

# THE POWER TO CONNECT

KELANI CABLES PLC  
Annual Report 2019/20



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



# THE POWER TO CONNECT

At Kelani Cables, we have lived up to being one of Sri Lanka's leading cable and wire manufacturers with over 50 years of industry experience. Our operations are led by an innovative and hardworking team— consolidating our strengths with reliability and consistency.

In the year under review, your Company has indicated a significant improvement in turnover and realigned its strategies to face unprecedented challenges with fortitude and resilience.

Today, Kelani Cables firmly believes that we have the power to connect the nation with the future, through innovative operations that elevate our performance and growth.

## 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 organization 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. The Company celebrated 50th year in January 2019.

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 acquired by 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

1980	SLS 40 Product Certification for Building Wires & Flexible Cords. This was later advanced to SLS 733 & SLS 1143	2011	<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>
1986	SLS 750 Product Certification for All Aluminium Conductors	2012	<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>
1994	SLS 412 Product Certification for Auto Cables	2013	<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>
2000	ISO 9001 Quality Management System Certification	2014	Geo Responsibility Awards - Excellence in Environmental System Compliance - Merit Award
2004	UL Certification for Enamelled Winding Wires from Underwriters Laboratories of India	2015	<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>
2005	<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>	2016	<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>
2006	<ul style="list-style-type: none"> <li>Sri Lanka National Quality Awards</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>	2017	<ul style="list-style-type: none"> <li>The World Class Global Performance Excellence Awards</li> <li>National Chamber of Export awards Industry Sector Gold award.</li> <li>SLIM brand excellence awards - B2B brand of the year Gold award</li> </ul>
2007	<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>	2018	<ul style="list-style-type: none"> <li>SLIM brand excellence awards - B2B brand of the year Silver award</li> <li>SLIM brand excellence awards - CSR brand of the year Silver award</li> </ul>
2008	CNCI Achiever of Industrial Excellence - Crystal Award for having won the Gold award for three consecutive years - 2006, 2007 & 2008	2019	<ul style="list-style-type: none"> <li>The World Class Global Performance Excellence Awards</li> <li>Special award by Sri Lanka Standards Institution in recognition of winning the World class Global performance excellence Award</li> <li>SLIM brand excellence awards - B2B brand of the year Gold award</li> <li>SLIM brand excellence awards - CSR brand of the year Bronz award</li> </ul>
2010	<ul style="list-style-type: none"> <li>National Safety Awards</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>		

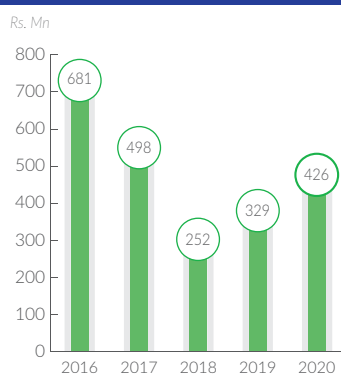
# FINANCIAL HIGHLIGHTS

For the year ended 31 March,		2020	2019
Turnover	Rs. Mn	8,760	8,492
Gross profit	Rs. Mn	1,313	1,165
Profit before tax	Rs. Mn	426	329
Profit after tax	Rs. Mn	353	232
Net assets	Rs. Mn	3,962	3,685
Net Assets per Share	Rs.	181.76	169.05
Earnings per share (EPS)	Rs.	16.20	10.64
Return of investment (ROI)	%	14.5%	12.2%
Market price per share (end)	Rs.	52.00	67.40

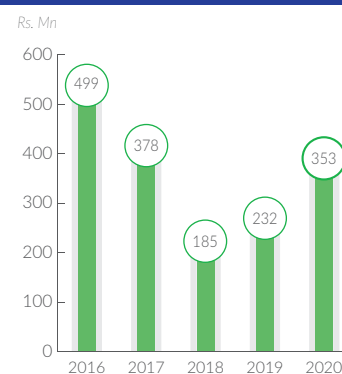
## TURNOVER



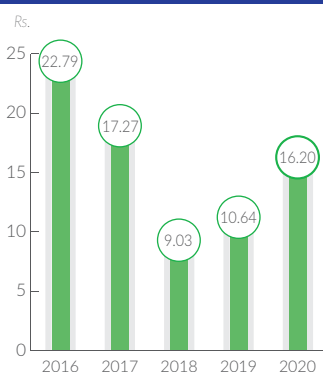
## PROFIT BEFORE TAX



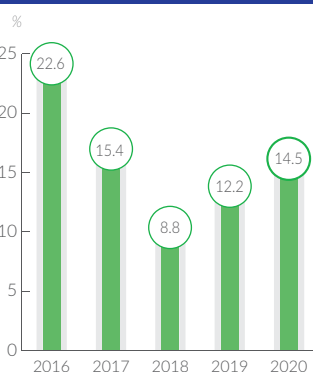
## PROFIT AFTER TAX



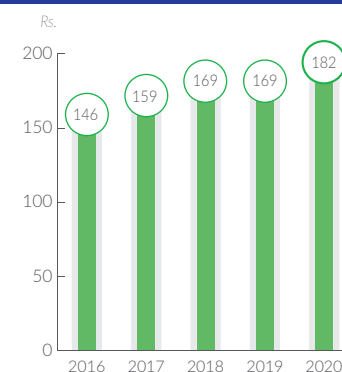
## EARNINGS PER SHARE (EPS)



## RETURN ON INVESTMENT



## NET ASSETS PER SHARE



# CHAIRMAN'S REVIEW



**APRIL 2019 EASTER SUNDAY ATTACKS, ADVERSE IMPACT OF EXCHANGE RATES AND THE COVID- 19 PANDEMIC IN MARCH 2020. THESE UNFORESEEN EVENTS DAMPENED OUR PLANNED SALES AND PRODUCTION ACTIVITIES. HOWEVER OUR TEAM DID WELL TO RECORD THE HIGHEST SALES TURNOVER OF RS 8,760 MILLION TO DATE.**

Your company has achieved a sales turnover Rs 8,760 Million in spite of many impediments during the year under review.

April 2019 Easter Sunday attacks, adverse impact of exchange rates and the COVID- 19 Pandemic in March 2020. These unforeseen events dampened our planned sales and production activities. However our team did well to record the highest Sales Turnover of Rs 8,760 Million to date.

## COMPANY & INVESTEE

	2019/2020 Rs. Mn	2018/2019 Rs. Mn	Growth Rs. Mn	%
Turnover	8,760	8,492	268	3.2
Gross Profit	1,313	1,165	148	12.7
PBT	426	329	97	29.5
PAT	353	232	121	52.2

The profit before tax grew by 29.5% and the profit after tax grew by 52.2%



## SHARE PERFORMANCE

Your share traded between Rs 52 and Rs 95 and stood at Rs 52 by the end of the financial year. The earnings per share went up to Rs 16.20 from Rs 10.64 last year.

## OUR ACHIEVEMENTS

Many prestigious international and local awards were bagged by your company.

Won the WORLD CLASS GLOBAL PERFORMANCE EXCELLENCE (ASIA PACIFIC QUALITY ORGANIZATION) APQO in 2019.

Special recognition by the SRI LANKA STANDARDS INSTITUTE (SLSI) for winning the WORLD CLASS AWARD at the annual SLSI Quality awards ceremony.

SLIM BRAND EXCELLENCE B2B brand of the year Gold Award.

SLIM BRAND EXCELLENCE CSR Brand of the year Bronze Award.

## KELANI SAVIYA

To date 450 Electrical Technicians have passed out from the Peradeniya University Engineering Faculty and serve our communities enriching their quality of life and rendering a great service to the nation.

We appreciate very much the yeomen services rendered by the Faculty of Engineering of the University of Peradeniya.

## KELANI SHAKTHI

The CSR project with the University of Jaffna, Killinochchi commenced in 2015 and approximately 200 Electrical Technicians have passed and are gainfully employed in the Public & Private sectors. We thank the resource persons of the Faculty of Engineering for their commendable services.

## FUTURE OUTLOOK

I am confident that our team will continue to perform well in the local and international markets. With OPERATIONAL EXCELLENCE practiced companywide productivity in all areas will help to boost our performance and keep abreast with the growing competition. We hope that we will have more economic stability and consistent policies by the government for us to perform better.

## APPRECIATION

I express my gratitude to the Directors and the Director/Chief Executive Officer Mahinda Saranapala for the support and guidance during the period under review enabling us to achieve another successful year of operations.

Dr Ranjith Cabral who was a member of our Board of Directors since 2008 resigned with effect from December 2019 and thank him for his invaluable service rendered during his tenure with us, and wish him well.

I am happy to welcome Mr Deepal Sooriyaarachchi as a member of our Board of Directors with effect from December 2019. I thank all our employees for their invaluable services and contributions as well as their dedication and loyalty to the company.

All our customers, distributors, dealers, bankers, suppliers are much appreciated too. The trust of our shareholders in the management and the Board of Directors is also very much appreciated.



Upali Madanayake  
Chairman

31 July 2020

# DIRECTOR/CEO'S REVIEW



## IT GIVES ME GREAT PLEASURE TO ANNOUNCE ANOTHER YEAR OF SATISFACTORY RESULTS OF YOUR COMPANY BASED ON THE CONCEPT OF SUSTAINABLE GROWTH & PROFITS DESPITE MANY IMPEDIMENTS DURING THE PERIOD UNDER REVIEW.

It gives me great pleasure to announce another year of satisfactory results of your Company based on the concept of sustainable growth & profits despite many impediments during the period under review.

April 2019 Easter Sunday attacks, adverse impact of exchange rates and the COVID 19 Pandemic in March 2020 and the lockdown impacted all our operations. These incidents hindered our planned sales turn over and we lost approximately Rs 537 million from our budgeted sales.

In spite of above issues we were able to achieve a Sales Turn Over of Rs 8,760 Million for the year 2019/2020.

### COMPANY

	2019/2020 Rs. Mn	2018/2019 Rs. Mn	Growth Rs. Mn	%
Top Line	8,760	8,492	268	3.2
Gross Profit	1,313	1,165	148	12.7
PBT	428	322	106	32.9
PAT	355	225	130	57.8

Our top line grew marginally posting an annual turnover of Rs 8,760 Million with a 3% growth year on year. The gross profit grew by 12.7% posting Rs 1,313 Million. Profit before tax was Rs 428 million with a growth of 32.9%. Net profit for the period was Rs 355 Million and grew by 58%.

	2019/2020 Rs. Mn	2018/2019 Rs. Mn	Growth Rs. Mn	%
Local Sales	7,412	7,105	407	5.7
Exports	1,347	1,387	(40)	(2.9)%

Having identified the operational challenges, we initiated many cost optimization projects. Also we launched Operational Excellence involving all members of the Management team. The response has been very encouraging we will continue to improve productivity through Operational Excellence.

### SALES & MARKETING

The Sales team performed extremely well despite many setbacks and had a direct impact on the year on year turn over growth (loss of planned sale by Rs 537 millions).

Distribution, Projects and exports have fared well during the period under review.

Lighting division too has contributed with GLS and LED bulbs. Kelani Breezer ceiling fan is gaining a good market share due to its acceptance in the market.



### MANUFACTURING

The manufacturing Plants 1,2 and 3 have utilized their resources efficiently and supported the sales & marketing by providing all their requirements whilst maintaining the standards and meeting delivery targets. We continue to sustain 5S, Kaizen initiatives and helping our productivity improvements. Operational Excellence was launched during the year and will continue as a companywide initiative.

### HUMAN RESOURCES

We maintain very cordial relations with our employees and have constant dialogue at all levels. Monthly Welfare & JCC meetings are held. We continue to provide regular training with internal & external resources on important topics etc.

Eminent resource persons are invited as guest speakers on various management topics regularly and eagerly looked forward to by all.

### ACHIEVEMENTS

We won the prestigious GLOBAL PERFORMANCE EXCELLENCE AWARD (GPEA) for the second time last year. This is conducted by the ASIA PACIFIC QUALITY ORGANISATION (APQO) This a WORLD CLASS AWARD and is run on the Malcolm Baldrige criteria and is a tough competition to win at international level.

Special recognition by the SRI LANKA STANDARDS INSTITUTE (SLSI) for winning the GPEA World Class Award at the SLSI annual Quality Awards ceremony.



SLIM BRAND EXCELLENCE B2B brand of the year Gold award

SLIM BRAND EXCELLENCE CSR Brand of the year Bronze Award

### KELANI SAVIYA

We continue with the KELANI SAVIYA CSR with the University of Peradeniya Engineering Faculty and to date approximately 500 students have passed out as Electrical Technicians and serve our community enriching their quality of life and a service to the nation. This CSR project is in its thirteenth year since its inauguration.

We appreciate very much the yeomen services rendered by the Faculty of Engineering, University of Peradeniya.

### KELANI SHAKTHI

The CSR project with the University of Jaffna, Killinochchi commenced in 2015 and have approximately 200 passed out Technicians and gainfully employed in the Public & Private sectors. We thank the resource persons of the Engineering Faculty for their yeomen services.



