37,184,360
Change in fair value of investment property	(26,250,000)	(22,750,000)	(26,250,000)	(22,750,000)
Depreciation of property, plant and equipment	76,724,991	78,223,373	76,724,991	78,223,373
Provision for impairment of trade receivables	8,447,306	-	8,447,306	-
Provision for obsolete and slow moving inventories	1,003,572	20,658,117	1,003,572	20,658,117
Dividend income	(78)	-	(78)	-
Gain on disposal of property, plant and equipment	-	(2,157,069)	-	(2,157,069)
Provision for employee benefits	17,717,752	15,753,550	17,717,752	15,753,550
<b>Operating profit before working capital changes</b>	<b>390,423,844</b>	<b>591,149,513</b>	<b>390,423,844</b>	<b>591,149,513</b>
<b>Changes in working capital</b>				
Increase in inventories	(29,114,584)	(369,259,823)	(29,114,584)	(369,259,823)
Increase in trade and other receivables	(212,305,866)	(508,218,458)	(212,305,866)	(508,218,458)
Decrease in amount due from related companies	41,854,000	-	41,854,000	-
Increase in deposits and prepayments and value added tax recoverable	(151,832,861)	(119,651,492)	(151,832,861)	(119,651,492)
Increase in trade and other payables	127,362,136	337,759,191	127,362,136	337,759,191
<b>Cash generated from/ (used in) operations</b>	<b>166,386,669</b>	<b>(68,221,069)</b>	<b>166,386,669</b>	<b>(68,221,069)</b>
Employee benefits paid	(6,758,790)	(12,445,992)	(6,758,790)	(12,445,992)
Current tax paid	(8,105,667)	(238,283,105)	(8,105,667)	(238,283,105)
Interest paid	(70,542,950)	(37,184,360)	(70,542,950)	(37,184,360)
<b>Net cash generated from/ (used in) operating activities</b>	<b>80,979,262</b>	<b>(356,134,526)</b>	<b>80,979,262</b>	<b>(356,134,526)</b>
<b>Cash flow from investing activities</b>				
Proceeds from disposal of property, plant and equipment	-	5,180,180	-	5,180,180
Acquisition of property, plant and equipment	(97,362,348)	(64,977,475)	(97,362,348)	(64,977,475)
Cash proceeds from Sri Lanka Development Bonds	164,143,800	324,891,500	164,143,800	324,891,500
Interest received	15,153,045	30,710,236	15,153,045	30,710,236
Dividend income	78	-	78	-
<b>Net cash generated from investing activities</b>	<b>81,934,575</b>	<b>295,804,441</b>	<b>81,934,575</b>	<b>295,804,441</b>
<b>Cash flow from financing activities</b>				
Dividend paid	(75,291,453)	(95,667,672)	(75,291,453)	(95,667,672)
Loans obtained during the year	730,600,000	55,000,000	730,600,000	55,000,000
Loan repayments during the year	(520,379,232)	(79,000,000)	(520,379,232)	(79,000,000)
<b>Net cash generated from/(used in) financing activities</b>	<b>134,929,315</b>	<b>(119,667,672)</b>	<b>134,929,315</b>	<b>(119,667,672)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>297,843,152</b>	<b>(179,997,757)</b>	<b>297,843,152</b>	<b>(179,997,757)</b>
Cash and cash equivalents at beginning of the year	294,397,057	474,394,814	294,397,057	474,394,814
<b>Cash and cash equivalents at the end of the year (Note 20)</b>	<b>592,240,209</b>	<b>294,397,057</b>	<b>592,240,209</b>	<b>294,397,057</b>

The Notes to the Financial Statements from pages 58 to 91 form an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

# Notes to the Financial Statements

## 1. REPORTING ENTITY

### 1.1. Domicile and Legal Form

Kelani Cables PLC ("the Company") is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company is No 60, Rodney Street, Colombo 08 and the principal place of business is situated at P. O. Box 14, Wewelduwa, Kelaniya.

The ordinary shares of the Company are listed in the Colombo Stock Exchange.

Subsidiary of the Company Kelani Electrical Accessories (Pvt) Limited which is a fully owned subsidiary, has been dormant since the cessation of operations in September 1995. The subsidiary has not been consolidated on the basis of materiality.

The results of the equity accounted investee ACL - Kelani Magnet Wire (Pvt) Limited have been reported under the Financial Statements – Company and Investee.

#### Ultimate Parent

Ultimate parent for the Company and controlling party is ACL Cables PLC, which is incorporated in Sri Lanka.

### 1.2. Principal Activities and Nature of Operations

The principal activities of the Company are manufacturing cables.

There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

### 1.3. Number of Employees

The number of employees of the Company as at 31 March 2018 was 528 (2017 – 520).

### 1.4. Date of Authorization for Issue

The Financial Statements of the Company for the year ended 31 March 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 02 July 2018.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The Financial Statements of the Company have been prepared in accordance with new Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and comply with the requirements of the Companies Act No. 7 of 2007.

## 2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently which no adjustments being made for inflationary factors affecting the financial statements, except for the following material items in the statement of financial position:

- Freehold Land and building are measured at revalued amounts;
- The defined benefit liability is recognised as the present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses; and
- Investment property is measured at fair value

## 2.3 Comparative Figures

Where necessary, comparative figures have been rearranged to conform with the current year's presentation.

## 2.4 Functional and Presentation Currency

All values presented in the Financial Statements are in Sri Lankan Rupees (Rs.) unless otherwise indicated.

## 2.5 Use of Estimates and Judgments

The preparation of these Financial Statements in conformity with SLAS's requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant

effect on the amounts recognised in the Financial Statements is included in the following notes:

- Current taxation (Note 3.3 (a))
- Deferred taxation and utilization of tax losses (Note 3.3 (b))
- Measurement of Employee benefits (Note 3.13)
- Provisions and contingencies (Note 3.14 and 3.15)
- Impairment of assets (Note 3.11)



## 2.6 Materiality and Aggregation

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements unless otherwise indicated.

### 3.1 Investment in equity accounted investee - Associate

An associate is an entity over which the company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Associates is accounted for under the equity method of accounting.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The income statement reflects the Company's share of the results of operations of the associate. Any change in OCI of those investee is presented as part of the company's OCI. In addition, when there has been a change recognised directly in the equity of the associate the company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the income statement outside operating profit and represents profit or loss after tax.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the

Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of results of equity accounted investees' in the income statement.

Upon loss of significant influence over the associate, the company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in income statement.

The accounting policies of associate company conform to those used for similar transactions of the Company.

#### 3.1.1 Accounting for investment in associate

When separated financial statements are prepared, investments in associate are accounted for using the cost method. Investment in associate is stated in the company's Statement of Financial Position at cost less accumulated impairment losses.

#### 3.1.2 Financial Period

The associate has the same reporting date as the company and the financial statements are prepared to a common financial year ending 31 March.

### 3.2 Foreign Currency Translation

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available for-sale equity instruments, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

# Notes to the Financial Statements

## 3.3 Income Tax Expense

Income tax expenses comprise of current & deferred tax expenses recognized in the Statement of Comprehensive Income.

### a) Current Tax

The Company's liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and amendments thereto.

### b) Deferred Tax

Deferred tax is provided on the balance sheet liability method for all temporary differences as at the reporting date between the tax bases of assets and liabilities and their carrying amounts of assets and liabilities for financial reporting purposes. The balance in the deferred taxation account represents income tax applicable to the difference between the written down values for tax purpose of the assets on which tax depreciation has been claimed and the net book value of such asset, offset by the provision for employee benefit which is deductible for tax purpose only on payment.

Deferred tax assets, including those related to temporary tax effect of income tax losses and credits available to be carried forward are recognized only to the extent that it is probable that future taxable profit will be available against which the assets can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## 3.4 Events occurring after the Reporting date

The materiality of the events occurring after the reporting date have been considered and appropriate adjustments to or disclosure have been made in the financial statements where necessary.

## ASSETS AND BASES OF VALUATION

Assets classified as current assets on the Statement of Financial Position are cash and bank balances and those which are expected to be realized in cash during the normal operating cycle or within one year from the reporting date whichever is shorter. Assets other than the current assets are those, which the Company intends to hold beyond a period of one year from the reporting date.

## 3.5 Property, Plant and Equipment

### a) Cost and Valuation

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its cost.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Where 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.

### Cost Model

The Company applies the Cost model to all Property, Plant & Equipment except for freehold land & buildings and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

### Revaluation Model

The Company applies the Revaluation model for the entire class of freehold Land & Buildings for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Building of the Company are revalued every three years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognized in Other Comprehensive Income and presented in Revaluation Reserve in equity or used to reverse a previous loss on revaluation of the same asset, which was charged to the Statement of Comprehensive Income. In this circumstance, the increase is recognised as income only to the extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in the Statement of Comprehensive Income or charged in Other Comprehensive Income and presented in Revaluation Reserve in equity only to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to Retained Earnings on retirement or disposal of the asset.

### b) Derecognition

Items of property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or losses arising on derecognition of the asset is

included in the statement of comprehensive income the year the asset is derecognized.

#### **c) Subsequent cost**

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

#### **d) Depreciation**

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of Property, Plant and Equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows.

Plant & machinery	10 - 45 years
Buildings	25 years
Electrical fittings	10 years
Office equipment	10 years
Furniture & fittings	10 years
Business machines	5 years
Motor vehicles	5 years
Software	1 year

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognized.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

#### **e) Capital work in progress**

Capital expenses incurred during the year which are not completed as at the reporting date are shown as capital

work in progress whilst, the capital assets which have been completed during the year and put to use have been transferred to property, plant and equipment.

#### **f) Impairment of property, plant and equipment**

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognized in the statement of comprehensive income unless it reverses a previous revaluation surplus for the same asset.

### **3.6 Investment Property**

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

Gains or losses arising from changes in fair value are included in the statement of comprehensive income in the year in which they arise.

Land of the Company classified as investment property is valued every years by an independent valuer to ensure that the carrying amounts do not differ from the fair values at the Reporting date.

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

### **3.7 Investments in Associates**

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating activities.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost. The cost of the investment includes transaction costs.