### FUTURE OUTLOOK

We will continue to maximize the efficient use of all our resources with operational Excellence being practiced Companywide and assure our shareholders better corporate performance.

Also it is important for us to have political stability and a good economic environment with consistent policies for us to perform better in the future.

### APPRECIATION

In conclusion my sincere appreciation to the Chairman, Deputy Chairman, Board of Directors for the assistance and guidance given during the year.

My profound thanks to the management and all employees for their continued support extended to me.

I take this opportunity to thank all our business partners, Banks, Government institutes, Local authorities, suppliers for the services rendered during the period under review. We thank Dr. Ranjith Cabral for his contribution as a Member of our Board of Directors since March 2008 and resigned with effect from December 2019.

We welcome Mr. Deepal Sooriyaarachchi as a member of our Board of Directors who joined effective from December 2019.

Mahinda Saranapala  
Director/Chief Executive Officer

31 July 2020

# BOARD OF DIRECTORS

## 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 & 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., RESUS Energy PLC and Cable Solutions (Pvt) Ltd.

He has over 50 years experience in the cable Industry.

## MR. SUREN MADANAYAKE

Deputy Chairman



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., Ethimale Plantation Pvt LTD, Marshal Investments (Pvt) Ltd., National Asset Management (Pvt) Ltd and Cable Solutions (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.

## 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.

## 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, a Council Member of Japan Lanka Industrial Development Corporation and Chairman of Co-energy (Pvt) Ltd.

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.

## 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 specialized 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 in Sri Lanka in 1992. The Japan Sri Lanka Technical & Cultural Association (JASTECA) recognized 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 also serves as a member of the Board of Trustees of Sasakawa Memorial Sri Lanka Japan Cultural Centre Trust.

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

He was appointed as a Member of the advisory committee of the ISO 9001 Quality Management Systems Certification Scheme (QMS) and a member of the Management System Certification Committee (MSCC) in the Industrial Sector operated by the Sri Lanka Standard Institution (SLSI).

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.

## MR. DEEPAL SOORIYAARACHCHI

Director



Mr. Deepal Sooriyaarachchi is, a Fellow of the Chartered Institute of Marketing UK and holds an MBA from the University of Sri Jayewardenepura and an Accredited Master Coach and a Master Mentor.

He is a renowned Management Consultant, Speaker Trainer and an Author before embarking on full time consultancy work, he was the Managing Director of AVIVANDB Insurance PLC (now known as AIA Insurance). He has received extensive management training and exposure local and overseas including National University of Singapore, Asian Institute of Management and Stanford Business School USA.

Mr. Sooriyaarachchi serves as a Non-Executive Independent Director of; AIA Insurance Lanka, Siyapatha Finance, Pan Asian Power PLC, Singer Sri Lanka PLC and the Postgraduate Institute of Management (PIM) University of Sri Jayewardenepura. He is a consulting partner of Results Based Leadership Institute USA.

He is a Past President of the Sri Lanka Institute of Marketing, and a Past Commissioner of Sri Lanka Inventors Commission. He was appointed to the Board of Kelani Cables PLC on December 23rd 2019.



# SENIOR AND MIDDLE MANAGEMENT TEAM

**MRS. HEMAMALA KARUNASEKARA**

Chief Financial Officer



**DR. ANIL MUNASINGHE**

General Manager – Marketing



**MR. UPUL MAHANAMA**

General Manager – Operations



**MR. DEVINDA LORENSUHEWA**

Deputy General Manager Marketing



**MR. ABHAYA RANAWAKA**

Manager Projects & Engineering



**MR. SAJEEWA DE ZOYSA**

Manager Procurement



**MR. NAMALKE EKANAYAKE**

Plant Manager Plant 3



**MISS. SHYAMA PERERA**

Manager Technical Operations



**MR. CHANNA JAYASINGHE**

Manager Brand Development



**MR. RALPH RAJASUNDARAM**

Sales Controller



**MR. KUMARA WITHANARACHCHI**

IT Manager



**MR. ASELA JAYATILAKA**

Senior Accountant



**MR. NARMAL DE ZYLVA**

Stores Manager



**MR. ROHANA WADDUWAGE**

Sales Manager - Power & Energy Sector



**MR. SAMEERA JAYASEKARA**

Human Resources Manager



**MR. SAGARA BALASURIYA**

Manager Transport



**MR. CHAMINDA WAIDYATHILLAKE**

Sales Manager Distribution



**MR. SURANGA PATHIRANA**

Sales Manager Projects



## SENIOR AND MIDDLE MANAGEMENT TEAM

**MR. CHANDIMA WEERASINGHE**

Head of Sales – Lighting



**MR. DINUKA CHANDRAKEERTHI**

Production Manager Plant 1



**MR. JALIYA RANAWEERA**

Production Manager Plant 3



**MR. CHINTHAKA FERNANDO**

Manager Quality Assurance



**MR. PRADEEP ROSHANTHA**

Production Manager Plant 2



**MR. PRADEEP ABEYRATNE**

Accounts Manager



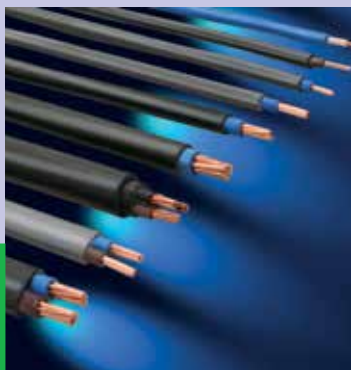
**MR. WASANTHA SIRIWARDHANA**

Manager Process Control



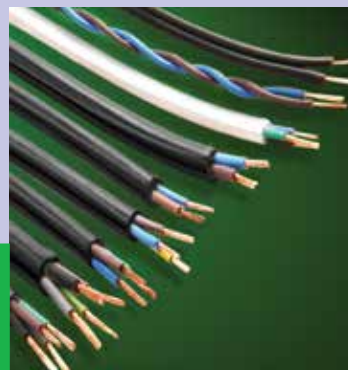


# PRODUCT PORTFOLIO



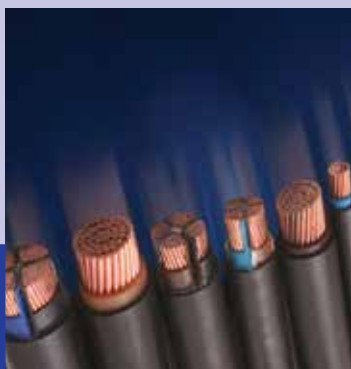
## HOUSE & BUILDING WIRES

Copper conductors PVC insulated with or without sheathed. Manufactured to BS 6004 and BS EN 50525 to a voltage ratings of 300/500V and 450/750V.



## 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.



## 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.



## 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.



## CONTROL CABLES

Multiple conductor cable PVC insulated and PVC sheathed. Number of cores range from 7 to 48. Manufactured to IEC 60502 to a voltage rating of 600/1000V. The cables can be armoured or unarmoured.



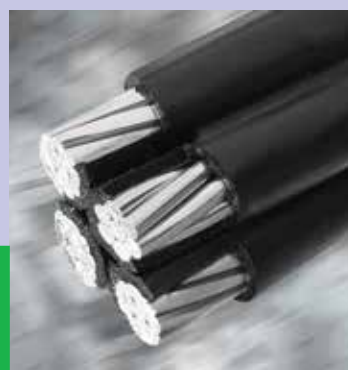
## KELANI WELDING CABLES

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.



## BARE CONDUCTORS

All Aluminium Conductors (AAC) and Aluminium Conductors Steel Reinforced (ACSR), up to 400 mm2 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.

# PRODUCT PORTFOLIO



## 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.



## 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 BELDEN standards. Categories are, 3C-2V, 5C-2V, RG 6, RG 11A/U, RG 58B/U, RG 59B/U and RG 213/U.



## TELEPHONE CABLES

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



## 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).



## 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.



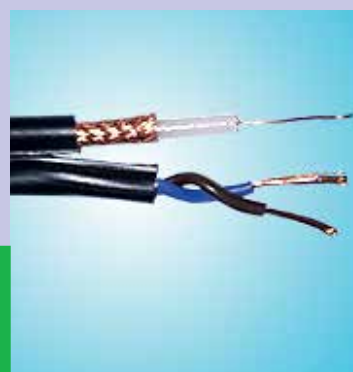
## SCREENED CABLES

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



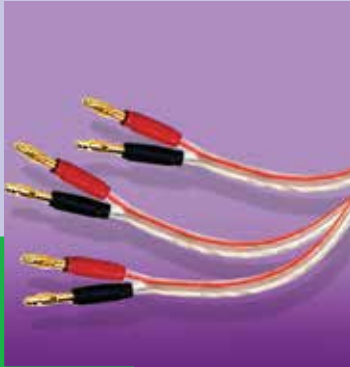
## IRON CABLES

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.



## KELANI CCTV CAMERA CABLE

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



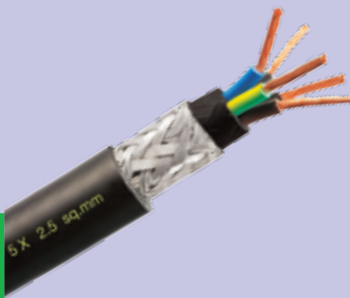
### SPEAKER CABLE

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



### ROSETTE TELEPHONE CABLE

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



### KELANI SUPER FLEX ARMOUR

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



### JUMPER/BOOSTER CABLE

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



### TRAILER CABLE

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



### CABLES TO AUSTRALIA / NEW ZEALAND MARKET

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



### CABLE TO BANGLADESH MARKET

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



### CAT 5 E AND CAT 6

UTP 4 pair 24 AWG CMX network cables.



# PRODUCT PORTFOLIO



## RG6 JELLY FILLED CABLE

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



## SOLAR CABLES

Halogen Free UV resistant PV Solar Cables to BS EN 50618.



## SCHNEIDER SWITCHGEAR

Range for Industrial & Domestic application



## SWITCH RANGE

03 categories of Switches & sockets available for home application



## KELANI LED

LED bulbs & Panel lights are available from 3watts to 24 watts for domestic & Industrial application



## KELANI BREEZER

Kelani Breezer Ceiling fans available in 03 colors White, Ivory & brown



### KELANI INSULATION TAPES

Available in 07 colors,  
Black, Green, Yellow,  
Blue, Red, Grey & Brown



### KELANI MASKING TAPES

Kelani Masking Painter's  
tapes available in 04  
sizes and recommended  
for Vehicles, Furniture,  
Walls, Floors, Doors and  
Windows.



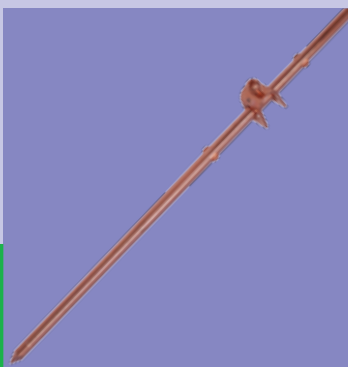
### KELANI LUGS

The range of Lugs  
available for industrial  
applications from the  
size 4mm to 600mm



### KEALNI GLANDS

The range of Glands  
available for industrial  
application from the size  
of 20 Small & Large up  
to 75 Small & Large



### KELANI EARTH ROD

For the Domestic  
Electric wiring

# BUSINESS REVIEW AND MARKETING STRATEGY



Past financial year was really challenging, because at the beginning of the financial year the economy of the country was effected badly due to Easter Sunday bomb attacks targeting some of the Christian Churches and star class hotels. Also very last two weeks of the year was paralyzed and the total sales operation of the company has got disturbed due to Covid - 19 pandemic situation which has affected the economy of the whole world. Despite the situations

Industry related accessories introduced to the market with an intention of giving a better solution to the customers has worked out properly and it is highly appreciate by our customers, because it is a convenience for them. Under reviewed year your company has added two new products to the existing product portfolio to strengthen the trading arm, KELANI BREEZER Ceiling Fan and Schneider Switches. Happy to announce both products are doing well in the market place.

## KELANI EDGE OVER THE COMPETITION IS TO OFFER CUSTOMERS AND CONSUMERS AN EXCELLENT VALUE PROPOSITION

Kelani Brand has continued it's Journey. Your Brand did perform well in the middle of the year.

Brand equity continued improving because of the integrated marketing communication strategy implementation.

Kelani edge over the competition is to offer customers and consumers an excellent value proposition in terms of product quality and personalized service quality.

A stake holder 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 level
- 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. Your company managed to mark a growth in top line during the year reviewed, over the past year and bottom line is also at a satisfactory level.

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

During the year reviewed was also indicated a slow movement in infrastructure development in the Country and continuation of some of the local construction work by Chinese contractors are also a concern because some of the materials like electrical cables were also imported as per the agreements of such projects. However company project sales team maintained the sales growth in the slow market. Dynamism of the project team is the reason for this achievement.

#### 2. Exports

While operating successfully the Company sales office in Maldives and the Liaison Office in Bangladesh, exports of Copper Enamelled Winding wire began to Pakistan is commendable and it shows an improvement.

Your company contributes to narrow the gap of country's balance of trade by increasing exports which is a growth compared to last year. Hard work and superior negotiation skills of export team is giving results.

### 3. Power and Energy

The dedicated sector to cater mainly to Ceylon Electricity Board and Lanka Electricity Company.

During the year under reviewed this sector has also given a positive contribution towards reaching company top line growth and the growth of the sector compared to last year is commendable.

### 4. Distribution

To achieve results in this competitive sector company has initiated number of activities.

Self-motivated and dynamic sales team worked here to achieve excellent results.

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

To deliver a better value to the customer your company has opened up a factory outlet on Kandy road in the vicinity of the factory. Now walk in customers can purchase their requirements from the factory outlet.

Part of the distribution vehicles were replaced with company branded lorries and now the Sales Promotion Officers are visiting dealers in brand new company branded lorries with stocks.

#### Vehicle Branding



The brand visibility was improved dramatically within retail outlets and the outdoor brand visibility campaign was supported by an aggressive mass media advertising campaigns, which has supported to increase brand awareness and recall levels.

#### Dealer Boards



#### In store Visibility



#### 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.

Along with launching of LED panel light range, expected change in positive results started flowing in. Now we are equipped with the whole range of Bulbs under "Kelani" brand name.



# BUSINESS REVIEW AND MARKETING STRATEGY

## 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 thematic and tactical brand building initiatives were conducted throughout the year. These initiatives have resulted in a dramatic increase in consumers and dealers as well as Electrical consultants and

contractors. Your brand continued to be positioned on a safety platform at all times. The brand has been awarded Gold Award on B2B brand of the year category at SLIM Brand Excellence 2018/19.

Your brand placed the 30th position under review of most loved brands category and No. 02 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 2019.

## 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.



# SUSTAINABILITY REPORT



*Kelani Cables team with the GPEA World Class 2019 award in Bali, Indonesia*



*Special quality award at National Quality Awards 2019*

## DRIVING SUSTAINABILITY THROUGH TOTAL QUALITY

Total quality management implemented based on Malcolm Baldrige criteria impacts corporate sustainability positively.

At Kelani Cables, our sustainability initiatives aims to create balance among the economic, environmental and social values. Not only we create economic value by maximizing profits and increase shareholder value, but also we take on a broader responsibility as a corporate citizen to responsibly manage environmental impacts and create societal values. Kelani Cables strives actively to safeguard and protect the environment and conserve natural resources, in order to create sustainable value for the benefit of both the organization and our stakeholders. In particular, the prevention and reduction

of their environmental impact is achieved, for example, by the efficient use of natural resources, the optimization of logistics flows and the responsible management of waste. During the year, Kelani Cables worked to enhance our performance on environmental matters, by monitoring performance indicators and planning actions designed to reach, step by step, the environmental objectives. Our commitment to responding to the effects of the COVID-19 pandemic that broke out in early 2020 was immediate. Top priority has been given to protecting the

health of employees by implementing strict health and safety measures at work places and making extensive use of remote working.

### GLOBAL PERFORMANCE EXCELLENCE AWARD 2019

Kelani Cables, pursuing its quest to performance excellence was recognized in the international arena as the company was awarded the highest World Class award for the second time at the Global Performance Excellence Awards 2019 held in October in Indonesia.

At the Sri Lanka National Quality Award 2018/19 held in August 2019, Kelani Cables was awarded a special achievement award in recognition of the World Class award the company won at the Global Performance Excellence Awards 2017. The company won National Quality Award in 2016 and Global Performance excellence Award in 2017 & 2019.



# SUSTAINABILITY REPORT

## FOR THE NATURE. FOR OUR PEOPLE. FOR THE SOCIETY.

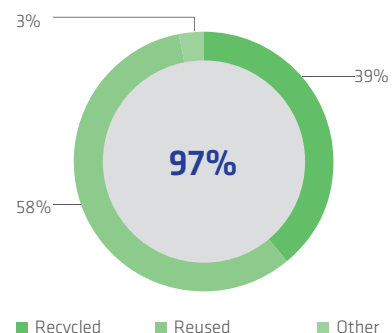
### For the Nature

#### 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. Total amount of Copper and Aluminium waste material from our processes were given for recycling. We participate in Industrial symbiosis which is the process by which wastes or by products of an industry or industrial process become the raw materials for another. Application of this concept allows materials to be used

in a more sustainable way and contributes to the creation of a circular economy. Waste segregation within our operating locations is in place with an established colour code for waste types. PVC process waste is given for shoe sole manufacturing. Properties of the XLPE material waste makes it difficult to be reused in an economical scale but we make innovative uses of it such as making hammers and reusable pallets. Waste items which we were unable to reuse or recycle were thermally destroyed in an environmentally friendly manner through a licensed waste disposer. To encourage environment friendly packaging, we replaced some of our product packaging from wooden drums to reusable steel drums.

#### PROCESS WASTE - RECYCLED OR REUSED



97% of process waste was either recycled or reused to create products with economic value



#### 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 a solar photovoltaic system in a 7,000 ft<sup>2</sup> area in Siyambalape plant premises which has a capacity of generating 104 kWp. This investment brings environmental benefits such as saving 55,100 kg of CO<sub>2</sub> emissions per year and is equivalent as 187 trees being planted a year.

#### Water

Water used for wire cooling during extrusion process is reused in a circulation system. We are aware of our water footprint and by

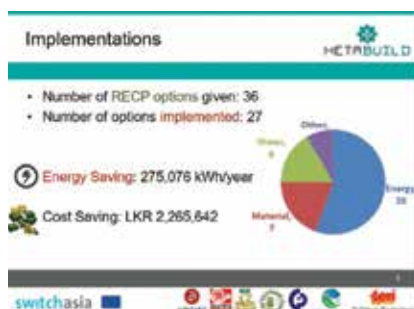
monitoring water consumption at the source and at points of use, we have improved water productivity in high water consuming areas.

#### Air

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

#### MetabuildTM Program

METABUILD was 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. The National Cleaner Production centre of Sri Lanka selected Kelani Cables for the





program. After comprehensive assessments in areas of energy and water 27 projects on cooling tower efficiency, XLPE process waste reduction and compressor operation efficiency were implemented which amounted to savings of LKR 2.2 millions, 9,000kg of XLPE material, 275,000 kWh were achieved.

#### Responsible Care® certification



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 is made out of lead free materials.

#### Solar Cables for Solar Grids Wiring

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

#### Energy efficient LED lighting solutions

We offer a wide range of Energy efficient LED lighting products including B22 and E27 LED bulbs from 3W to 50W and the Solar lantern, which is a solar charged lighting device.

#### Motion sensor

Motion detecting light reduces electricity by turning on the light when it detects someone's presence and turning off when no one is around.

#### 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, Kelani Kelduale® brand enamelled wire is a UL recognised component. It is also a European Union's The Restriction of Hazardous Substances Directive (RoHS) and Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) compliant product.

#### World Environment Day

On June 5th we celebrated World Environment Day at Kelani Cables and took action to create positive environmental impact by planting trees in the company land and partnered with Kelaniya Pradeshiya Saba in their waste segregation programs at public places in the Kelaniya area.



# SUSTAINABILITY REPORT

## FOR OUR PEOPLE

We, Kelani Cables PLC believe our human capital drives our success as an entity, and therefore is a key element of our value creation process. As reflected by our brand identity, our team consist largely of youthful, passionate and energetic individuals, brimming with enthusiasm, and a spirit of collaboration. It has a distinctly different culture.

### Our culture is captured by our five values –

- Respect
- Integrity
- Quality
- Family
- Learning

These values are interlinked and together define how we make decisions, how our people act and how we assess and reward

them. Our leaders are role models for these behaviours, so everyone in Kelani Cables understands the way we work. KCL workforce consist of different high level competencies with Top & Critical Talent (TACT) .

We place immense value on our human capital, as they are the key factor in our achievement of high levels of product quality, innovative solutions, speed of delivery and the strong relationships we have forged with our customers over the years. Their untiring efforts, knowledge and skills have brought us to where we are today, a leader in the cable manufacturing industry enjoying a regional presence, in Partnership with a renowned clientele.

We at Kelani Cables take responsibility for attracting, developing, retaining and engaging talented people and also enabling them to execute our strategy. By doing so we are able to connect with communities, provide excellent customer service and bring the satisfaction to the customers.

## Work Place Diversity

Kelani Cables promotes workplace diversity from the point of recruitment, where variety encompasses ethnicity, religion, culture, physical attributes and diverse talents. We believe that diversity enriches the talent pool and we encourage constant innovation through ideas and resources.

Our people philosophy focuses on attracting, developing and building a pool of talented, dynamic and a motivated human resource base with the right competencies to proactively meet our mission & objectives. The very high retention rates (which are well above industry average) and very low absenteeism rates reflect the employee commitment & satisfaction. Company recruitment and selection processes are streamlined to meet evolving business needs, whilst planned training and Development initiatives are carried out across the Company to build a talent pool and enable employees to give their best to the organization.

## Talent Acquisition

With the challenges ahead, Kelani Cables PLC has adopted a balanced approach to talent acquisition. It relies both on leveraging the trade learners, skills and experience already available within the organization, while bringing in the necessary capabilities that will help position the Kelani Cables for long-term sustainable performance.

Kelani Cables continued to strengthen its internal career mobility activities to drive greater career development and retention of employees. The current focus is on communicating and informing employees, creating greater visibility of opportunities, enabling managers and setting a suitable framework. We are acquiring top & critical talents through; Vocational & Technical Institutes (Vtec), National Institute of Technical Authority (NAITA), National Youth Corps (NYC) institutions and Universities.

Multiskilling is an important concept used at Kelani to motivate the workforce for better utilization of resources. A particular focus will be placed on facilitating cross-divisional moves, which also allows employees to develop and expand their skills and pursue diverse careers.





## Talent Development

Kelani Cable's business performance relies, first and foremost, on its employees. The company seeks to build the capabilities of managers and staff to help them develop both professionally and personally and to position the organization for future success. Talent and development activities are aligned to three priorities, building leadership capabilities and developing future leaders, fostering an environment that supports sustainable performance and promoting continual professional and personal development for all employees.

Kelani Cables is transitioning all performance management and development processes into one fully integrated approach. Continuous learning and development are seen as vital to ensuring employees have the skills, knowledge and abilities for their current roles and are prepared for new challenges.

Acknowledging a person's individual performance and development as well as their personal contribution to overall organizational success is key.

We focused on trainings as main tools that improve talent. We make sure identify training needs through Performance evaluation system as well we are committed to improve their talents through ad-hoc trainings and professional courses.

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.

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

When our people are happy, this naturally spreads to our consumers, customers and partners. Because we believe that having healthy, happy, engaged people will support our business, we have developed a well-being framework with various initiatives to help support our employees' physical, emotional, social and financial health. To support our people in their efforts to live healthy and active lives, for example, offer medical check-ups and encourage participation in Company and community supporting events and healthy living programs. To foster understanding of healthy living and energy balance across our company.



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 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 helps 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 on January 1st blessing the 50th Year anniversary, Annual New year festival, Annual X'mas party etc, we are committed to make Kelani Cables their second home.



# SUSTAINABILITY REPORT



In November 2019 our welfare society organized **ප්‍රනානපාලය 2019 "ගීතයේ ප්‍රකාශිත සහ මිනිස් විඳින්නාව"** at BMICH 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. As community responsible organization we help our employees as well as community who were affected by flood. Distributed dry rations. Lunch packets as well as we funded to employees to rebuild their houses. As a good performing organization we were able uplift our employees' satisfaction with the spirit of winning team. Last year our commitments are recognized globally as well locally.

## Occupational Health and Safety

While we are focused on improving the overall well-being of our people, we know this begins with providing a safe workplace. In order to further improve employee safety, particularly targeting workplace accidents, we continue to strengthen our safety programmes. We provide fire safety training for fire team who drive Company on emergency situation and first aid team focused on life saving first aid. Presentations included practical exercises and information on first aid techniques including CPR and defibrillators. The exercises were presented with reputed organizations like Red Cross. We are a family that ensure safe environment and excellent occupational health to our employees. Zero major accidents reflects our commitment towards the safe work environment. It's a great commitment & contribution offering through the Safety committee and Monthly safety reviews to maintain international standards.

## Way Forward

Human Resource plays a leading 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 build an environment where employees can thrive and are enabled 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 THE SOCIETY

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 12th 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 11th batch commenced the program with 65 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 500 students from across the island to date, with over 450 achieving the required goals and completing the all three levels to obtain full qualification. The Batch no 12 is still in progress.

The above CSR program was awarded with Silver award under the category of CSR brand of the year 2018 & Bronze in 2019 at the SLIM Brand Excellence conducted by the Sri Lanka Institute of Marketing.