The Financial Statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from

# Notes to the Financial Statements

the date that significant influence commences until the date that significant influence ceases.

When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee. Associate Companies of the Company which have been accounted for under the equity method of accounting are disclosed under Notes to these Financial Statements.

The Company's Associate has a common financial year end which ends on 31st March.

## 3.8 Inventories

Inventories are valued at lower of cost or net realizable value, after making due allowance for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realization and / or cost of conversion from their existing state to saleable condition.

The cost of each category of inventory is based on the following

Raw Material	: At actual cost of weighted average basis
Work-in-Progress	: At the actual cost of direct material, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity.
Finished Goods	: At the actual cost of direct material, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity.
Finished goods purchased	: At actual cost of weighted average basis
Goods in Transit	: At Actual cost

## 3.9 Financial Instruments

### 3.9.1 Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following loans and receivables as non-derivative financial assets.

### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, including service concession receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### 3.9.2 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

### 3.10 Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:



- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as land and building.

### Fair Value Hierarchy

The Company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

#### Level 1

Inputs that are unadjusted quoted market prices in an active market for identical instruments

When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

#### Level 2

Inputs other than quoted prices included within Level that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

This category includes instruments valued using;

- quoted market prices in active markets for similar instruments,
- quoted prices for identical or similar instruments in markets that are considered to be less active, or
- other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

#### Level 3

##### Inputs that are unobservable

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's value.

Valuation techniques include net present value and discounted cash flow models comparisons with similar instruments for which observable market prices exist, option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgment and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognized only when the inputs become observable or on recognition of the instrument.

### 3.11 Impairment of Assets

#### 3.11.1 Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Company considers evidence of impairment for receivables at both a specific asset and collective level.

# Notes to the Financial Statements

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

## 3.11.2 Non-financial assets

The carrying amounts of the Company's non-financial assets such as inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognized in profit or loss.

## LIABILITIES AND PROVISIONS

Liabilities classified as Current Liabilities on the Statement of financial position are those obligations payable on demand or within one year from the statement of financial position. Items classified as non current liabilities are those obligations, which expire beyond a period of one year from the Statement of financial position date.

All known liabilities have been accounted for in preparing the financial statements. Provisions and liabilities are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

## 3.12 Non-derivative financial liabilities

The Company initially recognises financial liabilities (including liabilities designated at fair value through profit or loss) on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

## Other liabilities

Other liabilities are stated at their cost.

## 3.13 Employee benefits

### 3.13.1 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 3.13.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit and loss when incurred.

### Employee Provident Fund

All employees of the Company are members of the Employees' Provident Fund (EPF). The Company and employees contribute 12% and 8% respectively of the salary to EPF.

### Employees Trust Fund

All employees of the Company are members of the Employees' Trust Fund (ETF). The Company contributes 3% of the salary of each employee to ETF.

#### 3.13.3 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the Reporting Date. The defined benefit obligation is calculated by a qualified actuary as at the Reporting Date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. The actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans, such estimates are subject to significant uncertainty.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded.

### Actuarial gains and losses

The Company recognised all actuarial gains and losses arising from defined benefit plans in Other Comprehensive Income.

#### 3.14 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### 3.15 Contingencies and capital commitments

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable

or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of comprehensive income but are disclosed unless they are remote.

### STATEMENT OF COMPREHENSIVE INCOME

#### 3.16 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and that revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes.

The following specific criteria are used for the purpose of recognition of revenue.

#### Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue is recognized when significant risks and rewards of ownership have been transferred to the customers.

#### Other Income

Other income is recognized on an accrual basis.

Net gains and losses of a revenue nature on the disposal of property, plant and equipment and other non current assets including investments have been accounted for in the assets.

#### 3.17 Expenditure recognition

#### Operating Expenses

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 statement of comprehensive income in arriving at the profit or loss for the year.

#### Finance income and expense

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

# Notes to the Financial Statements

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

## **Borrowing Cost**

All borrowing costs are recognised as an expense in the period in which they are incurred except those that are directly attributable to the construction or development of property, plant and equipment which are capitalized as a part of the cost of that asset during the period of construction or development.

## **Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

## **3.18 Related party disclosure**

Disclosures have been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/ decisions of the other, irrespective of whether a price is charged.

## **3.19 Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

## **3.20 Cash flow statement**

The Cash Flow Statement has been prepared using the Indirect Method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.



#### 4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards which have been issued but not yet effective as at the reporting date have not been applied in preparing these Financial Statements. Accordingly, these Accounting Standards have not been applied in preparing these financial statements.

Standards issued but not effective as at the reporting date

New or amended standard	Summary of the requirement	Possible impact on consolidated financial statements
SLFRS 9 Financial Instruments	SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.  SLFRS 9 is effective for annual reporting periods beginning on or after 1 April 2018.	The Company has completed the initial high level assessment of the potential impact on its financial statements for the year ended 31 March 2018. However, the Company does not expect a significant impact on the financial statement on adoption of the standard.
SLFRS 15 Revenue from Contracts with Customers	SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, and LKAS 11 Construction Contracts.  SLFRS 15 is effective for annual reporting periods beginning on or after 1 April 2018.	The Company is assessing the potential impact on its financial statements resulting from the application of SLFRS 15.
SLFRS 16 – Leases	SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead, there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.  SLFRS 16 is effective for annual reporting periods beginning on or after 1 April 2019.	The Company is assessing the potential impact on its financial statements resulting from the application of SLFRS 16.

# Notes to the Financial Statements

For the year ended 31 March		Company and Investee / Company	
		2018	2017
		Rs.	Rs.
<b>5.</b>	<b>REVENUE</b>		
	Local sales		
	Manufacturing and fabrication	5,952,092,736	5,414,901,703
	Trading	853,491,252	804,914,336
	Export sales	1,188,780,365	902,967,923
		7,994,364,353	7,122,783,962
<b>6.</b>	<b>OTHER INCOME</b>		
	Gain on disposal of property, plant and equipment	-	2,157,069
	Dividend income	78	-
	Scrap and sundry sales	9,533,208	11,663,775
	Sundry income	308,237	658,100
		9,841,523	14,478,944
<b>7.</b>	<b>PROFIT FROM OPERATIONS</b>		
	Profit from operation is stated after charging all expenses including the following.		
	Directors emoluments/ fee	14,990,000	14,055,766
	Auditors remuneration		
	Statutory audit and audit related services	769,444	723,446
	Depreciation on property, plant and equipment	76,724,991	78,223,373
	Provision for obsolete and slow moving inventories	1,003,572	20,658,117
	Inventory write off	4,100,509	2,372,546
	Provision for impairment of trade receivables	8,447,306	-
	Donations	20,000	30,700
	Staff costs - (Note 7.1)	562,472,616	519,548,128
	Reversal of impairment of investment in associate	(6,358,304)	(993,481)
<b>7.1</b>	<b>Staff Cost</b>		
	Defined contribution plan cost-EPF,ETF	36,573,330	32,749,341
	Defined benefit plan cost-Retiring gratuity	17,717,752	15,753,550
	Salaries, wages and related cost	398,864,940	362,441,278
	Other staff cost	109,316,594	108,603,959
		562,472,616	519,548,128
<b>8.</b>	<b>NET FINANCE INCOME/(EXPENSE)</b>		
	Finance income		
	Net gain on translation of foreign currency	-	18,182,500
	Interest from foreign currency deposits	11,128,988	22,841,051
	Interest from local currency deposits	564,129	4,266,605
	Interest Income from loans granted to Holding Company	3,459,928	3,602,580
		15,153,045	48,892,736
	Finance expenses		
	Net loss on translation of foreign currency	(3,733,696)	-
	Bank overdraft interest	(9,503,633)	(4,778,824)
	Interest on bank loans	(26,826,945)	(5,529,087)
	Interest on trade bills	(28,549,437)	(22,084,463)
	Interest on distributor deposits	(5,662,935)	(4,791,986)
		(74,276,646)	(37,184,360)
	Net finance income/(expenses)	(59,123,601)	11,708,376

For the year ended 31 March	Company and Investee / Company	
	2018	2017
	Rs.	Rs.
<b>9. INCOME TAX EXPENSE</b>		
Current tax expense		
Current tax expense - (Note 9.1)	77,039,154	135,020,230
Over provision in respect of prior years	-	(1,436,657)
	77,039,154	133,583,573
Deferred tax revasal		
Deferred tax liability reversed during the year	(8,211,212)	(14,113,447)
Deferred tax assets (Originated)/reversed during the year	(1,939,519)	32,860
	(10,150,731)	(14,080,587)
	66,888,423	119,502,986

- 9.1** The Company is liable for income tax at a rate of 12% on income from export sales and 28% on income from local sales in terms of the Inland Revenue Act No 10 of 2006 and amendments thereto. As per the Inland Revenue Act No 24 of 2017, the Company has become liable for income tax at a rate of 28% from 1 April 2018.

For the Year Ended 31 March	Company	
	2018	2017
	Rs.	Rs.
<b>9.2 Reconciliation of accounting profit to income tax expense</b>		
Profit before tax	263,748,700	495,940,899
Aggregate disallowable expenses	126,838,563	135,626,717
Aggregate allowable expenses	(52,891,569)	(64,557,126)
Income not liable for tax	(37,379,066)	(47,748,120)
Total statutory income	300,316,628	519,262,370
Income tax charged at		
Concessionary rate of 12%	5,287,126	7,779,925
Standard rate of 28%	71,752,028	127,240,305
Income tax on current year profits	77,039,154	135,020,230
<b>9.3 Recognition of deferred tax expenses in the Comprehensive Income</b>		
Profit or loss	(10,150,731)	(14,080,587)
Other comprehensive income	75,956,252	88,790
	65,805,521	(13,991,797)

## 10. EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders and the weighted average number of shares outstanding during the year.

For the year ended 31 March	Company	
	2018	2017
Profit attributable to ordinary shareholders (Rs.)	196,860,277	376,437,913
weighted average number of ordinary shares	21,800,000	21,800,000
<b>Basic earnings per share (Rs.)</b>	<b>9.03</b>	<b>17.27</b>

- 10.1** There was no potential dilution as at the year end. Therefore, diluted earnings per share is the same as basic earnings per share shown above.