### 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 in 2015. The passing out ceremony of the third batch students was held and the forth batch of the “Kelani Shakthi” students commenced the program & so far 250 students was passed out of the above programs.

Passed students of Kelani Shakthi 4th batch at the Certificate Awarding Ceremony on 14th June 2019.

### Knowledge Sharing

In the last financial year we have given the opportunity to 09 organizations to visit our premises and share the best practices of us. The Sri Lanka Navy, Air Force, Government organizations, 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 13 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.



### Product responsibility

#### Brand promise

Our brand promise is “Safety Forever”. We offer our customers products that meet and exceed technical & safety requirements of national and international standards regulations. Kelani products 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, state science research and technology 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 and improved products to our customers. Through training and seminars for members of Kelani Electricians Club and winders club, we upgrade the skills of the professionals to arm them with industry new developments and enhance their professions.



# SUSTAINABILITY REPORT

## 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) recognized 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 IET wiring regulations - BS 7671. Product catalogues are available in Sinhala, Tamil and English languages with information understandable to both experts in the field and the household consumer. Our emphasis is on safety in the 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.





# 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).

## A. BOARD OF DIRECTORS

### A1. 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 is provided before a meeting with a clear agenda with the Board papers. Directors dedicate adequate time before a meeting to review Board papers. As a result of COVID-19 restrictions imposed by the Government, the Company convened only eleven (11) physical 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 formalized 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. Ajit 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 40 of this report.

#### Related Party Transactions Review Committee

As a subcommittee of the Board, its 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.

## A2. 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.

## A3. 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.

# CORPORATE GOVERNANCE

- 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.

## A4. 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 10 and 11 and in Remuneration Committee Report.

## A5. 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 Independent Directors have made self declaration ensuring their independency for the financial year 2019/20.

## A6. 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.

## A7. 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.

Mr. Deepal Sooriyaarachchi was appointed to the Board of Directors with effect from 23rd December 2019 as an Independent Non-Executive Director.

Profile of the newly appointed Director is given on the Directors profile details section of the Annual Report and particular change in the Board has been communicated to the CSE as per the Appendix 08A of Section 08 of listing rules.

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.

## A8. 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.

Complying with above process, immediately after the resignation of Dr. Ranjith Cabral- Non-Executive Independent Director from the Kelani Cables PLC Board, Mr. Deepal Sooriyaarachchi was appointed from 23rd December 2019 as a Non-Executive Independent Director to maintain existing Board balance of the company.

## A9. 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.

## A10. 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 87 to 89. 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 Transaction Review Committee meetings
<b>Executive Directors</b>				
Mr. U.G.Madanayake - Chairman	09/11			
Mr. Suren Madanayake – Deputy Chairman	11/11			
Mr. Mahinda Saranapala - Director/Chief Executive Officer	11/11			
<b>Non-Executive Directors</b>				
Mrs. N.C. Madanayake	08/11			
<b>Independent Non-Executive Directors</b>				
Dr. Bandula Perera	11/11	3/3		
Dr. Ranjith Cabral	07/08	0/3		
Mr. Deepal Sooriyaarachchi	01/01			
<b>Non-Executive Directors of Parent Company</b>				
Mr. Ajit Jayaratne		3/3	1/1	3/3
Mr. Rajiv Casie Chitty			1/1	3/3

#### A11. 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 to ensure that company performance is in line with the short, medium and long term strategies.

### B. DIRECTOR'S REMUNERATION

#### B1. Director's 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 41 of the Annual Report.

#### B2. 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

Share option scheme has not been introduced for company employees.

#### B3. 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

**C1.** 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.

#### C2. 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 2020, 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.

# CORPORATE GOVERNANCE

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

## C3. 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 2020.

## D. ACCOUNTABILITY AND AUDIT

### D1. 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 99 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 Director's on the Affairs of the Company is given on pages 6 to 9 and pages 44 to 47. The Statement of Directors' Responsibility for Financial Reporting is given on page 48 and the Independent Auditors' Report on the Financial Statements of the Company for the year ended 31 March 2020 is given on page 50 to 53.

### D2. 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.

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. As a next step of improving existing internal control system, Board of the ACL Cables PLC (Parent Company of the group) granted its' approval to established in house Risk and control department to conduct control reviews, internal audits and risk management activities across the group in an effective manner.

The Board reviews significant audit findings arising from internal audits and also observations presented by the External Auditors Messrs. KPMG and to identify areas to be improved to maintain sound internal control system.

### D3. Audit Committee

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 Company. The Audit Committee ensures the effectiveness and efficiency of Risk & Control team who are conducting internal audits and risk management activities across the group and External Auditors, Messrs. KPMG.

The Audit Committee comprises of two Independent Directors and the Chairman of the Parent Company Audit Committee act as the Chairman of the Committee. The Chairman, Deputy Chairman, Group Chief Financial Officer and Group Head of Risk & Control attend to audit committee as permanent invitees. The audit committee report is given in the page 40.

### D4. 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 Commissions adopted by the Directors who then ensure that the company employees behave ethically.

## D5. 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

### E1. 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

### F1. 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 rules of the Colombo Stock Exchange on Corporate Governance and Related party transactions are given below.

CSE Rule No.	Applicable Category	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)	Non-Executive Directors	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.	Please refer pages 10 & 11 of the Annual Report.
7.10.3 (b)	Independent Directors	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)	Disclosure relating to existing Directors	A brief resume of each Director should be included in the Annual Report, including his / her area of expertise.	Please refer pages 10 & 11 of the Annual Report
7.10.3 (d)	Disclosure relating to new Directors	Upon appointment of a new Director a brief resume of the Director should be submitted to the Stock Exchange.	Compliant
<b>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 of 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 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.	The CEO and the CFO attend the meetings on invitation.
		Chairman or one of the Committee members should be a member of a recognized professional accounting body.	Compliant

# CORPORATE GOVERNANCE

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 is 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 the 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)	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 Related Party Transaction Review Committee (RPTRC)	Holding Company RPTR Committee to function as the RPTR Committee of Subsidiary.	Compliant
9.2.4 Frequency of Meetings	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 3 times during the financial year under review and the minutes of the Committee are tabled at Board Meetings.
9.3.1 Immediate Disclosures	<ul style="list-style-type: none"> <li>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.</li> <li>ii. Any subsequent Non-recurrent Transaction after it exceeds 5% of equity entered with the same related party.</li> </ul>	N/A
9.3.2 Disclosure in the Annual Report	<ul style="list-style-type: none"> <li>a. Non-recurrent Related Party Transactions</li> <li>b. Recurrent Related Party Transactions</li> <li>c. Report of the Related Party Transactions Review Committee</li> <li>d. An affirmative Statement by the Directors that they are in compliance with the rules pertaining to Related party transactions</li> </ul>	<p>Compliant.</p> <p>Compliant. Please refer page 89 of the Annual Report.</p> <p>Compliant</p> <p>Compliant. Refer RPTR Committee Report of the Annual Report</p>

# 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 external and internal factors.

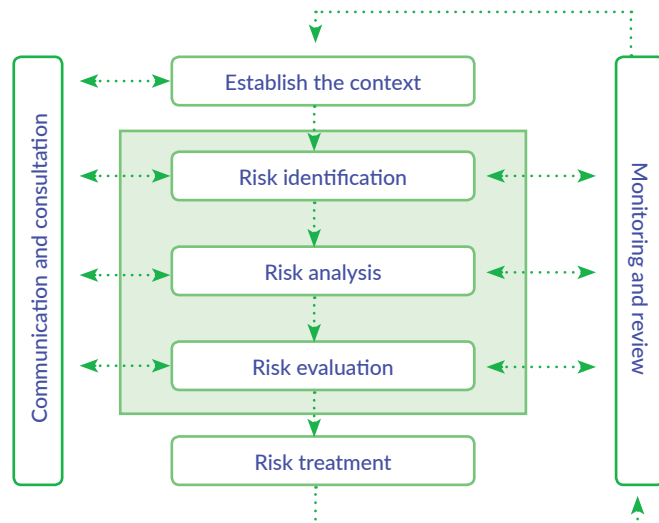
As a leading cable manufacturing company in the Sri Lankan cable industry, our success is ability to identify and exploit the opportunities exist in the market what we operate in. In doing this, we proceed with an embedded approach to risk management which puts risk and opportunity assessment in the decision making process at each level.

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

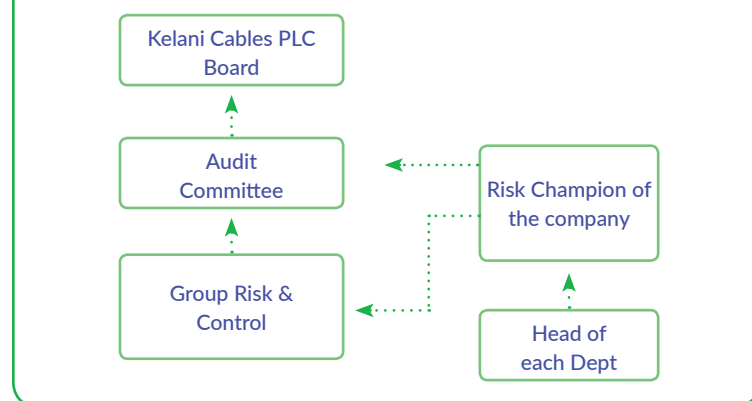
## RISK EVALUATION AND MAPPING

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

## THE RISK MANAGEMENT PROCESS:



## THE RISK MANAGEMENT REPORTING STRUCTURE OF KELANI CABLES PLC IS AS FOLLOWS;



## Risk Matrix

Impact	Extraordinary	S Significant	H High	H High	H High	E Extreme
	Major	S Significant	S Significant	H High	H High	H High
	Moderate	M Moderate	M Moderate	S Significant	S Significant	H High
	Minor	L Low	L Low	M Moderate	S Significant	S Significant
	Insignificant	L Low	L Low	L Low	M Moderate	S Significant
		Rare	Unlikely	Moderate	Likely	Almost Certain
		Likelihood				

# RISK MANAGEMENT

CSE Rule No.	Applicable Rule	Governance Requirement
1	Liquidity Risk Adverse impact on the liquidity position as a result of payment delays by debtors, long stock residence period and early payment for creditors.	<ul style="list-style-type: none"> <li>Conducting regular follow ups on trade debts and continuous reviewing on working capital management</li> <li>Company has sufficient assets to offer as collateral for future funding requirements.</li> <li>Obtaining funding facilities to adequately manage liquidity position through several financial institutions.</li> </ul>
2	Interest Rate Risk Fluctuations in market interest rates having an impact on the profitability by way of borrowing cost	<ul style="list-style-type: none"> <li>Constant negotiations with banks to obtain the best possible interest rate for Companys' borrowings and investments.</li> <li>Interest rate sensitivity analysis is done regularly to measure the potential impacts of rate variations</li> </ul>
3	Exchange Rate Risk Potential losses as a result of adverse movement in the exchange rates	<ul style="list-style-type: none"> <li>Using financial risk management tools such as Forward Rate Booking and Hedging</li> </ul>
4	Credit Risk Potential losses arising due to customer defaults	<ul style="list-style-type: none"> <li>Ensuring compliance over Company credit policy guidelines</li> <li>Mitigating risk of export sales through credit letters and advance TT remittances.</li> <li>Obtaining bank guarantees for local distribution sales.</li> <li>Demarcate the areas of operations in local market and constant monitoring the credit exposure level of distributors</li> </ul>
5	Country Risk Negative impact arising due to adverse economic factors such as Political, Economical, Social, Technological and Legal	<ul style="list-style-type: none"> <li>Through analysis on PESTAL factors and continuous revisions in business planning to grab opportunities prevailing in the market.</li> <li>Mitigating prevailing risks through effective insurance arrangements.</li> </ul>
6	Human Resources Risk Negative impact to the business due to loss of Key Executives and inability attract, develop and retain skill work force.	<ul style="list-style-type: none"> <li>Maintain an employee evaluation scheme to reward them.</li> <li>Maintain healthy and cordial relationship with employees at all levels through joint consultative committees.</li> <li>Provide various employee benefits through the Welfare Society.</li> <li>Provide specific and general training wherever necessary.</li> </ul>
7	Technological Risk Probability of technological changes adversely affecting to the company performance	<ul style="list-style-type: none"> <li>Develop a long-term plan to replace existing critical machines with technologically advanced machines.</li> <li>Obtain ISO Certifications and accreditations from relevant authorities to ensure the ability of meeting local and international requirements with the technology exist with the Company.</li> </ul>