# Notes to the Financial Statements

## 11. DIVIDEND PER SHARE

For the year ended 31 March,	Company	
	2018	2017
Interim dividend declared - 2015/16 (Rs.)	-	98,100,000
Interim dividend declared - 2016/17 (Rs.)	76,300,000	-
	76,300,000	98,100,000
Gross dividend (Rs.)	76,300,000	98,100,000
Number of shares (Nos.)	21,800,000	21,800,000
Dividend per share (Rs.)	3.50	4.50

## 12. PROPERTY, PLANT AND EQUIPMENT

	Company and Investee / Company							Total 2018 Rs.	Total 2017 Rs.
	Freehold land Rs.	Buildings Rs.	Furniture, fittings and office equipment Rs.	Business Machines Rs.	Motor Vehicles Rs.	Plant, machinery, and electrical fittings Rs.	Capital work-in- progress Rs.		
Cost									
Balance as at 01 April	266,000,000	209,514,554	23,293,215	42,100,769	90,770,604	601,285,796	6,705,160	1,239,670,098	1,182,292,623
Additions during the year	-	-	870,932	3,077,077	2,425,000	15,813,264	75,176,075	97,362,348	64,977,475
Surplus on revaluation	49,500,000	119,487,105	-	-	-	-	-	168,987,105	-
Transfers during the year	-	878,368	-	-	-	15,778,830	(16,657,198)	-	-
Accumulated depreciation transferred	-	(85,960,927)	-	-	-	-	-	(85,960,927)	-
Disposals during the year	-	-	-	-	-	-	-	-	(7,600,000)
Balance as 31 March	315,500,000	243,919,100	24,164,147	45,177,846	93,195,604	632,877,890	65,224,037	1,420,058,624	1,239,670,098
Accumulated depreciation									
Balance as at 01 April	-	57,050,559	17,424,589	35,437,199	59,563,439	407,082,177	-	576,557,963	502,911,479
Charge for the year	-	28,910,368	1,213,923	3,318,589	8,574,213	34,707,898	-	76,724,991	78,223,373
Transfer of accumulated depreciation	-	(85,960,927)	-	-	-	-	-	(85,960,927)	-
Disposals	-	-	-	-	-	-	-	-	(4,576,889)
Balance as 31 March	-	-	18,638,512	38,755,788	68,137,652	441,790,075	-	567,322,027	576,557,963
Carrying value									
As at 31 March 2018	315,500,000	243,919,100	5,525,635	6,422,058	25,057,952	191,087,815	65,224,037	852,736,597	
As at 31 March 2017	266,000,000	152,463,995	5,868,626	6,663,570	31,207,165	194,203,619	6,705,160		663,112,135

- 12.1** Capital work in progress as at end of the reporting period included expenses incurred for buildings being constructed in Kelaniya and Siyambalape and machineries being installed in Siyambalape which are to be completed in next financial year.

## 12.2 Land and buildings carried at revalued amount

Property owned by	Extent		No. of buildings	Method of valuation	Date of valuation	Valuer	Revalued amount		Carrying	Carrying
	Land (Perches)	Buildings (Square feet)					Land Rs.	Building Rs.	value after revaluation Rs.	value if carried at cost Rs.
Land and building situated at Wewelduwa, Kelaniya	1,041.5	107,108	18	Market comparable method	31/03/2018	Mr. Senanayake Bandara, a Fellow Member of Institute of Valuers of Sri Lanka.	293,000,000	178,009,100	471,009,100	183,087,377
Land and building situated at Mahena Road, Siyambalape South, Siyambalape.	172.8	32,398	4	Market comparable method	31/03/2018		22,500,000	65,910,000	88,410,000	17,616,093
							315,500,000	243,919,100	559,419,100	200,703,470

The land and building were revalued as at 31 March 2018, by Mr. Senanayake Bandara, a fellow member of Institute of Valuers of Sri Lanka. The surplus on revaluation of Rs. 168,987,105/- relating to land & building were incorporated in the financial statements on 31 March 2018. Such Assets were valued in an open market value for existing use basis, the surplus arising from the revaluation was transferred to the revaluation reserve.

## 12.3 Significant unobservable inputs used in measuring fair value

The table below sets out the significant unobservable inputs used in measuring land and building categorised as Level 3 in the fair value hierarchy as at 31 March 2018.

Location and address of property	Method of valuation	Significant unobservable inputs	Range of estimates for unobservable inputs	Estimated fair value would increase or decrease if
Wewelduwa, Kelaniya	Market comparable method	Land - Price per perch	Rs.281,325	Price per perch for land increases, decreases
		Building - Price per square feet	Rs.1,662	Price per square feet for building increases, decreases
Mahena Road, Siyambalape South, Siyambalape.	Market comparable method	Land - Price per perch	Rs.130,208	Price per perch for land increases, decreases
		Building - Price per square feet	Rs.2,034	Price per square feet for building increases, decreases

### Market comparable method

Market comparable method considers the selling price of a similar property within a reasonable period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustment for differences in size, nature, location and condition of the specific property. In this process, outlier transaction, indicative of particularly motivated buyers or sellers are compensated for, since the price may not adequately reflect the fair market value.

As at 31 March,	Company and Investee / Company	
	2018 Rs.	2017 Rs.
<b>12.4 The cost of fully depreciated assets as at the reporting date is as follows.</b>		
Furniture, fittings and office equipment	12,127,576	10,996,102
Business machines	29,203,756	26,728,605
Motor vehicles	49,473,429	37,373,429
Plant machinery, and electrical fittings	168,566,972	150,213,670
	259,371,733	225,311,806



# Notes to the Financial Statements

## 12. PROPERTY, PLANT AND EQUIPMENT (Contd.)

### 12.5 PPE pledged as security

Land with a carrying value of Rs. 76.4 mn has been pledged as security against the loan obtained.

### 12.6 Title restriction on PPE

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date.

- 12.7** The Board of Directors has assessed the potential impairment loss of property, plant & equipment as at 31st March 2018. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect to property, plant and equipment.

As at 31 March	Company and Investee / Company	
	2018 Rs.	2017 Rs.
<b>13. INTANGIBLE ASSETS</b>		
Computer Software		
Cost		
Balance as at 1 April	5,822,751	5,822,751
Balance as at 31 March	5,822,751	5,822,751
Amortization		
Balance as at 1 April	5,822,751	5,822,751
Balance as at 31 March	5,822,751	5,822,751
Carrying value as at 31 March	-	-
<b>14. INVESTMENT PROPERTY</b>		
Balance as at 1 April	253,750,000	231,000,000
Change in fair value	26,250,000	22,750,000
Balance as at 31 March	280,000,000	253,750,000

Increase in the fair values are recognized as gain in profit or loss. All gains are unrealized.

### 14.1 Details of the land under investment property

Investment property represent the land owned by the Company.

Location	Extent	Fair value (Rs.)
Ekala	13A .00R .02P	280,000,000

### 14.2 Measurement of fair value

Investment properties of the Company are accounted for on the fair value model. The value has been determined on the fair value basis using market evidence. The last valuation was carried out by a independent professional Valuer Mr. Senanayake Bandara, a Fellow Member of institute of Valuers of Sri Lanka, as at 31 March 2018.

#### Valuation Technique - Market comparable method

This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.

Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Carrying value before revaluation of land Rs.	Revaluated amount of land Rs.	Revaluation gain recognized on land Rs.	Significant unobservable valuation inputs	Sensitivity of the fair value measurement to inputs
Market comparable method	Rs.21,500,000/- per acre	253,750,000	280,000,000	26,250,000	Price per perch for land	Estimated fair value would increase (decrease) if; Price per Perch of land increase (decreases)

- 14.3** As per the Inland Revenue Act No 24 of 2017 which has been legislated and has become effective from 1 April 2018, Company will be liable for capital gain tax at a rate of 10% on the revaluation surplus in excess of the deemed cost of investment assets as at 30 September 2017. However, there was no significant variation in the fair value as at 31 March 2018. Accordingly, no deferred tax liability is recognized in the financial statements.

## 15. INVESTMENT IN SUBSIDIARY

As at 31 March	Company and Investee / Company		2018	2017
	Company Holding	No. of Shares	Rs.	Rs.
Kelani Electrical Accessories (Pvt) Limited				
Cost	100%	8	80	80
Provision for investment			(80)	(80)
			-	-

Kelani Electrical Accessories (Pvt) Limited has ceased operations since September 1995. Accordingly, the directors had decided to provide in full, for the aforesaid investment. Further the Company has not re-registered under the new Companies Act No 7 of 2007.

The Company has opted not to present consolidation financial statements since the subsidiary does not have legal status and the financial position of the subsidiary as at the reporting date was not material.

## 16. INVESTMENT IN EQUITY ACCOUNTED INVESTEE

As at 31 March	Company	
	2018	2017
	Rs.	Rs.
Investment in ACL-Kelani Magnet Wire (Private) Limited	51,200,000	51,200,000
Provision for impairment of the associate (Note 16.1)	(29,438,981)	(35,797,285)
	21,761,019	15,402,715
<b>16.1 Provision for impairment of the associate</b>		
Balance as at 1 April	35,797,285	36,790,766
Reversed during the year	(6,358,304)	(993,481)
Balance as at 31 March	29,438,981	35,797,285

The Board of Directors has assessed the potential impairment loss of Investment in Associate as at 31 March 2018. Based on the internal assessment Company has made an impairment reversal of Rs.6,358,304 during the year on the investment in associate in the separate financial statements of the Company.

The Company has stake of 29.99% in ACL Kelani Magnet Wire (Private) Ltd whose principal business activities are manufacturing, exporting and selling all kinds and gauges of enamelled wire.

# Notes to the Financial Statements

## 16. INVESTMENT IN EQUITY ACCOUNTED INVESTEE (Contd.)

As at 31 March	Company and Investee	
	2018 Rs.	2017 Rs.
<b>16.2 Value of the investment</b>		
Balance as at 1 April	14,154,885	13,479,469
Share of comprehensive income during the year		
Included in profit or loss (Note 16.2.1)	(5,733,164)	2,889,870
Included in other comprehensive Income (Note 16.2.2)	11,599,223	(2,214,454)
<b>Included in comprehensive income (Note 16.4)</b>	<b>5,866,059</b>	<b>675,416</b>
Balance as at 31 March	20,020,944	14,154,885
<b>16.2.1 Included in profit or loss</b>		
Share of profit/(loss) before tax	(4,885,420)	45,469
Share of income tax charge	(847,744)	2,844,401
Share of profit of equity accounted investee, net of tax	(5,733,164)	2,889,870
<b>16.2.2 Included in other comprehensive income</b>		
Share of other comprehensive income before tax	21,914,946	1,065,837
Related tax	(10,315,723)	(3,280,291)
Share of other comprehensive income of the equity accounted investee, net of tax	11,599,223	(2,214,454)

The following table illustrates summarised information of the Company's investment in ACL Kelani Magnet Wire (Private) Ltd;

As at 31 March	Company and Investee	
	2018 Rs.	2017 Rs.
<b>16.3 Carrying amount of interest in associate</b>		
Percentage ownership interest	29.99%	29.99%
<b>Financial position of equity accounted investee</b>		
Non current assets	272,093,559	204,768,397
Current assets	100,980,898	109,766,153
Non-current liabilities	(41,006,247)	(4,259,565)
Current liabilities	(259,507,293)	(258,915,484)
<b>Net assets (100%)</b>	<b>72,560,917</b>	<b>51,359,501</b>
Company's share of net assets (29.99%)	21,761,019	15,402,714
<b>16.4 Financial performance of equity accounted investee</b>		
Revenue (100%)	41,919,099	69,619,930
Profit/(loss) for the year, net of tax (100%)	(19,116,920)	9,636,112
Other comprehensive income (100%)	38,676,967	(7,383,976)
Comprehensive income (100%)	19,560,047	2,252,136
<b>Company's 29.99% share of comprehensive income</b>	<b>5,866,059</b>	<b>675,416</b>
Share of comprehensive income, net of tax	5,866,059	675,416

## 17. INVENTORIES

As at 31 March	Company and Investee / Company	
	2018 Rs.	2017 Rs.
Raw materials	344,936,758	341,178,231
Work-in-progress	268,494,354	301,338,310
Finished goods	971,527,478	872,566,813
Consumable stocks	90,759,560	91,587,904
	1,675,718,150	1,606,671,258
Provision for obsolete and slow moving inventories (Note-17.1)	(93,243,012)	(92,239,440)
	1,582,475,138	1,514,431,818
Goods in transit	93,857,832	133,790,140
	1,676,332,970	1,648,221,958
<b>17.1 Provision for obsolete and slow moving inventories</b>		
Balance as at 1 April	92,239,440	71,581,323
Provision for the year	1,003,572	20,658,117
Balance as at 31 March	93,243,012	92,239,440

## 18. TRADE AND OTHER RECEIVABLES

As at 31 March	Company and Investee / Company	
	2018 Rs.	2017 Rs.
Trade receivables	2,240,406,658	2,044,898,174
Trade receivables - related parties		
ACL Cables PLC	65,117,847	43,285,288
ACL-Kelani Magnet Wire (Private) Limited	84,473,058	84,253,307
ACL Electric (Pvt) Ltd	5,151	-
	2,390,002,714	2,172,436,769
Provision for impairment of trade receivables (Note -18.1)	(94,533,175)	(86,955,591)
	2,295,469,539	2,085,481,178
Staff loans	4,269,280	5,268,220
Other receivables	11,313,359	16,444,220
	2,311,052,178	2,107,193,618
<b>18.1 Provision for impairment of trade receivables</b>		
Balance as at 1 April	86,955,591	87,845,948
Provision for the year	8,447,306	-
Write-off during the year	(869,722)	(890,357)
Balance as at 31 March	94,533,175	86,955,591
<b>19. AMOUNT DUE FROM RELATED COMPANIES</b>		
ACL Cables PLC		
Loan	-	41,854,000
	-	41,854,000

The loan was fully paid during the year. Interest was calculated at Treasury Bill rate on a quarterly basis and accounted in the financial statements.

# Notes to the Financial Statements

## 20. CASH AND CASH EQUIVALENTS

As at 31 March	Company and Investee / Company	
	2018	2017
	Rs.	Rs.
Cash in hand and at bank	671,656,354	498,776,634
<b>Cash and cash equivalents</b>	<b>671,656,354</b>	<b>498,776,634</b>
Bank overdrafts	(79,416,145)	(204,379,577)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>592,240,209</b>	<b>294,397,057</b>

Value of inventories and book debts have been pledged as security against the overdraft facility obtained from bank, amounted to Rs. 39.5 Mn.

## 21. STATED CAPITAL

As at 31 March	Company and Investee / Company	
	2018	2017
	Rs.	Rs.
Issued and fully paid		
21,800,000 Ordinary shares	218,000,000	218,000,000
	<b>218,000,000</b>	<b>218,000,000</b>

### 21.1 Rights, preferences and restrictions of classes of capital

The holders of ordinary share are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

## 22. CAPITAL RESERVES

As at 31 March	Company and Investee		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Revaluation reserve (Note 22.1)	404,424,947	299,932,528	352,751,640	259,919,530
Capital redemption reserve fund (Note 22.2)	525,000	525,000	525,000	525,000
	<b>404,949,947</b>	<b>300,457,528</b>	<b>353,276,640</b>	<b>260,444,530</b>

### 22.1 Revaluation reserves

Revaluation reserve relates to the resultant surplus on revaluation of land and buildings of the Company, net of related tax.

For the year ended 31 March 2018

	Company		
	Land	Buildings	Total
	Rs.	Rs.	Rs.
Revaluation surplus	49,500,000	119,487,105	168,987,105
Deferred tax	(42,698,606)	(33,456,389)	(76,154,995)
	<b>6,801,394</b>	<b>86,030,716</b>	<b>92,832,110</b>

### 22.2 Capital redemption reserve fund

Capital redemption reserve fund was created consequent to redemption of preference shares.



## 23. GENERAL RESERVES

As at 31 March	Company and Investee / Company	
	2018	2017
	Rs.	Rs.
Development reserve (Note 23.1)	7,143,905	7,143,905
Dividend equalization reserve (Note 23.2)	1,000,000	1,000,000
Revenue reserve (Note 23.3)	422,992,095	422,992,095
	431,136,000	431,136,000

### 23.1 Development reserve

The development reserve reflects the amount the Company has reserved for future development expenditure.

### 23.2 Dividend equalization reserve

Dividend equalization reserve amounting to Rs.1,000,000/- reflects the amount the Company had reserved for future dividend payments which was created in the year1981/82.

### 23.3 Revenue reserve

The revenue reserve reflects the amount that the Company has reserved over the years from it's retained earnings.

## 24. RETAINED EARNINGS

As at 31 March	Company and Investee		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April	2,524,964,977	2,243,356,045	2,566,225,805	2,284,298,808
Profit for the year	184,768,809	378,334,302	196,860,277	376,437,913
Actuarial gain/loss	(572,138)	1,374,630	(511,052)	3,589,084
Interim dividend declared during the year	(76,300,000)	(98,100,000)	(76,300,000)	(98,100,000)
Balance as at 31 March	2,632,861,648	2,524,964,977	2,686,275,030	2,566,225,805

## 25. EMPLOYEE BENEFITS

### 25.1 Defined contribution plans

Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.

For the year ended 31 March	Company and Investee / Company	
	2018	2017
	Rs.	Rs.
Employees' Provident Fund		
Employer's contribution	29,258,664	26,199,473
Employees' contribution	21,782,084	19,440,871
Employees' Trust Fund	7,314,666	6,549,868

# Notes to the Financial Statements

## 25. EMPLOYEE BENEFITS (Contd.)

### 25.2 Defined benefit plans - provision for employee benefits

The note indicates the assumptions used and the movement in the employee benefit plan. The plan is not externally funded. As at 31 March 2018 the gratuity liability was actuarially valued under the Projected Unit Credit (PUC) method by Mr. M. Poopalanathan AIA of Actuarial & Management Consultants (Pvt) Ltd a firm of professional actuaries. The valuation is performed annually.

As at 31 March	Company and Investee / Company	
	2018 Rs.	2017 Rs.
Present value of unfunded obligation (Note 25.2.1)	94,980,418	83,311,661
<b>25.2.1 Movement in the present value of the Employee Benefits unfunded obligation</b>		
Balance as at 1 April	83,311,661	83,681,977
Provision recognised during the year (Note 25.2.1.a)	17,717,752	15,753,550
Actuarial loss/(gain) during the year (Note 25.2.1.b)	709,795	(3,677,874)
	101,739,208	95,757,653
Payments during the year	(6,758,790)	(12,445,992)
Balance as at 31 March	94,980,418	83,311,661
<b>25.2.1.a Provision recognized in the statement of comprehensive income</b>		
Current service cost	9,997,399	6,966,942
Interest on obligation	7,720,353	8,786,608
	17,717,752	15,753,550
<b>25.2.1.b Provision recognized in the statement of other comprehensive income</b>		
Actuarial (gain)/loss during the year	709,795	(3,677,874)
	709,795	(3,677,874)
<b>The expense is recognized in the following line items in the statement of comprehensive income</b>		
Cost of sales	8,046,294	7,314,815
Distribution expenses	5,713,086	5,193,711
Administrative expenses	3,958,372	3,245,024
	17,717,752	15,753,550
<b>25.3 Principal actuarial assumptions used</b>		
(a) Discount rate	10.5%	12.0%
(b) Future salary increase rate	8.5%	10.0%
(c) Retirement age	55 years	55 years

## 25.4 Sensitivity analysis

If there is a change in the assumption by 1%, the following would be the impact on employee benefits

As at 31 March

	2018			
	Discount rate	Effect	Salary increment rate	Effect
		Rs.		Rs.
Effect on defined benefit obligation liability				
Increase by 1%	11.5%	(4,807,427)	9.5%	5,790,157
Decrease by 1%	9.5%	5,318,366	7.5%	(5,313,584)