CSE Rule No.	Applicable Rule	Governance Requirement
8	Health and safety Risk The likelihood that an individual may be harmed or suffers adverse health effects if exposed to a hazard	<ul style="list-style-type: none"> <li>Conducting health and safety assessments to evaluate the adequacy of existing safety measures maintaining by the company</li> <li>Ensuring the effectiveness of health and safety measures through ISO and other certifications</li> </ul>
9	Operational Risk Potential losses due to inadequate internal controls, failures of internal processes, people and systems as a result of natural and human activities	<ul style="list-style-type: none"> <li>Establish Risk &amp; Control department to conduct risk management and internal audits across the group</li> <li>Conducting control reviews on high risk areas to assess the strength of existing control system</li> <li>Monitoring compliance over regulatory and other requirements through compliance dash boards</li> <li>Conducting system control reviews as per the annual internal audit plan</li> </ul>
10	Market Risk Loss of market share due to new entries and existing rivalry	<ul style="list-style-type: none"> <li>Maintaining product leadership through continuous improvements in quality standards</li> <li>Strengthening 'Kelani Cables' brand through various brand development activities</li> <li>Monitor market data and strengthen the market</li> </ul>
11	Investment Risk Value destroying in investments due to a possible difference between actual return from that of the expected	<ul style="list-style-type: none"> <li>Detailed payback analysis before making an investment</li> <li>Diversify the investment portfolio by focusing on new markets and growth prospects</li> </ul>
12	Information Systems Delays in decision making due to inaccurate or non-availability of timely information from key computer systems	<ul style="list-style-type: none"> <li>Enhancing system performance through continuous version upgrading</li> <li>Maintaining data backups to minimize data losses in case of an emergency</li> <li>Enhancing system security levels on a regular basis to minimize cyber security risk</li> <li>Maintaining vendor agreements for support services and system maintenance</li> <li>Revising IT policies and procedures with the aim of creating value to the business</li> </ul>
13	Environmental Risk Probability of negative outcomes, non-compliances and reputational risk occurring as a result of business operations causing damage to the environment	<ul style="list-style-type: none"> <li>Compliance with ISO 14001 environmental management guidelines.</li> <li>Annual renewal of environmental protection license for each site which is issuing by the Environmental Authority</li> </ul>
14	Legal and Regulatory Compliance Risk Potential negative impact to the business due to non-compliances with external regulatory requirement and internal policies & procedures	<ul style="list-style-type: none"> <li>Maintaining compliance Dash Board to ensure timely compliance over regulatory requirements</li> <li>Conduct compliance assessment across the group on a quarterly basis</li> </ul>

# AUDIT COMMITTEE REPORT

## ROLE OF THE AUDIT COMMITTEE

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

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

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

## COMPOSITION OF THE AUDIT COMMITTEE

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

- Mr. Ajit Jayaratne – Chairman of the committee
- Dr. Bandula Perera – 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.

## MEETINGS AND ATTENDANCE

The Committee met only on three occasions in 2019/2020 due to COVID-19 impact 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 Chief Financial Officer, Chief Financial Officer and Group Head of Risk & Control are invited to attend meetings as permanent invitees.

## FINANCIAL REPORTING

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

## EXTERNAL AUDITORS

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

As a general principle, the external auditors are excluded from consultancy work and cannot be engaged by 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 Chief Financial Officer and

Group Head of Risk & Control, for approval prior to appointment.

The Audit Committee, having evaluated the performance of the external auditors, decided to recommend to the Board of 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 2019/2020 can be found in Note 7 to the financial statements.

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

## INTERNAL CONTROL SYSTEM

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

On behalf of the Committee

(Sgd.)

Ajit Jayaratne

Chairman of the Audit Committee

31 July 2020

# REMUNERATION COMMITTEE REPORT

## ROLE OF THE REMUNERATION COMMITTEE

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

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

## COMPOSITION OF THE REMUNERATION COMMITTEE

The Remuneration Committee of the parent company functions as the Remuneration Committee of Kelani Cables PLC. The Remuneration Committee comprises of the following 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 several 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 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 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 former President of the ACCA Sri Lanka panel. He has over 20 years of experience in Senior Managerial positions in the private sector.

Members of the Committee and the Chairman of the Committee are appointed through Board resolutions and the Committee formally met once for the year.

## FUNCTIONS OF THE REMUNERATION COMMITTEE

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

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

Members' attendance at meetings of the Remuneration Committee in 2019/20 is set out in the table in the Corporate Governance Report.

## EXECUTIVE DIRECTORS

Kelani Cable'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. The committee in arriving at its decisions considered the performance of the individual, comparisons with peer companies and group of companies and reports from specialized consultants.

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

## CONCLUSION

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

On behalf of the Committee

(Sgd.)  
**Ajit Jayaratne**  
Chairman of the Remuneration Committee

31 July 2020

# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

## OBJECTIVE

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

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

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

## COMPOSITION OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Company established the Related Party Transactions Review Committee on 29th February 2016 as a sub-committee of the Kelani Cables PLC Board. RPTRC of the parent company act as the RPTRC of the company and comprises the following members;

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

## SCOPE OF THE COMMITTEE

- The Committee reviews in advance all proposed related party transactions to ensure they are carried out on an arm's length basis.
- At each subsequent scheduled meeting of the Committee, the management shall update the Committee as to any proposed material changes in any previously reviewed related party

transactions and seek approval of the Committee for such proposed material changes prior to the completion of the transaction.

- The Committee reviews related party transactions based on rules stipulated in the Code (rules 28 – 33 in the appendix to the Code) and the need of special approval from shareholders and disclosure requirements for such transactions.
- The Committee intends to meet as and when a need arises. However, at least quarterly meetings are scheduled to review related party transactions of the Company. The minutes of all meetings are properly documented and communicated to the Board of Directors.
- Members of the RPTRC ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed related party transactions, and where necessary, they shall obtain appropriate professional and expert advice from an appropriately qualified person.

## ROLE OF THE COMMITTEE

- Recommend and develop terms of reference of the RPTRC for adoption by the Board of Directors of the Company.
- Review of related party transactions as required in terms of the provisions set out in Appendix 9A of CSE Rules, either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- The Committee shall update the Board of Directors on the related party transactions of the Company on a quarterly basis.
- Where necessary, the Committee shall request the Board of Directors to approve the subject related party transactions. In such instances, the

approval of the Board of Directors should be obtained prior to entering into the relevant related party transaction.

- If a Director has a material personal interest in a matter being considered at a Directors' meeting to approve a related party transaction, such Director may not be present while the matter is being considered at the meeting or may not vote on the matter.
- Make recommendations to obtain shareholder approval for applicable related party transactions as per the provisions in the Code and Section 9 of CSE Listing Rules. Such approval shall be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.
- Obtain 'competent independent advice' from independent professional experts with regard to the value of the substantial assets of the related party transaction under consideration and circulate the same with the notice of meeting to obtain the shareholder approval.
- Make immediate market disclosures on applicable related party transactions as required by the Listing Rules of CSE.
- Make appropriate disclosures on related party transactions in the Annual Report as required by CSE Listing Rules.
- Any concerned transactions, to be highlighted to the Board.

## COMMITTEE MEETINGS

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

Attendance of the members of the Committee for the said meetings is provided on page 33.

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

31 July 2020



# REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their 51st Annual Report of your Company together with the Audited Financial Statements for the year ended 31st March 2020.

## 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 2 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 6 to 7), Director/Chief Executive Officer's Review (pages 8 to 9) and Business Review and Marketing Strategy on pages 20 to 22. 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 2019/20 was Rs.8.7 Bn (Rs. 8.4 Bn in 2018/19). The profit after tax of the Company and Investee for 2019/20 was Rs.353.1 Mn (Rs. 232.0 Mn in 2018/19), while the Company's profit after tax for 2019/20 was Rs 355.1 Mn (Rs. 224.7 Mn in 2018/19).

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

The Financial Statements prepared in compliance with the requirements of Section 151 of the Companies Act No. 7 of 2007 are given on pages 54 to 99 and Independent Auditors' Report on the Financial Statements is provided on page 50 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 2020.

- Amendments to References to Conceptual Framework for financial reporting
- Amendments to LKAS 1 and LKAS 8
- Amendments to SLFRS 3.

## DIVIDENDS

The interim dividend of Rs. 3.50 per share for the financial year ended 31 March 2019 amounting to Rs. 76.3 Mn was paid during the financial year on 15 August 2019. The Board of Directors declared an interim dividend of Rs.4.50 per share for the year ended 31 March 2020 on 23 July 2020 amounting to Rs. 98.1 Mn and will pay on 24 August 2020.

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 31 March 2020 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 100 to 101 of the Annual Report.

## SHAREHOLDINGS

As at 31 March 2020 there were 1303 shareholders. The distribution is indicated on page 100 of the Annual Report. The twenty largest shareholders of the Company as at 31 March 2020, together with an analysis are given on page 100 of the Annual Report.

## RELATED PARTY TRANSACTIONS

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

Related Party Transactions Review Committee report is set out on pages 42 to 43 in the Financial Statements.

## RECURRENT RELATED PARTY TRANSACTIONS,

The aggregate value of which exceeds 10% of the consolidated revenue are tabled below,

Company	Relationship	Nature of the Transactions	Aggregate value of Related Party Transactions entered into during the financial year Rs.	Aggregate value of Related Party Transactions as % of Net Revenue/ Income Rs.	Terms and Conditions of the Related Party Transactions
Ceylon Copper (Pvt) Ltd.	Fellow subsidiary of ACL Cables PLC	Purchase of raw materials	1,210,137,570	13.8%	Ordinary course of business

## NON-RECURRENT RELATED PARTY TRANSACTIONS

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2020. Audited Financial Statements, which require additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

A detailed disclosure of related party transactions is given in Note 32 to the financial statements.

## BOARD OF DIRECTORS

Dr. Ranjith Cabral has resigned from the Board Of Directors of Kelani Cables PLC with effect from 23rd December 2019 and Mr. Deepal Sooriyaarachchi was appointed as a Director of Kelani Cables PLC, with effect from 23rd December 2019.

The Board of Directors of the Company consists of six Directors throughout the financial year and their profiles are given on pages 10 to 11.

Mrs. N.C Madanayake retiring by rotation in terms of Section 85 of Articles of Association being eligible for re-election in terms of article 86 and Mr. Deepal Sooriyaarachchi retiring by rotation being

eligible for re-election in terms of Rule 91 of Articles of Association, are recommended for re-election.

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Statement of the Directors' Responsibilities for Financial Statements is given on page 48 of this Annual Report.

## DONATIONS

Donations made by the Company during the year amounted to Rs.81,900/- (31 March 2019 Rs. 18,000/-).

## 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 2020. 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.

## CAPITAL EXPENDITURE

The capital expenditure on acquisition of property, plant and equipment of the Company amounted to Rs. 27.4 Mn details of which are given in Note 12 to the Financial Statements.

## CORPORATE GOVERNANCE

In the management of the Company, the Directors have placed emphasis on conforming to the best corporate governance practices and procedures. Accordingly, systems and structures have been introduced / improved from time to time to enhance risk management measures and to improve accountability and transparency. A separate report on corporate governance is given on pages 31 to 36 of the Annual Report.

# REPORT OF THE DIRECTORS

## 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 37 to 39 of this Report.

## DIRECTORATE

The Board of Directors of the Company are given below and the profiles are given on pages 10 to 11 of this Report.

Mr. U.G.Madanayake - Chairman

Mr. Suren Madanayake - Deputy Chairman

Mrs. N.C.Madanayake

Dr. Bandula Perera

Mr. Mahinda Saranapala

Mr. Deepal Sooriyaarachchi

The details of Directors' meetings are set out on page 33 under the Corporate Governance section of the Annual Report.

## INTEREST REGISTER

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

## DIRECTORS' INTERESTS IN CONTRACTS

Directors' interests in contracts of the Company are disclosed in Note 32 to the Financial Statements and no Director of the Company is directly or indirectly interested in any other contracts with the Company.

## DIRECTORS' REMUNERATION

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

## 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	
	2020	2019	2020	2019
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
Mr. Deepal Sooriyaarachchi	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 39.

## 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 30 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 30.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Detail of the Capital Commitments and Contingent Liabilities are disclosed on pages 96 and 97 of the Annual Report.

## AUDITORS

The Financial Statements for the period under review have been audited by Messrs KPMG, Chartered Accountants. Rs. 650,000/- has been paid as audit fee for the year ended 31st March 2020.

## AUDITORS RELATIONSHIP WITH THE COMPANY

Fees paid for other services in the capacity of an Auditor were Rs. 95,000/- 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 17th September 2020.

The Report of the Independent Auditors' is given on page 50 to 53. The functions of the Audit Committee, Remuneration Committee and Related Party Transactions Review Committee are given on pages 40 to 43 of this Report.

## **EMPLOYMENT**

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

## **COMPLIANCE WITH LAWS AND REGULATIONS**

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

## **NOTICE OF MEETING**

The Notice of Meeting of the Annual General Meeting is given on page 105 of this Report.

By Order of the Board

(Sgd.)  
Corporate Affairs (Private) Limited  
Secretaries  
Colombo

31 July 2020

# DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

The Board accepts responsibility for the preparation and fair presentation of Financial Statements in accordance with the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In discharging this responsibility, the Directors have instituted a system of internal financial controls and a system for monitoring its effectiveness. The system of controls provides reasonable and not absolute assurance of safeguarding of the Company's assets, maintenance of proper accounting records and the reliability of financial information.