As at 31 March,

	2017			
	Discount rate	Effect	Salary increment rate	Effect
		Rs.		Rs.
Effect on defined benefit obligation liability				
Increase by 1%	13.0%	(4,153,007)	11.0%	4,988,130
Decrease by 1%	11.0%	4,580,660	9.0%	(4,590,036)

## 26. DEFERRED TAXATION

As at 31 March	Company and Investee/ Company	
	2018	2017
	Rs.	Rs.
Deferred tax assets (Note 26.1)	26,900,675	24,762,413
Deferred tax liabilities (Note 26.2)	(151,682,985)	(83,739,202)
	(124,782,310)	(58,976,789)

### 26.1 Deferred tax assets

Balance as at 1 April	24,762,413	24,795,273
Originated/(reversed) during the year - recognized in profit or loss	1,939,519	(32,860)
Originated during the year - recognized in other comprehensive income	198,743	-
Balance as at 31 March	26,900,675	24,762,413

### 26.2 Deferred tax liabilities

Balance as at 1 April	83,739,202	97,763,859
Originated during the year recognized in other comprehensive income	76,154,995	88,790
Reversed during the year recognized in profit or loss	(8,211,212)	(14,113,447)
Balance as at 31 March	151,682,985	83,739,202

### 26.3 Impact on the Inland Revenue Act No 24 of 2017

As provided for in LKAS 12 - Income taxes, deferred tax assets and liabilities should be measured at the tax rate that are expected to be applied in the period in which the asset will be realised or the liability will be settled, based on the tax rate (and tax laws) that have been enacted or substantially enacted by the reporting date. As per the Inland Revenue Act No 24 of 2017 which has been legislated and effective from 1 April 2018, the new tax rate of 28% (Previously 12% for profits from export sales and 28% for profits from local sales) has become applicable to the Company from 1 April 2018. Accordingly, 28% has been applied for deferred tax computation.

**26.4** Deferred tax recognized in other comprehensive income amounted to Rs. 76,154,995/- includes deferred tax on revaluation surplus from land revalued as at reporting date amounted to Rs. 42,698,605/-. As per the Inland Revenue Act No 24 of 2017 which has been legislated and effective from 1 April 2018, The Company will be liable for capital gain tax at a rate of 28% on the revaluation surplus in excess of the acquired cost of capital assets. Accordingly, deferred tax liability on revaluation surplus in excess of the cost of the land of Rs. 42,698,605/- has been recognised in the other comprehensive income.

# Notes to the Financial Statements

## 26. DEFERRED TAXATION (Contd.)

	Statement of financial position				Profit or loss		Other comprehensive income	
	2018		2017		2018	2017	2018	2017
	Temporary difference	Tax effect	Temporary difference	Tax effect				
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Deferred tax liability</b>								
Property, plant and equipment (Note 26.4)	541,724,944	151,682,985	295,390,705	82,709,397	(8,211,212)	(14,113,447)	76,154,995	-
Actuarial gain on employee benefits	-	-	3,677,874	1,029,805	-	-	-	88,790
		151,682,985		83,739,202	(8,211,212)	(14,113,447)	76,154,995	88,790
<b>Deferred tax assets</b>								
Employee benefits	94,980,418	26,594,517	86,989,535	24,357,070	(2,038,704)	14,898	(198,743)	-
Provision for PILESIS	1,093,419	306,158	1,447,652	405,343	99,185	17,962	-	-
		26,900,675		24,762,413	(1,939,519)	32,860	(198,743)	-
		124,782,310		58,976,789	(10,150,731)	(14,080,587)	75,956,252	88,790

## 27. INTEREST BEARING BORROWINGS

As at 31 March	Company and Investee/ Company	
	2018	2017
	Rs.	Rs.
Balance as at 1 April	31,841,000	55,841,000
Loans obtained during the year	730,600,000	55,000,000
Loans repaid during the year	(520,379,232)	(79,000,000)
Balance as at 31 March	242,061,768	31,841,000
Amount payable within one year	230,961,000	24,000,000
Amount payable after one year	11,100,768	7,841,000
	242,061,768	31,841,000

Land with a carrying value of Rs. 76.4 mn has been pledged as security against the loan obtained.

## 28. TRADE AND OTHER PAYABLES

As at 31 March	Company and Investee/ Company	
	2018	2017
	Rs.	Rs.
Trade payables	135,664,550	156,313,279
Bills payable	962,888,465	742,433,515
Trade payables - Related parties		
ACL Cables PLC	91,908,345	101,426,622
ACL Plastics PLC	130,214,210	167,774,368
ACL -Kelani Magnet Wire (Private) Limited	-	4,632,530
ACL Metals & Alloys Pvt Ltd	-	48,744,625
Ceylon Copper (Pvt) Ltd.	95,170,110	91,799,468
ACL Electric (Pvt) Ltd	6,476,605	2,065,125
S M Lighting (Private) Ltd	22,584,381	24,968,678
	346,353,651	441,411,416
	1,444,906,666	1,340,158,210
Accrued charges	68,888,496	69,907,668
Nation building tax payable	17,590,731	3,158,775
ESC payable (Note 28.1)	32,665,285	-
Distributors' deposits	49,757,891	51,215,216
Advance from debtors	49,932,675	35,234,991
Other payables	26,048,706	30,088,169
	244,883,784	189,604,819
	1,689,790,450	1,529,763,029

**28.1** The Company has not made ESC payments for the last three quarters ended 31 March 2018.

## 29. CURRENT TAXATION

As at 31 March	Company and Investee / Company	
	2018	2017
	Rs.	Rs.
Balance as at 1 April	254,627,512	359,327,044
Provision on current years profit	77,039,154	135,020,230
ESC set off	(32,665,285)	(36,302,688)
Over provision in respect of last year	-	(1,436,657)
Payments made during the year	(8,105,667)	(201,980,417)
Balance as at 31 March	290,895,714	254,627,512



# Notes to the Financial Statements

## 30. UNCLAIMED DIVIDENDS

As at 31 March	Company and Investee / Company	
	2018	2017
	Rs.	Rs.
Balance as at 1 April	11,102,821	8,670,493
Dividend declared	76,300,000	98,100,000
Payments during the year	(75,291,453)	(95,667,672)
Balance as at 31 March	12,111,368	11,102,821

## 31. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24-Related Party Disclosures. The details of which are reported below.

### 31.1 Key management personnel information

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. Accordingly the KMP include members of the Board of Directors of the Company.

ACL Cables PLC is the ultimate parent of the Company and the board of directors of ACL Cables PLC has the authority and responsibility of planning, directing and controlling the activities of the Company. The Directors of ACL Cables PLC have also been identified as KMP of the Company.

Compensation paid to / on behalf of key management personnel of the company are as follows:

For the year ended 31 March	Company and Investee / Company	
	2018	2017
	Rs.	Rs.
Short term employee benefits	14,990,000	14,055,766
Post employment benefits	1,587,500	615,562

### 31.2 Transactions with related companies

Company	Relationship	Name of the Director	Nature of transactions	Company and Investee / Company	
				2018	2017
				Rs.	Rs.
ACL Cables PLC	Ultimate parent company	U.G. Madanayake	Interest receivable on loan granted	3,459,928	3,602,580
		Suren Madanayake	Interest received in cash	(3,459,928)	(3,602,580)
		Mrs. N. C. Madanayake			
			Bills Charged	(9,830,477)	(899,561)
			Settlements during the year	9,830,477	899,561
			Settlement of loan	41,854,000	-
			Sale of goods / Drawing chgs(Gross)	206,446,453	103,561,366
			Settlements during the year	(184,613,894)	(83,738,662)
			Purchase of goods (Gross)	(628,677,343)	(983,443,012)
			Settlements during the year	638,195,619	918,654,751

Company	Relationship	Name of the Director	Nature of transactions	Transaction amount 2018 Rs.	Transaction amount 2017 Rs.
ACL Plastics PLC	Fellow subsidiary of ACL Cables PLC	U.G. Madanayake	Purchase of raw materials (Gross)	(726,043,976)	(706,125,624)
		Suren Madanayake	Settlements during the year	763,604,135	736,862,308
		Mrs. N. C. Madanayake			
			Sale of goods (Gross)	83,851	280,429
			Settlements during the year	(83,851)	(372,953)
ACL-Kelani Magnet Wire (Private) Ltd	Equity accounted investee	U.G. Madanayake	Sale of goods	51,536	-
		Suren Madanayake	Settlements during the year	(25,980)	(24,943,037)
			Drawing charges	(29,123,220)	(23,091,744)
			Settlements during the year	33,949,946	18,459,213
ACL Metals & Alloys (Pvt) Ltd	Fellow subsidiary of ACL Cables PLC	U.G. Madanayake	Purchase of raw materials (Gross)	(153,746,230)	(117,931,813)
		Suren Madanayake	Settlements during the year	202,490,856	97,280,679
			Sale of goods	524,682	-
			Settlements during the year	(524,682)	-
Ceylon Copper (Pvt) Ltd.	Fellow subsidiary of ACL Cables PLC	U.G. Madanayake	Purchase of raw materials (Gross)	(966,929,219)	(399,818,087)
		Suren Madanayake	Settlements during the year	963,558,577	483,176,797
ACL Electric (Pvt) Ltd.	Fellow subsidiary of ACL Cables PLC	U.G. Madanayake	Sale of finished goods (gross)	18,154	32,149
		Suren Madanayake	Settlements during the year	(11,879)	(32,149)
			Purchase of finished goods (Gross)	(13,370,665)	(10,328,017)
			Settlements during the year	8,958,060	13,083,169
Lanka Olex Cables (Private) Ltd	Immediate parent company	U.G. Madanayake	Interim dividend payment 2016/17- Rs.3/50 per share	57,222,718	-
		Suren Madanayake	Interim dividend payment 2015/16- Rs.4/50 per share	-	73,572,066
		Mrs. N. C. Madanayake			
S. M. Lighting (Private) Ltd.	KMP through significant influence	Suren Madanayake	Sale of goods (gross)	54,175	-
			Settlements during the year	(12,636)	-
			Purchase of goods (Gross)	(117,649,683)	(207,246,564)
			Settlements during the year	120,033,980	196,091,106

Amount due to/from related Companies are disclosed in the Notes 18,19 and 28.