The financial statements presented in the Annual Report for the year ended 31st March 2020, have been prepared based on the new Sri Lanka Accounting Standards (SLFRSs/LKASs) which came into effect for the financial periods commencing after 1st January 2012. The Directors have selected the appropriate accounting policies and such policies adopted by the 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 2020 and Statements of Profit or Loss and other Comprehensive Income for the year ended 31st March 2020 reflect a 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 31 July 2020.

By Order of the Board

(Sgd.)  
Corporate Affairs (Private) Limited  
Secretaries

31 July 2020



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# INDEPENDENT AUDITOR'S 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 31st March 2020, and the statement of profit or 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 and other explanatory information set out on pages 54 to 99 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 31st March 2020, 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 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. Abeyaratne 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 FCA	M.N.M. Shameel ACA	Ms. C.T.K.N. Perera ACA
A.M.R.P. Alahakoon ACA		
<b>Principals</b> - S.R.L. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K. Sumanasekara FCA		



## 01. Carrying value of Inventories

Refer to the significant accounting policy in Note 3.6 and explanatory Note 17 to these financial statements.

Risk Description	Our audit procedures included:
<p>The Company carried inventories of Rs.1,749.9 Million as at 31 March 2020 at the lower of cost or net realisable value.</p> <p>The Company has significant levels of inventory and judgment is exercised with regard to categorization of stock as obsolete and/ or slow moving to be considered for provision; estimates are then involved in arriving at provisions against cost in respect of slow moving and obsolete inventories to arrive at valuation based on lower of cost and net realizable value.</p> <p>As discussed in Note 3.6, Management judgment is applied in arriving at the cost of inventories in order to accurately reflect the manufacturing costs incurred in bringing them to their current condition and physical location.</p> <p>Given the level of judgments and estimates involved, the carrying value of inventories is identified as a key audit matter.</p>	<ul style="list-style-type: none"> <li>• Testing the design, implementation and operating effectiveness of the key control's management has established to manage inventories including the purchases, sales and holding of inventories.</li> <li>• Assessing the valuation of reporting date inventory levels, including assessing the reasonability of judgments taken regarding obsolescence</li> <li>• Evaluating the adequacy and consistency of provisioning for inventories at the reporting date with the Company's inventory provision policy.</li> <li>• On a sample basis, comparing the carrying amounts of the Company's inventories with net realization value of those inventories</li> <li>• Testing the existence of inventories through physical verification as at year end for a sample selected based on the professional judgment</li> <li>• Checked the parameters and system accuracy of weighted average cost (WAC) calculated with the assistance of our internal information risk management specialist</li> <li>• Assessing whether the accounting policies had been consistently applied and the adequacy of the Company and Investee's disclosures in respect of the judgment and estimation made in respect of inventory provisioning.</li> </ul>

## 02. Recoverability of Trade Receivables

Refer to the significant accounting policy in Note 3.7/3.8 and explanatory Note 18 to these financial statements.

Risk Description	Our audit procedures included
<p>The Company has recognized trade receivable balance of Rs. 2,498 Million as at 31 March 2020, after a provision for impairment of Rs.335.4 Million.</p> <p>The Company's allowances for doubtful debts are based on management's estimate of the expected credit losses to be incurred, which is estimated by taking into account the credit history of the Company's customers and current market and customer-specific conditions, all of which involve a significant degree of management judgement.</p> <p>The Company's allowances for doubtful debts include a specific element based on individual debtors and a collective element based on historical experience adjusted for certain current factors.</p> <p>The uncertainty on the impact of COVID-19 introduced significant estimation uncertainty in relation to the measurement of the Company's allowance for doubtful debts. The rapidly evolving consequences of COVID-19 and government, business and consumer responses could result in significant adjustments to the allowance within the current financial years.</p> <p>We identified assessing the recoverability of trade receivables as a key audit matter because the significance of the trade receivables to the financial statements and the assessment of the recoverability is inherent subjectivity and required significant management judgment, which increases the risk of error or potential management bias.</p>	<ul style="list-style-type: none"> <li>• Understanding and evaluating the design, implementation and operating effectiveness of management's key internal controls in respect of the valuation of trade debtors, which included credit control procedures and the application of the Company's doubtful debt provisioning policy.</li> <li>• Evaluating how management had assessed the impact of Covid-19 within the credit losses model to assess whether that it was appropriately considered in the measurement of doubtful debts at year end. In particular, we assessing Management's assessment of the likelihood of a severe economic downturn caused by Covid-19 at the reporting date with reference to the reasonable and supportable information available to management at that date.</li> <li>• On a sample basis, assessing whether items in the trade debtors' ageing report were classified within the appropriate ageing bucket by comparing individual items in the report with underlying documentation, which included sales invoices and goods delivery notes.</li> <li>• Assessing the assumptions and estimates made by the management for the allowances for doubtful debts with reference to our understanding of the debtors' financial condition, the industry in which the debtors are operating, the ageing of overdue balances and historical and post year-end cash receipts from the debtors and by performing a retrospective review of the historical accuracy of these estimates.</li> <li>• Evaluating the appropriateness of the selection of accounting policies based on the requirements of the new standards, our business understanding and industry practice.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT



## 03. Valuation of Investment Property

Refer to the significant accounting policy in Note 3.5 and explanatory Note 14 to these financial statements.

### Risk Description

The Company has reordered a net gain on revaluation of Investment Property amounting to Rs. 11 Mn as at 31st March 2020 by revaluing the Investment Property during the year.

Investment Properties are measured at fair value in the Statement of Financial Position. The Company has engaged an independent external professional valuer with appropriate expertise in valuing properties, to determine the fair value of the Investment Property in accordance with recognized industry standards.

We identified this as a key audit matter because of the significant judgments and estimation in the selection of appropriate valuation methodology to be used and in estimating the key assumptions applied. These key assumptions include market comparable used, taking into consideration for difference such as location, size and tenure. A change in the key assumptions will have an impact on the valuation.

### Our audit procedures included

- Assessing the objectivity, independence, competence and qualifications of the external valuer.
- Assessing the appropriateness of the valuation techniques used by the external valuer, taking into account the profile of the investment properties.
- Assessing the key assumptions applied and conclusion made by the external valuer in deriving the fair value of the properties and comparing the same with evidence of current market values and consultation with internal valuation specialist.
- Assessing the adequacy of the 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 statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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 and Investee or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the 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 and Investee'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 and Investee to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and Investee to express an opinion on the Company and Investee financial statements. We are responsible for the direction, supervision and performance of the Company and Investee audit. We remain solely responsible for our audit opinion.

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is FCA 2618.

CHARTERED ACCOUNTANTS  
Colombo, Sri Lanka

31st July 2020



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March,	Note	Company and Investee		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Revenue	5	8,759,918,341	8,492,482,278	8,759,918,341	8,492,482,278
Cost of sales		(7,446,511,362)	(7,327,030,326)	(7,446,511,362)	(7,327,030,326)
<b>Gross profit</b>		<b>1,313,406,979</b>	<b>1,165,451,952</b>	<b>1,313,406,979</b>	<b>1,165,451,952</b>
Other income	6	13,291,162	11,088,716	13,291,162	11,088,716
Change in fair value of investment property	14	11,000,000	15,000,000	11,000,000	15,000,000
Distribution expenses		(540,298,599)	(490,032,512)	(540,298,599)	(490,032,512)
Administrative expenses		(314,291,236)	(303,146,808)	(314,291,236)	(273,707,827)
<b>Profit from operations</b>	<b>7</b>	<b>483,108,306</b>	<b>398,361,348</b>	<b>483,108,306</b>	<b>427,800,329</b>
Finance income		94,968,168	16,336,939	94,968,168	16,336,939
Finance expenses		(149,921,522)	(122,511,302)	(149,921,522)	(122,511,302)
Net finance expenses	8	(54,953,354)	(106,174,363)	(54,953,354)	(106,174,363)
Share of profit/(loss) of equity accounted investee net of tax	16.2	(2,009,125)	36,730,201	-	-
<b>Profit before tax</b>		<b>426,145,827</b>	<b>328,917,186</b>	<b>428,154,952</b>	<b>321,625,966</b>
Income tax expense	9	(73,094,792)	(96,919,825)	(73,094,792)	(96,919,825)
<b>Profit for the year</b>		<b>353,051,035</b>	<b>231,997,361</b>	<b>355,060,160</b>	<b>224,706,141</b>
<b>Items that will not be reclassified to profit or loss</b>					
Actuarial gain/(loss) on employee benefit obligations		627,827	(4,399,450)	627,827	(4,399,450)
Related tax	26	(175,792)	1,231,846	(175,792)	1,231,846
<b>Other comprehensive income for the year net of tax</b>		<b>452,035</b>	<b>(3,167,604)</b>	<b>452,035</b>	<b>(3,167,604)</b>
<b>Total comprehensive income for the year</b>		<b>353,503,070</b>	<b>228,829,757</b>	<b>355,512,195</b>	<b>221,538,537</b>
<b>Earnings per share</b>					
Basic earnings per share (Rs.)	10	16.20	10.64	16.29	10.31

The Notes to the Financial Statements from pages 58 to 99 form an integral part of these Financial Statements.

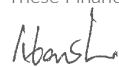
Figures in brackets indicate deductions.

# STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Company and Investee		Company	
		2020	2019	2020	2019
		Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	822,247,277	872,315,668	822,247,277	872,315,668
Investment property	14	306,000,000	295,000,000	306,000,000	295,000,000
Investment in equity accounted investee	16	54,742,020	56,751,145	51,200,000	51,200,000
<b>Total non-current assets</b>		<b>1,182,989,297</b>	<b>1,224,066,813</b>	<b>1,179,447,277</b>	<b>1,218,515,668</b>
<b>Current assets</b>					
Inventories	17	1,749,973,547	1,846,445,397	1,749,973,547	1,846,445,397
Trade and other receivables	18	2,924,566,409	1,966,745,505	2,924,566,409	1,966,745,505
Amount due from related companies	19	10,135,360	32,744,523	10,135,360	32,744,523
Value added tax recoverable		643,766,838	575,758,110	643,766,838	575,758,110
Deposits and prepayments		15,281,688	14,782,199	15,281,688	14,782,199
Cash and cash equivalents	20	764,898,171	1,164,099,136	764,898,171	1,164,099,136
<b>Total current assets</b>		<b>6,108,622,013</b>	<b>5,600,574,870</b>	<b>6,108,622,013</b>	<b>5,600,574,870</b>
<b>Total assets</b>		<b>7,291,611,310</b>	<b>6,824,641,683</b>	<b>7,288,069,290</b>	<b>6,819,090,538</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	404,949,947	353,276,640	353,276,640
General reserves	23	431,136,000	431,136,000	431,136,000	431,136,000
Retained earnings	24	2,908,360,870	2,631,157,800	2,956,492,157	2,677,279,962
<b>Total equity</b>		<b>3,962,446,817</b>	<b>3,685,243,747</b>	<b>3,958,904,797</b>	<b>3,679,692,602</b>
<b>Non-current liabilities</b>					
Employee benefits	25	117,713,145	113,793,053	117,713,145	113,793,053
Deferred taxation	26	12,809,040	57,750,043	12,809,040	57,750,043
Interest bearing borrowings	27	5,017,159	7,876,972	5,017,159	7,876,972
<b>Total non-current liabilities</b>		<b>135,539,344</b>	<b>179,420,068</b>	<b>135,539,344</b>	<b>179,420,068</b>
<b>Current liabilities</b>					
Trade and other payables	28	1,268,148,186	667,409,038	1,268,148,186	667,409,038
Amount due to related companies	29	443,717,040	485,666,790	443,717,040	485,666,790
Current taxation	30	286,892,844	337,060,199	286,892,844	337,060,199
Unclaimed dividends	31	14,957,690	13,394,318	14,957,690	13,394,318
Interest bearing borrowings	27	1,011,920,690	1,115,220,908	1,011,920,690	1,115,220,908
Bank overdrafts	20	167,988,699	341,226,615	167,988,699	341,226,615
<b>Total current liabilities</b>		<b>3,193,625,149</b>	<b>2,959,977,868</b>	<b>3,193,625,149</b>	<b>2,959,977,868</b>
<b>Total liabilities</b>		<b>3,329,164,493</b>	<b>3,139,397,936</b>	<b>3,329,164,493</b>	<b>3,139,397,936</b>
<b>Total equity and liabilities</b>		<b>7,291,611,310</b>	<b>6,824,641,683</b>	<b>7,288,069,290</b>	<b>6,819,090,538</b>

The Notes to the Financial Statements from pages 58 to 99 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.