# Notes to the Financial Statements

## 32. FINANCIAL RISK MANAGEMENT

### Overview

The Company has exposure to the following risks from its use of financial instruments:

#### Credit risk

#### Liquidity risk

#### Market risk

#### Operational risk.

### Introduction and overview

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout this financial statement.

### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### 32.1 Credit risk

The Company extends credit facilities to customers during the course of business. Therefore, non-payment of trade debts is a key risk associated with trade receivables.

### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows,

As at 31 March	Company and investee / Company	
	2018 Rs.	2017 Rs.
Trade and other receivables	2,311,052,178	2,107,193,618
Amount due from related companies	-	41,854,000
Deposits	196,210	169,210
Cash and cash equivalents	671,656,354	498,776,634
	2,982,904,742	2,647,993,462

#### Age analysis of trade receivables after provision for impairment

As at 31 March	2018 Rs.	2017 Rs.
Less than 30 days	807,369,500	638,246,597
Between 31 days - 60 days	544,842,637	618,634,267
Between 61 days - 90 days	424,381,783	393,887,556
Between 91 days - 180 days	325,934,465	250,267,066
Between 181 days - 365 days	73,284,881	66,497,716
More than 365 days	214,189,448	204,903,567
Gross trade receivables	2,390,002,714	2,172,436,769
Provision for impairment	(94,533,175)	(86,955,591)
Net trade receivables	2,295,469,539	2,085,481,178

#### Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. However, geographically there is no concentration of credit risk.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Companies of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

#### Control Measures and Action Plans to Mitigate Risk

- Constant monitoring of trends in payment patterns.
- Being alert to indicators of insolvency by keeping abreast of economic reviews, news and analysis of published financial and other reports of Key trade partners.
- Robust credit policy in place to review credit worthiness on a periodic basis.
- Every endeavour is made to secure revolving advances.
- Actively measuring trade debtor balances with collection targets and regular meetings to monitor and review efficacy of collection activities.
- Instituting legal action as a last resort.

# Notes to the Financial Statements

## 32. FINANCIAL RISK MANAGEMENT (Contd.)

### 32.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity 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.

#### 32.2.1 Exposure to liquidity risk

The following are the remaining contractual maturities of the Company at the end of the reporting period of financial liabilities.

As at 31 March 2018	Carrying amount (Rs.)	Total (Rs.)	Contractual cash flows (Rs.)			
			up to 3 months	Less than 1 year	1 - 2 years	2 - 5 years
Non- derivative financial liabilities						
Secured bank loans	242,061,768	242,061,768	226,780,000	4,181,000	3,120,000	7,980,768
Bank overdraft	79,416,145	79,416,145	79,416,145	-	-	-
Trade and other payables	1,689,790,450	1,689,790,450	1,480,773,312	209,017,138	-	-
	2,011,268,363	2,011,268,363	1,786,969,457	213,198,138	3,120,000	7,980,768

As at 31 March 2017	Carrying amount (Rs.)	Total (Rs.)	Contractual cash flows (Rs.)			
			up to 3 months	Less than 1 year	1 - 2 years	2 - 5 years
Non- derivative financial liabilities						
Secured bank loans	31,841,000	31,841,000	6,000,000	18,000,000	7,841,000	
Bank overdraft	204,379,577	204,379,577	204,379,577	-	-	-
Trade and other payables	1,529,763,029	1,529,763,029	1,189,014,122	340,748,907	-	-
	1,765,983,606	1,765,983,606	1,399,393,699	358,748,907	7,841,000	



### 32.2.1 Exposure to liquidity risk

Details below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at 31 March 2018.

	On demand	0 -30 days	30 -60 days	60 -90 days	90-180 days	180-365 days	More than 365 days	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade and other payables	101,029,659	974,386,287	222,852,379	182,504,987	182,969,977	26,047,161	-	1,689,790,450
Unclaimed dividends	12,111,368	-	-	-	-	-	-	12,111,368
Interest bearing borrowings	-	222,260,000	2,260,000	2,260,000	2,621,000	1,560,000	11,100,768	242,061,768
Bank overdrafts	79,416,145	-	-	-	-	-	-	79,416,145
	192,557,172	1,196,646,287	225,112,379	184,764,987	185,590,977	27,607,161	11,100,768	2,023,379,731

Details below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at 31 March 2017

	On demand	0 -30 days	30 -60 days	60 -90 days	90-180 days	180-365 days	More than 365 days	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade and other payables	58,538,684	747,939,710	233,090,521	149,445,207	310,664,905	30,084,002	-	1,529,763,029
Unclaimed dividends	11,102,821	-	-	-	-	-	-	11,102,821
Interest bearing borrowings	-	2,000,000	2,000,000	2,000,000	6,000,000	12,000,000	7,841,000	31,841,000
Bank overdrafts	204,379,577	-	-	-	-	-	-	204,379,577
	274,021,082	749,939,710	235,090,521	151,445,207	316,664,905	42,084,002	7,841,000	1,777,086,427

### 32.2.2 Management of liquidity risk

The Company's approach to managing liquidity 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. The Company's policy is to hold cash and undrawn overdraft facilities at a level sufficient to ensure that the Company has available funds to meet its liabilities.

### 32.3 Market risk

The market risk is exposure to adverse movements in the security markets for both equity and fixed income investments, which can result variations in the anticipated returns from those securities. All financial institutions face market risks, created by changes in the macro environment related to political factors, national security, economic management and globalization influences which have an impact on systematic risk factors such as interest rates, currency parity, inflation, and availability of credit.

#### Control Measures and Action Plans to Mitigate Risk

- Expansion of its portfolio through strategic investment.
- Innovating and trend setting while benchmarking with global competition.
- Introduction of unique and innovative services to create demand for the destination.
- Obtaining Quality and safety standard certification for assurance of health and safety.
- Securing Green Globe and Eco Friendly Certification in acknowledgement of commitment to sustainable tourism.
- Participation in global and regional tourism promotional events in potential and emerging markets.

# Notes to the Financial Statements

## 32. FINANCIAL RISK MANAGEMENT (Contd.)

### 32.3 Market risk (Contd.)

#### 32.3.1 Foreign exchange risk

The Company is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of Sri Lankan Rupee (LKR) against the US Dollar (USD). Company's functional currency is the Sri Lankan Rupee (LKR) in which most of the transactions are denominated and all other currencies are considered foreign currencies for reporting purposes. The Company had taken measures to manage risk by having foreign currency trade receivables and foreign currency bank accounts balances to cover the exposure on foreign currency payables. Hence the overall objective of foreign exchange risk management is to reduce the short term negative impact of exchange rate fluctuations on earnings and cash flow, thereby increasing the predictability of the financial results.

	Average rate		Reporting date spot rate	
	2018 Rs.	2017 Rs.	31 March 2018 Rs.	31 March 2017 Rs.
USD 1	153.51	148.17	155.60	151.99

#### Sensitivity Analysis - Based on exchange rate fluctuation against Sri Lankan rupees

An estimation of the impact of the currency risk with respect of financial instruments with a 5% change in exchange rate is given below. In calculation of risk it is assumed that all other variable factors are held constant. The calculation of sensitivity has been performed only on the assets and liabilities denominated in foreign currency of the Company as at 31 March 2018.

	Effect on profit or loss	
	2018 Rs.	2017 Rs.
LKR depreciated against USD by 5%	3,802,195	(11,844,638)
LKR appreciated against USD by 5%	(3,802,195)	11,844,638

#### 32.3.2 Interest rate risk

Interest rate risk is the risk that the fair value of the cash flows of financial instruments will fluctuate because of changes in market interest rates; interest rate risk arises on interest bearing financial instruments recognized in the statement of financial position.

The interest rate risk of the Company arises from financial instruments which are exposed to variable or fixed interest rates. Variable interest rates expose the Company to cash flow due to the impact on the quantum of interest payable. Financial instruments with fixed interest rates are subject to variations in fair values due to market interest movements.

The Company monitors market interest rate movements and takes steps to minimize the interest rate risk associated with financial instruments with rates.

## Profile

At the end of the reporting period the interest rate profile of the Company's interest bearing financial instruments were as follows,

	2018 Rs.	2017 Rs.
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
- Investment in Sri Lanka Development Bonds	-	164,143,800
<b>Financial liabilities</b>		
- Bank overdraft	(79,416,145)	(204,379,577)
- Interest bearing borrowings	(14,220,768)	-
<b>Variable rate instruments</b>		
<b>Financial liabilities</b>		
- Interest bearing borrowings	(227,841,000)	(31,841,000)

### 32.3.3 Price risk

The Company is exposed to price risk because of investments in quoted/ unquoted shares held by the Company classified as financial assets available-for-sale. The value of these investments is subjected to the performance of investee company and the factors that affects the status of the stock market. Sensitivity analysis on the value of the investments is not provided as it is deemed to be not material.

### 32.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance when this is effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board of Directors and senior management of the Company.

# Notes to the Financial Statements

## 33. FAIR VALUES OF FINANCIAL INSTRUMENTS

### 33.1 Valuation of financial instruments measured at fair value

The Company does not have any financial instruments which are measured at fair value. Therefore, disclosure in relation to the fair value hierarchy (Level 1,2 and 3) have not been presented.

### 33.2 Valuation of financial assets and liabilities not carried at fair value

Set out below is a comparison of the carrying amounts and fair values of the financial instruments of the Company which are not measured at fair value in the financial statements. These tables do not include non-financial assets and liabilities.

For the Year Ended 31 March	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.
<b>Financial assets</b>				
Investment in Sri Lanka Development Bonds	-	-	164,143,800	164,143,800
Trade and other receivables	2,311,052,178	2,311,052,178	2,107,193,618	2,107,193,618
Amount due from related parties	-	-	41,854,000	41,854,000
Deposits	7,344,347	7,344,347	3,709,250	3,709,250
Cash in hand cash at bank	671,656,354	671,656,354	498,776,634	498,776,634
	2,990,052,879	2,990,052,879	2,815,677,302	2,815,677,302
<b>Financial liabilities</b>				
Trade and other payable	1,689,790,450	1,689,790,450	1,529,763,029	1,529,763,029
Unclaimed Dividend	12,111,368	12,111,368	11,102,821	11,102,821
Interest bearing borrowings	242,061,768	242,061,768	31,841,000	31,841,000
Bank overdrafts	79,416,145	79,416,145	204,379,577	204,379,577
	2,023,379,731	2,023,379,731	1,777,086,427	1,777,086,427

#### 33.2.1 Other financial assets

The carrying amount of cash and bank balances approximate to the fair value due to the relatively short maturity of the financial instruments.

The fair value of the Loans to staff has been computed based on the interest rates prevailed at reporting date.

Other receivables items the carrying value has been considered as the fair value due to the timing of the cash flows.

#### 33.2.2 Financial liabilities

This nature of financial liabilities of carrying value has been considered as the fair value due to the timing of the cash due.

#### 34. CAPITAL COMMITMENTS

There were no capital commitments as at 31 March 2018 approved by the Board of Directors.

	2018 Rs.	2017 Rs.
Approximate amount approved but not contracted for	-	15,659,951

There are no operating lease commitments as at the reporting date.

Except for disclosed above, there were no other capital commitments as at the reporting date.

#### 35. CONTINGENT LIABILITY

##### Guarantees

The contingent liability as at 31 March 2018 on guarantees given to third parties amounted to Rs. 152,169,885/- (2017 - Rs. 123,985,782/-).

The Company did not have any material litigations and claims which required adjustment or disclosures in the Financial Statements as at the reporting date.

There were no other contingent liabilities as at the reporting date.

#### 36. COMPARATIVE INFORMATION

Comparative information is reclassified wherever necessary to confirm with the current year's classification in order to provide better presentation.

#### 37. EVENTS AFTER THE REPORTING DATE

Except for the below mentioned events, there have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

The Board of Directors has recommended the payment of an interim dividend of Rs. 3.50 per share for the year ended 31 March 2018 which was approved at the board meeting held on 26 June 2018.

As required by Section 56 of the Companies Act No.07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, prior to declaring dividend. A statement of Solvency duly completed and signed by the Directors on 26 June 2018 has been audited by Messers KPMG.

#### 38. DIRECTORS RESPONSIBILITY FOR FINANCIAL REPORTING

The Board of Directors is responsible for preparing and presenting these Financial Statements in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the requirement of the companies Act No 07 of 2007.



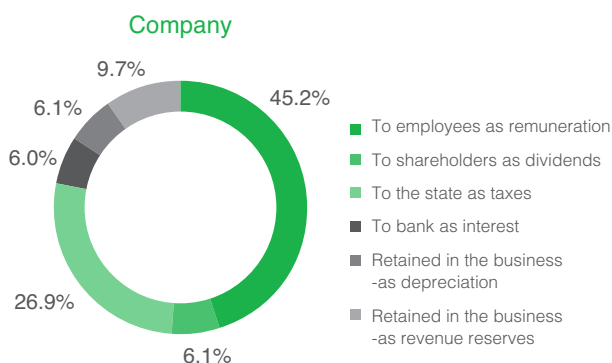
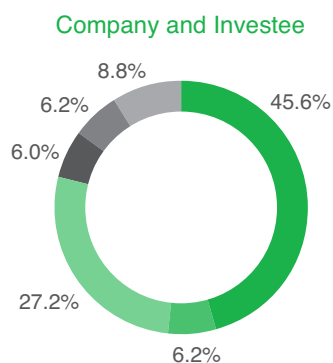
# Statement of Value Addition

	Company and Investee		Company	
	2018 Rs'000	2017 Rs'000	2018 Rs'000	2017 Rs'000
Revenue	7,994,364	7,122,784	7,994,364	7,122,784
Other operating and interest income	51,245	86,122	51,245	86,122
	8,045,609	7,208,906	8,045,609	7,208,906
Less:				
Cost of material and services purchased	6,812,604	5,921,613	6,800,513	5,923,510
Value Added	1,233,004	1,287,292	1,245,096	1,285,396
Value addition as percentage on revenue	15.4%	18.1%	15.6%	18.0%

## Distribution of value addition is as follows

	Company and Investee				Company			
	2018 Rs'000	As a % of total	2017 Rs'000	As a % of total	2018 Rs'000	As a % of total	2017 Rs'000	As a % of total
To employees as remuneration	562,473	45.6%	519,548	40.3%	562,473	45.2%	519,548	40.4%
To shareholders as dividends	76,300	6.2%	98,100	7.6%	76,300	6.1%	98,100	7.6%
To the state as taxes	334,761	27.2%	274,002	21.3%	334,761	26.9%	274,002	21.3%
To bank as interest	74,277	6.0%	37,184	2.9%	74,277	6.0%	37,184	2.9%
Retained in the business					-			
- As depreciation	76,725	6.2%	78,223	6.1%	76,725	6.1%	78,223	6.1%
- As revenue reserves	108,469	8.8%	280,234	21.8%	120,560	9.7%	278,338	21.7%
	1,233,004		1,287,292		1,245,096		1,285,396	

## Distribution of value addition 2018



# Investors' Information

## DISTRIBUTION OF SHAREHOLDING - 31 MARCH 2018

	No of Holders	Total Holding	% Holding
up to 1000	788	194,866	0.9%
1,001 - 5,000	212	550,900	2.5%
5,001 - 10,000	54	440,788	2.0%
10,001 - 50,000	66	1,287,361	5.9%
50,001 - 100,000	7	530,181	2.4%
100,001 - 500,000	3	662,800	3.0%
500,001 - 1,000,000	2	1,783,756	8.2%
over 1,000,000	1	16,349,348	75.0%
	1133	21,800,000	

## TWENTY LARGEST SHAREHOLDERS AS AT 31 MARCH

		2018		2017	
		No. of Shares	% Holding	No. of Shares	% Holding
1	Lanka Olex Cables (Private) Ltd	16,349,348	75.0%	16,349,348	75.0%
2	ACL Cables PLC	933,756	4.3%	933,756	4.3%
3	Sri Lanka Opportunity Fund Pte Ltd	850,000	3.9%	-	0.0%
4	Bank of Ceylon-No 2 A/c	323,800	1.5%	323,800	1.5%
5	Deutsche Bank AG as trustee to Candor Opportunities	235,500	1.1%	357,656	1.6%
6	Thaha I. M.	103,500	0.5%	103,500	0.5%
7	Employees Trust Fund Board	95,567	0.4%	95,567	0.4%
8	People's Leasing & Finance PLC/L. P. Hapangama	93,402	0.4%	74,699	0.3%
9	People's Leasing & Finance PLC/Dr. H. S. D. Soysa	84,912	0.4%	-	0.0%
10	Waldock Mackenzie Limited/Ceylinco Shriram Capital Management	76,600	0.4%	76,600	0.4%
11	Goonesekera C. D. M. (Mrs)	62,500	0.3%	62,500	0.3%
12	Madanayake H. A. S.	61,000	0.3%	61,000	0.3%
13	Madanayake U.G.	56,200	0.3%	56,200	0.3%
14	Vignarajah K. C.	42,431	0.2%	42,420	0.2%
15	Leonard D. S.	41,186	0.2%	41,186	0.2%
16	Deutsche Bank AG As Trustee to Amana Candor Sharia	40,000	0.2%	270,000	1.2%
17	Kannangara N. L. & De Livera S. S.	40,000	0.2%	40,000	0.2%
18	Life Insurance Corporation (Lanka) Ltd.	40,000	0.2%	-	0.0%
19	Sumathipala U. W. J. P. A.	35,200	0.2%	35,200	0.2%
20	People's Leasing & Finance PLC/L.H.L.M.P. Haradasa	35,058	0.2%	28,157	0.1%

	No. of Shares	% Holding	No. of Share holders
Share held by public as at 31 March 2018	4,399,696	20.2%	1129
Share held by public as at 31 March 2017	4,399,696	20.2%	1123

	2018	2017
Market value per share (Rs.)		
At the year end	93.00	117.50
Highest value during the year	129.00	145.00
Lowest value during the year	86.00	101.00
Earnings per share (EPS) - Rs.	9.03	17.27
Net asset per share (Rs.)	169.13	159.38
Dividend per share (DPS) -Rs.	3.50	4.50
Dividend yield	0.04	0.04
Price earnings ratio	10.30	6.80
No. of transactions	578	1590
No. of share traded	1,414,273	1,343,993
Total turnover (Rs.)	141,277,121	154,443,410
Market capitalisation (Rs.)	2,027,400,000	2,561,500,000
Percentage of shares held by the public	20.2%	20.2%

# Decade at a Glance (Company & Investee)

## TRADING RESULTS

Rs' 000

Year ended 31 March	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Turnover	7,994,364	7,122,784	6,619,776	6,204,431	5,231,769	4,565,481	4,342,986	3,822,241	3,322,214	2,829,832
Gross profit	1,006,539	1,135,495	1,302,349	1,022,926	866,439	717,357	798,558	616,514	695,429	468,715
Earnings before interest & tax	325,934	535,022	720,210	500,627	351,904	317,254	423,030	265,494	314,479	208,049
Finance cost	(74,277)	(37,184)	(39,588)	(55,581)	(41,255)	(36,952)	(37,381)	(47,190)	(35,019)	(72,988)
Profit before tax	251,657	497,837	680,622	445,045	310,649	280,302	385,649	218,304	279,460	135,061
Taxation	(66,888)	(119,503)	(181,895)	(118,944)	(95,564)	(79,951)	(104,958)	(84,571)	(139,783)	(40,093)
Profit after taxation	184,769	378,334	498,727	326,101	215,085	200,351	280,692	133,733	139,678	94,968