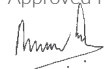


**Hemamala Karunasekara**

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:



**Mahinda Saranapala**

Director/Chief Executive Officer



**U. G. Madanayake**

Chairman

31 July 2020

Colombo

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020	Company and Investee				
	Stated	Capital	General	Retained	Total
	Capital	Reserves	Reserves	Earnings	
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 1 April 2018</b>	218,000,000	404,949,947	431,136,000	2,632,861,648	3,686,947,595
Adjustment on initial application of SLFRS 09	-	-	-	(214,213,340)	(214,213,340)
Tax effect arising on initial application of SLFRS 09	-	-	-	59,979,735	59,979,735
Profit for the year	-	-	-	231,997,361	231,997,361
Other comprehensive income for the year	-	-	-	(3,167,604)	(3,167,604)
<b>Total Comprehensive Income for the year</b>	-	-	-	74,596,152	74,596,152
Interim dividend - 2017/18	-	-	-	(76,300,000)	(76,300,000)
<b>Balance as at 31 March 2019</b>	218,000,000	404,949,947	431,136,000	2,631,157,800	3,685,243,747
Balance as at 1 April 2019	218,000,000	404,949,947	431,136,000	2,631,157,800	3,685,243,747
Profit for the year	-	-	-	353,051,035	353,051,035
Other comprehensive income for the year	-	-	-	452,035	452,035
<b>Total Comprehensive Income for the year</b>	-	-	-	353,503,070	353,503,070
Interim dividend - 2018/19	-	-	-	(76,300,000)	(76,300,000)
<b>Balance as at 31 March 2020</b>	218,000,000	404,949,947	431,136,000	2,908,360,870	3,962,446,817

For the year ended 31 March 2020	Company				
	Stated	Capital	General	Retained	Total
	Capital	Reserves	Reserves	Earnings	
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 1 April 2018</b>	218,000,000	353,276,640	431,136,000	2,686,275,030	3,688,687,670
Adjustment on initial application of SLFRS 09	-	-	-	(214,213,340)	(214,213,340)
Tax effect arising on initial application of SLFRS 09	-	-	-	59,979,735	59,979,735
Profit for the year	-	-	-	224,706,141	224,706,141
Other comprehensive income for the year	-	-	-	(3,167,604)	(3,167,604)
<b>Total Comprehensive Income for the year</b>	-	-	-	67,304,932	67,304,932
Interim dividend - 2017/18	-	-	-	(76,300,000)	(76,300,000)
<b>Balance as at 31 March 2019</b>	218,000,000	353,276,640	431,136,000	2,677,279,962	3,679,692,602
Balance as at 1 April 2019	218,000,000	353,276,640	431,136,000	2,677,279,962	3,679,692,602
Profit for the year	-	-	-	355,060,160	355,060,160
Other comprehensive income for the year	-	-	-	452,035	452,035
<b>Total Comprehensive Income for the year</b>	-	-	-	355,512,195	355,512,195
Interim dividend - 2018/19	-	-	-	(76,300,000)	(76,300,000)
<b>Balance as at 31 March 2020</b>	218,000,000	353,276,640	431,136,000	2,956,492,157	3,958,904,797

The Notes to the Financial Statements from pages 58 to 99 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# STATEMENT OF CASHFLOW

For the year ended 31 March,	Company and Investee		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
<b>Cash flow from operating activities</b>				
Profit before taxation	426,145,827	328,917,186	428,154,952	321,625,966
<b>Adjustments for:</b>				
Share of loss/(profit) from equity accounted investee (net of tax)	2,009,125	(36,730,201)	-	-
Reversal of impairment of the associate	-	-	-	(29,438,981)
Interest income	(40,775,187)	(16,336,939)	(40,775,187)	(16,336,939)
Interest expense	149,921,522	89,639,355	149,921,522	89,639,355
Change in fair value of investment property	(11,000,000)	(15,000,000)	(11,000,000)	(15,000,000)
Depreciation of property, plant and equipment	77,488,014	70,072,282	77,488,014	70,072,282
Provision for impairment of trade and other receivables	28,924,644	464,514	28,924,644	464,514
Provision for obsolete and slow moving inventories	17,140,171	27,316,836	17,140,171	27,316,836
Gain on disposal of property, plant and equipment	(52,174)	-	(52,174)	-
Inventry write off	9,189,690	8,195,560	9,189,690	8,195,560
Debtors write off	9,766	-	9,766	-
Provision for employee benefits	22,375,540	18,941,039	22,375,540	18,941,039
<b>Operating profit before working capital changes</b>	<b>681,376,938</b>	<b>475,479,632</b>	<b>681,376,938</b>	<b>475,479,632</b>
<b>Changes in working capital</b>				
Decrease/(increase) in inventories	70,141,989	(205,624,823)	70,141,989	(205,624,823)
Increase in trade and other receivables	(986,755,314)	(25,851,081)	(986,755,314)	(25,851,081)
Decrease in amount due from related companies	22,609,163	57,062,048	22,609,163	57,062,048
Increase in deposits and prepayments and value added tax recoverable	(68,508,217)	(181,353,584)	(68,508,217)	(181,353,584)
Increase/(decrease) in trade and other payables	600,739,148	(675,477,430)	600,739,148	(675,477,430)
(Decrease)/increase in amount due from related companies	(41,949,750)	204,343,691	(41,949,750)	204,343,691
<b>Cash generated from/(used in) operations</b>	<b>277,653,957</b>	<b>(351,421,547)</b>	<b>277,653,957</b>	<b>(351,421,547)</b>
Gratuity paid	(17,827,621)	(4,435,408)	(17,827,621)	(4,435,408)
Current tax paid	(168,378,942)	(56,576,026)	(168,378,942)	(56,576,026)
Interest paid	(149,921,522)	(89,639,355)	(149,921,522)	(89,639,355)
<b>Net cash used in operating activities</b>	<b>(58,474,128)</b>	<b>(502,072,336)</b>	<b>(58,474,128)</b>	<b>(502,072,336)</b>
<b>Cash flow from investing activities</b>				
Proceeds from disposal of property, plant and equipment	52,174	-	52,174	-
Acquisition of property, plant and equipment	(27,419,623)	(89,651,353)	(27,419,623)	(89,651,353)
Interest received	40,775,187	16,336,939	40,775,187	16,336,939
<b>Net cash generated from /(used in) investing activities</b>	<b>13,407,738</b>	<b>(73,314,414)</b>	<b>13,407,738</b>	<b>(73,314,414)</b>
<b>Cash flow from financing activities</b>				
Dividend paid	(74,736,628)	(75,017,050)	(74,736,628)	(75,017,050)
Loans obtained during the year	2,671,232,933	1,542,270,842	2,671,232,933	1,542,270,842
Loan repayments during the year	(2,777,392,964)	(661,234,730)	(2,777,392,964)	(661,234,730)
<b>Net cash (used in) / generated from financing activities</b>	<b>(180,896,659)</b>	<b>806,019,062</b>	<b>(180,896,659)</b>	<b>806,019,062</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(225,963,049)</b>	<b>230,632,312</b>	<b>(225,963,049)</b>	<b>230,632,312</b>
Cash and cash equivalents at beginning of the year	822,872,521	592,240,209	822,872,521	592,240,209
<b>Cash and cash equivalents at the end of the year (Note 20)</b>	<b>596,909,472</b>	<b>822,872,521</b>	<b>596,909,472</b>	<b>822,872,521</b>

The Notes to the Financial Statements from pages 58 to 99 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 Public 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 and selling of Power Cables, Telecommunication Cables and Enamelled Winding Wires.

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 2020 was 514 (2019 – 521).

### 1.4 Approval of Financial Statements

The Financial Statements of the Company for the year ended 31 March 2020 were authorized for issue in accordance with a resolution of the Board of Directors on 31 July 2020.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The Financial Statements of the Company which comprise of the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive income, Statement of Changes in Equity and Statement of Cash Flows have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS / LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka, and in compliance with the requirements of the Company's Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No.15 of 1995. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

### 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 recognized 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 re-arranged to conform with the current year's presentation.

### 2.4 Functional and Presentation Currency

The financial statements are presented in Sri Lankan Rupees, which is the functional and presentation currency of the Company. There was no change in the Company's presentation and functional currency during the year under review.

## 2.5 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.

### 2.6 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:

- Impairment of assets (Note 3.8)
- Provisions (Note 3.9)
- Measurement of Employee benefits (Note 3.10)
- Contingencies (Note 3.11)
- Current taxation (Note 3.15 (a))
- Deferred taxation and utilization of tax losses (Note 3.15 (b))

### 2.7 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 assets or liabilities**

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 1 that are observable for the asset or liability 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.

#### 2.8 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.

#### 2.9 Going Concern

The Kelani Cable PLC operates in the Manufacturing sector that has been affected by the outbreak of COVID – 19.

On 11 March 2020 the World Health Organization declared the coronavirus outbreak a pandemic, and the Sri Lankan government declared a state of emergency on 18th March 2020 and rightly the stringent measures taken by the respective Governments including the closure of airports, border entry barriers and lock downs, have compelled the temporary closure of the Company.

In preparing these financial statements, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Company and the appropriateness of the use of the going concern basis. Company has evaluated the resilience of its businesses considering a wide range of factors such as current and expected profitability, the ability to defer nonessential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing goods and services.

In management's view, the Company will have sufficient resources to continue for a future period. Management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements except for the SLFRS 16 related policies and unless otherwise indicated.

### 3.1 Changes in Accounting Policies

The Company and investee initially applied SLFRS 16 Leases and a number of other standards are also effective from 1 April 2019, but they do not have a material effect on Company and investee's financial statements as the Company and investee do not have any leased assets.

### 3.2 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.

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.

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.

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 company of the Company which have been accounted for under the equity method of accounting are disclosed under Notes to these Financial Statements.

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.

#### 3.2.1 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.

#### 3.2.2 Financial Period

The associate has the same reporting date as the Company and the financial statements are

prepared to a common financial year ending 31st March.

### 3.3 Foreign Currency Transactions

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 equity instruments - FVTOCI, 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.

### 3.4 Property, Plant and Equipment

#### Recognition and measurement

##### a) Cost and Valuation

An item of property, plant and 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 labor, 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 and equipment except for 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 land and 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 Profit or loss. 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 profit or loss 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) Subsequent costs

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 profit or loss as an expense as incurred.

#### c) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful life-time and is generally recognized in profit or loss. Land is not depreciated.

The estimated useful lives of the assets are as follows.

Plant and machinery	10 - 45 years
Buildings	25 years
Electrical fittings	10 years
Office equipment	10 years
Furniture and 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 Company that is classified as held for sale) and the date that the asset is derecognised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

#### d) Derecognition

Items of property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or losses rising on de-recognition of the asset is included in the Profit or loss the year the asset is derecognised.

#### e) Capital work in progress

Capital work-in-progress represents the accumulated cost of materials and other costs directly related to the construction of an asset. capital work-in- progress is transferred to the respective asset accounts at the time it is substantially completed and ready for its intended use.

#### 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 profit or loss unless it reverses a previous revaluation surplus for the same asset.

### 3.5 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 property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Land of the Company classified as investment property is valued every year 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 disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant equipment is sold, any related amount included in revaluation reserve is transferred to retained earnings.

# NOTES TO THE FINANCIAL STATEMENTS

## 3.6 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

## 3.7 Financial Instruments

### **Financial assets - Recognition and initial measurement**

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

### **Financial assets - Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount of outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate

a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### **Financial assets - Business model assessment:**

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de recognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

### Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par-amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

### Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

### Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### Derecognition

##### Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement

of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

##### Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

##### Offsetting

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

# NOTES TO THE FINANCIAL STATEMENTS

## 3.8 Impairment of Assets

### 3.8.1 Financial assets

#### Non-derivative financial assets

##### *Financial instruments and contract assets*

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the

entity in accordance with the contract and the cash flows that the Company expects to receive).

#### Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

#### Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets.

For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However,

financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

### 3.8.2 Non-financial assets

The carrying amounts of the Company's non-financial assets other than 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.

## 3.9 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.

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.

### **3.10 Employee benefits**

#### **3.10.1 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.

#### **3.10.2 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 or 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.

#### **3.10.3 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 five years of continued service.

The liability is not externally funded.

The Company recognizes all actuarial gains and losses arising from defined benefit plans in Other Comprehensive Income and current service cost and the interest cost related to defined benefit plan in employee benefits are recognized in the statement of profit or loss.

#### **3.11 Capital commitments and contingencies**

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 but are disclosed unless they are remote.

Capital commitments and contingent liabilities of the Company is disclosed in Notes 35 and 37 to the Financial Statements.

#### **STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

#### **3.12 Revenue**

##### **Revenue from contract with customers**

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer. Revenue is recognised either at a point in time or over time, when (or as) the

Company satisfies performance obligations by transferring the promised goods or services to its customers.

##### **Sale of goods**

Revenue from the sale of goods is recognised in the Statement of Profit or Loss when it transfers control over the goods to a customer. Recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with goods.

Revenue is measured net of returns, trade discounts and volume rebates. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

##### **Other Income**

Gains/losses on the disposal of investments held by the Company have been accounted for as other income in profit or loss.