## BALANCE SHEET

As at 31 March	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Stated capital	218,000	218,000	218,000	218,000	218,000	218,000	218,000	218,000	218,000	218,000
Capital reserves	404,950	300,458	300,458	300,458	177,009	177,009	177,009	143,063	121,977	114,013
General reserves	431,136	431,136	431,136	431,136	431,136	431,136	431,136	431,136	431,136	431,136
Retained earnings	2,632,862	2,524,965	2,243,356	1,809,488	1,515,234	1,336,785	1,158,234	921,142	746,609	650,532
	3,686,948	3,474,559	3,192,950	2,759,081	2,341,378	2,162,930	1,984,379	1,713,341	1,517,722	1,413,681
Property, plant & equipment	852,737	663,112	679,381	714,179	588,800	512,733	462,152	429,906	340,294	331,192
Intangible assets	-	-	-	1,123	-	-	-	-	-	-
Investments	20,021	14,155	13,479	10,847	10,409	28,335	32,451	31,154	9,512	31,963
Investment property	280,000	253,750	231,000	208,000	130,000	130,000	130,000	125,000	120,000	120,000
Current assets	5,068,228	4,717,544	4,170,757	3,937,255	3,143,648	3,047,413	2,269,212	2,295,645	2,129,865	1,484,874
Current liabilities	(2,303,175)	(2,023,873)	(1,713,177)	(1,895,058)	(1,339,731)	(1,450,733)	(817,253)	(1,087,770)	(1,022,431)	(506,700)
Non current liabilities	(230,863)	(150,129)	(188,492)	(217,264)	(191,748)	(104,819)	(92,183)	(80,595)	(59,518)	(47,648)
	3,686,948	3,474,559	3,192,950	2,759,081	2,341,378	2,162,930	1,984,379	1,713,341	1,517,722	1,413,681

## RATIOS

Gross margin	12.6%	15.9%	19.7%	16.5%	16.6%	15.7%	18.4%	16.1%	20.9%	16.6%
Net margin	2.3%	5.3%	7.5%	5.3%	4.1%	4.4%	6.5%	3.5%	4.2%	3.4%
Return of investment (ROI)	8.8%	15.4%	22.6%	18.1%	15.0%	14.7%	21.3%	15.5%	20.7%	14.7%
Return of average equity	5.2%	11.3%	16.8%	12.8%	9.6%	9.7%	15.2%	8.3%	9.5%	13.4%
Assets turnover	2.2	2.0	2.1	2.2	2.2	2.1	2.2	2.2	2.2	2.0
Working capital turnover	2.9	2.6	2.7	3.0	2.9	2.9	3.0	3.2	3.0	2.9
Current ratio	2.2	2.3	2.4	2.1	2.3	2.1	2.8	2.1	2.1	2.9
Net asset per share (Rs.)	169.13	159.38	146.47	126.56	107.40	99.22	91.03	78.59	69.62	64.85
Dividend per share (DPS) (Rs.)	3.50	4.50	3.00	1.50	1.50	1.00	1.50	1.25	1.00	1.00
Earnings per share (EPS)- (Rs.)	9.03	17.27	22.79	14.78	10.46	9.19	12.88	6.13	6.41	4.36
Market price per share-end (Rs.)	93.00	117.50	112.50	80.00	80.00	64.10	67.00	95.30	114.50	49.75
Dividend yield (%)	0.04	0.04	0.03	0.02	0.02	0.02	0.02	0.01	0.01	0.02
Price earnings ratio	10.30	6.80	4.94	5.41	7.65	6.97	5.20	15.53	17.87	11.42

# Glossary of Financial Terms

## Capital employed

Shareholders' funds plus minority interest and debt.

## Cash equivalents

Liquid investments with original maturity periods of three months or less

## Current ratio

Current assets divided by current liabilities.

## Deferred taxation

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

## Dividend yield

Effective dividend per share as percentage of the share price at the end of the period.

## Dividend per share

Gross dividend divided by the number of ordinary shares in issue at the year end.

## Earnings per share

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

## Earnings before interest and taxes

Earnings before interest, tax (including operating income)

## Equity accounted investee

A company other than a subsidiary in which a holding company has a participating interest and exercises significant influence over its operating and financial policies.

## Loans and receivables

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

## Market capitalisation

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

## Net assets

Total assets minus current liabilities minus long term liabilities minus minority interests.

## Net assets per share

Net assets over number of ordinary shares in issue.

## Net margin

Profit after tax divided by turnover

## Price earnings ratio

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

## Quick ratio

Cash plus short term investments plus receivables, divided by current liabilities.

## Related parties

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

## Return of average equity

Profit attributable to shareholders as a percentage of average shareholders' funds.

## Revenue reserves

Reserves considered as being available for distributions and investment.

## Value addition

The quantum of wealth generated by the activities of the group measured as the difference between net revenue (including other income) and the cost of materials and services bought in.

## Working capital

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

# Notice of Meeting

NOTICE IS HEREBY GIVEN that, the Forty Ninth Annual General Meeting of Kelani Cables PLC will be held on 2 August 2018, 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 31 March 2018 with the Report of the Auditors thereon.
- (ii) To re-elect as Directors, Mrs. N.C. Madanayake and Dr. Bandula Perera, who retire 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.
- (iii) To re-appoint Messrs KPMG, Chartered Accountants as Auditors and to authorize the Directors to determine their remuneration.
- (iv) To consider and if thought fit to pass the following Ordinary Resolutions, of which special notice has been given by two Shareholders 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 Dr. Ranjith Cabral, who has passed the age of 70 years in April 2012, 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"

d) "That Dr.Bandula Perera, who has passed the age of 70 years in April 2015, 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"

e) "That Mr.Mahinda Saranapala, who has passed the age of 70 years in October 2016, 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

02 July 2018

## NOTE:

- (a) A Shareholder is entitled to appoint a Proxy to attend and vote in his stead and a FORM OF PROXY is attached to this Report for this purpose. A Proxy need not be a Shareholder of the Company. The instrument appointing a Proxy must be deposited at the Registered Office, No. 60, Rodney Street, Colombo 08, not less than forty eight hours before the time fixed for the Meeting.
- (b) Shareholders are kindly requested to hand-over duly perfected and signed Attendance Slip attached to this report for that purpose, to the Registration Counter.

# Form of Proxy

I/we..... of  
..... being a shareholder/ shareholders  
of the above Company hereby appoint ..... of  
.....  
or failing him ..... of  
.....

as my/our Proxy to represent me/us, to speak and vote whether on a show of hands or on a poll for me/us, and on my behalf at the Annual General Meeting of the Company to be held at No 60, Rodney Street, Colombo - 08 on 2 August 2018 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 2018 with the Report of the Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
2	(i) To re-elect as Director, Mrs. N.C. Madanayake, who retires by rotation	<input type="checkbox"/>	<input type="checkbox"/>
	(ii) To re-elect as Director, Dr. Bandula Perera, who retires by rotation	<input type="checkbox"/>	<input type="checkbox"/>
3	To re-appoint Messrs KPMG, Chartered Accountants as Auditors and to authorise the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
4	Ordinary Resolution relating to the appointment of Mr. U.G. Madanayake in terms of Section 210 & 211 of the Companies Act.	<input type="checkbox"/>	<input type="checkbox"/>
5	Ordinary Resolution relating to the appointment of Mrs. N.C. Madanayake in terms of Section 210 & 211 of the Companies Act.	<input type="checkbox"/>	<input type="checkbox"/>
6	Ordinary Resolution relating to the appointment of Dr. Ranjith Cabral in terms of Section 210 & 211 of the Companies Act.	<input type="checkbox"/>	<input type="checkbox"/>
7	Ordinary Resolution relating to the appointment of Dr. Bandula Perera in terms of Section 210 & 211 of the Companies Act.	<input type="checkbox"/>	<input type="checkbox"/>
8	Ordinary Resolution relating to the appointment of Mr. Mahinda Saranapala in terms of Section 210 & 211 of the Companies Act.	<input type="checkbox"/>	<input type="checkbox"/>
9	To authorise Directors to determine donations to charity.	<input type="checkbox"/>	<input type="checkbox"/>

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

Signature

## INSTRUCTIONS FOR COMPLETION

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

## KELANI CABLES PLC

### ATTENDANCE SLIP - ANNUAL GENERAL MEETING

I/We hereby record my/our presence at the Forty Ninth Annual General Meeting of KELANI CABLES PLC

NAME OF SHAREHOLDER

NAME OF PROXY (If applicable)

SHAREHOLDER'S NIC NUMBER

PROXY'S NIC NUMBER (If applicable)

SHAREHOLDER'S SIGNATURE

PROXY'S SIGNATURE (If applicable)

SHAREHOLDERS ARE KINDLY REQUESTED TO HAND-OVER THIS ATTENDANCE SLIP TO THE REGISTRATION COUNTER



# Corporate Information

## Name of the Company

Kelani Cables PLC

## Company Registration Number

PQ 117

## Legal Form

A Public Quoted Company with Limited Liability, incorporated as Ceylon Non-Ferrous Metal Industries Limited on 27th January 1969. Thereafter on 18th December 1973 the name was changed to Kelani Cables Limited. With the adoption of the Companies Act No. 7 of 2007, re-registered as Kelani Cables PLC in February 2008.

## Registered Office

No. 60, Rodney Street,  
Colombo 08,  
Sri Lanka  
Tel: +94 11 7608300, +94 11 2697652  
Fax: +94 11 2667758, +94 11 2699503

## Principle Place of Business

P.O. Box 14, Wewelduwa,  
Kelaniya,  
Sri Lanka  
Tel: +94 11 2911224, +94 11 7434400  
Fax: +94 11 2910481  
E-mail: [info@kelanicables.com](mailto:info@kelanicables.com)

## Corporate Website

[www.kelanicables.com](http://www.kelanicables.com)

## Board of Directors

Mr. U. G. Madanayake  
Mr. Suren Madanayake  
Mrs. N. C. Madanayake  
Dr. Bandula Perera  
Dr. Ranjith Cabral  
Mr. Mahinda Saranapala

## Company Secretaries

Corporate Affairs (Private) Limited  
No: 68/1, Dawson Street,  
Colombo 02,  
Sri Lanka

## Auditors

KPMG  
Chartered Accountants  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 03,  
Sri Lanka

## Bankers

Hatton National Bank PLC  
Hongkong and Shanghai Banking Corporation Limited  
People's Bank  
Standard Chartered Bank  
Nations Trust Bank PLC  
National Development Bank PLC

Designed & produced by

**emagewise**

Printed by Printage (Pvt) Ltd



[www.kelanicables.com](http://www.kelanicables.com)

P.O. Box 14, Wewelduwa, Kelaniya, Sri Lanka.