Gains / losses on the disposal of property, plant and equipment determined by reference to the carrying amount and related expenses, have been accounted for as other income in profit or loss.

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

#### **3.13 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 Profit or loss in arriving at the profit or loss for the year.

##### **Borrowing cost**

The Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognized in the profit or loss in the period in which they occur.

# NOTES TO THE FINANCIAL STATEMENTS

## 3.14 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.

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.

## 3.15 Income tax expenses

Income tax expense comprises both current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or OCI.

### (a) Current taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Taxation for the current and previous periods to the extent unpaid is recognised as a liability in the financial statements. When the amount of taxation already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset in the financial statements.

### (b) Deferred taxation

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible

temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

## 3.16 Related party disclosure

Disclosures has 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.

## 3.17 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.

## 3.18 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.

## 3.19 Statement of cash flows

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 STANDARDS AND CHANGES TO ACCOUNTING STANDARDS NOT EFFECTIVE AS AT THE REPORTING DATE

Several amendments to Accounting Standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements.

- **Amendments to References to Conceptual Framework for financial reporting**

CA Sri Lanka has issued a revised Conceptual Framework which will be used in standard setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

- **Amendments to LKAS 1 and LKAS 8**

In November 2018, the CA Sri Lanka issued amendments to LKAS 1 and Sri Lanka Accounting Standard – LKAS 8 on “Accounting Policies, Changes in Accounting Estimates and Errors” to align the definition of ‘material’ across the standards and to clarify certain aspects of the term ‘definition’. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity.’ The Company shall apply those amendments prospectively for annual financial periods beginning on or after January 1, 2020.

- **Amendments to SLFRS 3**

In November 2018, the CA Sri Lanka issued amendments to the definition of a business in SLFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. These amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

The Company shall apply these amendments to business combinations prospectively for annual financial periods beginning on or after January 1, 2020, if the asset acquisitions occurs on or after the beginning of that period.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March,		Company and Investee / Company	
		2020	2019
		Rs.	Rs.
<b>5. REVENUE</b>			
<b>Local sales</b>			
Manufacturing and fabrication		5,976,438,893	6,162,411,036
Trading		1,436,039,556	943,345,455
<b>Export sales</b>		1,347,439,892	1,386,725,787
		<b>8,759,918,341</b>	<b>8,492,482,278</b>
<b>6. OTHER INCOME</b>			
Gain on disposal of property, plant and equipment		52,174	-
Sundry sales and sundry income (Note 6.1)		13,238,988	11,088,716
		<b>13,291,162</b>	<b>11,088,716</b>

**6.1** Sundry sales includes sales of scraps and raw materials.

For the year ended 31 March,		Company and Investee / Company	
		2020	2019
		Rs.	Rs.
<b>7. PROFIT FROM OPERATIONS</b>			
Profit from operation is stated after charging all expenses including the following.			
Directors emoluments/ fee		18,225,000	17,780,000
Auditors remuneration			
Statutory audit		650,000	650,000
Audit related services		95,000	156,000
Depreciation on property, plant and equipment		77,488,014	70,072,282
Provision for obsolete and slow moving inventories		17,140,171	27,316,836
Inventory write off		9,189,690	8,195,560
Charge of provision for impairment of trade and other receivables		28,924,644	464,514
Debtors write off		9,766	-
Donations		81,900	18,000
Staff Costs - (Note 7.1)		638,777,428	597,461,210
Reversal of provision for the fall in value in investment in associate		-	(29,438,981)
<b>7.1 Staff cost</b>			
Defined contribution plan cost-EPF,ETF		42,266,474	38,936,346
Defined benefit plan cost-retiring gratuity		22,375,540	18,941,039
Salaries, wages and related cost		453,097,389	422,249,483
Staff cost other than above		121,038,025	117,334,342
		<b>638,777,428</b>	<b>597,461,210</b>

For the year ended 31 March,	Company and Investee / Company	
	2020	2019
	Rs.	Rs.
<b>8. NET FINANCE EXPENSES</b>		
<b>Finance income</b>		
Interest from foreign currency deposits	40,295,194	15,693,467
Interest from local currency deposits	479,993	643,472
Net foreign exchange gain	54,192,981	-
	94,968,168	16,336,939
<b>Finance expenses</b>		
Net foreign exchange loss	-	(32,871,947)
Bank overdraft interest	(18,520,388)	(19,607,802)
Interest on bank loans	(102,765,916)	(36,599,252)
Interest on trade bills	(20,991,573)	(26,937,128)
Interest on distributor deposits and sales staff money retained	(7,643,645)	(6,495,173)
	(149,921,522)	(122,511,302)
<b>Net finance expenses</b>	<b>(54,953,354)</b>	<b>(106,174,363)</b>

For the year ended 31 March,	Company and Investee / Company	
	2020	2019
	Rs.	Rs.
<b>9. INCOME TAX EXPENSE</b>		
<b>Current taxation</b>		
Current tax expense - (Note 9.1)	125,783,358	102,740,511
Over provision in respect of prior years	(7,571,771)	-
	118,211,587	102,740,511
<b>Deferred taxation</b>		
Deferred tax liability (originated) /reversed during the year	(12,195,234)	3,832,721
Deferred tax assets originated during the year	(32,921,561)	(9,653,407)
	(45,116,795)	(5,820,686)
	73,094,792	96,919,825
<b>9.1 Reconciliation between the accounting profit and the profit for tax purposes</b>		
Profit before tax	428,154,952	321,625,966
Aggregate disallowable expenses	146,010,270	93,451,558
Aggregate allowable expenses	(62,941,081)	(33,147,070)
Income not liable for tax	(21,125,973)	(15,000,056)
Total statutory income	490,098,168	366,930,398
Taxable Income	490,098,168	366,930,398
Income tax on current year profits	125,783,358	102,740,511

# NOTES TO THE FINANCIAL STATEMENTS

The revised income tax rate applicable for the period from 1st January 2020 to 31st March 2020 of 18% for manufacturing and 14% for exports for companies is pending for formal approvals. Therefore, this rate is not considered as substantively enacted as at the reporting date. LKAS 12 - "Income Taxes" require the rates enacted or substantively enacted to be used in the estimation of income tax provision for financial reporting purposes. However, the provision for income tax on the taxable income for the period from 1st January 2020 to 31st March 2020 is calculated and reported using the rate of 18% and 14% as the difference between income tax rates are not material to the financial statements for the year ended 31st March 2020.

Had the provision for income tax is reordered at the rate of 28% on the taxable income for the period from 1 January 2020 to 31 March 2020, the total income tax provision would have been increased by Rs. 11,444,129/-

For the year ended 31 March,	Company and Investee / Company	
	2020	2019
	Rs.	Rs.
<b>9.2 Recognition of deferred tax expenses in the Comprehensive Income</b>		
Profit or loss - (Note 26.3)	(45,116,795)	(5,820,686)
Other comprehensive income - (Note 26.3)	175,792	(61,211,581)
	(44,941,003)	(67,032,267)

## 9.3 Reconciliation of effective tax rate

For the year ended 31 March,	Company and Investee / Company			Company and Investee / Company		
	2020			2019		
	Rs.	Rs.	%	Rs.	Rs.	%
Profit before tax	428,154,952			321,625,966		
Tax using the Company's domestic tax rate	428,154,952	108,439,257	25.3%	255,331,826	71,492,911	22.2%
Non-deductible expenses	146,010,270	40,882,876	9.5%	93,451,558	26,166,436	8.1%
Tax-exempt income	(21,125,973)	(5,915,272)	-1.4%	(15,000,056)	(4,200,016)	-1.3%
Tax effect of allowable expenses	(62,941,081)	(17,623,503)	-4.1%	33,147,070	9,281,180	2.9%
Changes in estimates related to prior years		(7,571,771)	-1.8%		-	0.0%
Deferred tax reversal		(45,116,795)	-10.5%		(5,820,686)	-1.8%
	490,098,168	73,094,792	17.1%	366,930,398	96,919,825	30.1%



## 10. EARNINGS PER SHARE

### Basic earnings per share

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

For the year ended 31 March,	Company and Investee		Company	
	2020	2019	2020	2019
Profit attributable to ordinary shareholders (Rs.)	353,051,035	231,997,361	355,060,160	224,706,141
weighted average number of ordinary shares	21,800,000	21,800,000	21,800,000	21,800,000
<b>Basic earnings per share (Rs.)</b>	<b>16.20</b>	<b>10.64</b>	<b>16.29</b>	<b>10.31</b>

### Diluted earnings per share

There were no potentially dilutive ordinary shares as at 31 March 2020 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would required restatement of EPS.

## 11. DIVIDEND PER SHARE

For the year ended 31 March,	Company	
	2020	2019
Interim dividend declared - 2017/18- (Rs.)	-	76,300,000
Interim dividend declared - 2018/19 - (Rs.)	76,300,000	-
	<b>76,300,000</b>	<b>76,300,000</b>
Gross dividend -(Rs.)	76,300,000	76,300,000
Number of shares	21,800,000	21,800,000
<b>Dividend per share (Rs.)</b>	<b>3.50</b>	<b>3.50</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 12. PROPERTY, PLANT AND EQUIPMENT

	Company and Investee / Company							Total 2020	Total 2019
	Freehold land	Buildings	Furniture, fittings and office equipment	Business Machines	Motor Vehicles	Plant, machinery, and electrical fittings	Capital work-in -progress		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost</b>									
Balance as at 1 April	315,500,000	255,846,835	25,069,845	47,233,098	143,090,604	676,371,694	46,597,901	1,509,709,977	1,420,058,624
Additions during the year	-	-	2,825,429	2,318,078	581,400	13,851,638	7,843,078	27,419,623	89,651,353
Transfers during the year	-	50,907,522	2,803,470	-	-	-	(53,710,992)	-	-
Disposals during the year	-	-	-	-	-	(166,500)	-	(166,500)	-
<b>Balance as at 31 March</b>	<b>315,500,000</b>	<b>306,754,357</b>	<b>30,698,744</b>	<b>49,551,176</b>	<b>143,672,004</b>	<b>690,056,832</b>	<b>729,987</b>	<b>1,536,963,100</b>	<b>1,509,709,977</b>
<b>Accumulated Depreciation</b>									
Balance as at 1 April	-	17,097,989	19,861,450	41,637,554	78,572,758	480,224,558	-	637,394,309	567,322,027
Charge for the year	-	17,564,500	1,321,265	2,244,324	17,657,976	38,699,949	-	77,488,014	70,072,282
Disposals	-	-	-	-	-	(166,500)	-	(166,500)	-
<b>Balance as at 31 March</b>	<b>-</b>	<b>34,662,489</b>	<b>21,182,715</b>	<b>43,881,878</b>	<b>96,230,734</b>	<b>518,758,007</b>	<b>-</b>	<b>714,715,823</b>	<b>637,394,309</b>
<b>Carrying value</b>									
<b>As at 31 March 2020</b>	<b>315,500,000</b>	<b>272,091,868</b>	<b>9,516,029</b>	<b>5,669,298</b>	<b>47,441,270</b>	<b>171,298,825</b>	<b>729,987</b>	<b>822,247,277</b>	
<b>As at 31 March 2019</b>	<b>315,500,000</b>	<b>238,748,846</b>	<b>5,208,395</b>	<b>5,595,544</b>	<b>64,517,846</b>	<b>196,147,136</b>	<b>46,597,901</b>		<b>872,315,668</b>

**12.1** Capital work in progress as at the reporting date included expenses incurred for buildings being constructed in Kelaniya which are to be completed in next finance year.

## 12.2 Land and building carried at revalued amount as at 31 March 2018

Property owned by the Company	Company and Investee / Company										
	Extent		No of buildings	Method of valuation	Date of Valuation	Valuer	Revalued Amount		Carrying value after	Carrying value if carried	
	land	Buildings					land	Buildings	revaluation	at cost	
	(Perches)	(Square feet)					Rs.	Rs.	Rs.	Rs.	
Land and building situated at Wewelduwa, Kelaniya	1,041.50	107,108	18	Market comparable method	31/3/18	Mr. Senanayake Bandara, a fellow Member of Institute of Valuers of Sri Lanka	293,000,000	178,009,100	471,009,100	186,839,355	
Land and building situated at Mahena Road, Siyamblape South, Siyamblape	172.80	32,398	4	Market comparable method	31/3/18	Mr. Senanayake Bandara, a fellow Member of Institute of Valuers of Sri Lanka	22,500,000	65,910,000	88,410,000	17,616,093	
							315,500,000	243,919,100	559,419,100	204,455,448	

The land and buildings 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 and buildings 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.

Number of buildings as at 31 March 2020 was 24

### 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	Inter relationship between significant unobservable inputs and fair value measurement
Wewelduwa, Kelaniya	Market comparable method	Land - Price per perch	Rs. 281,325/-	The Estimated fair value would increase/ (decrease) if: 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, Siyamblape South, Siyamblape	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 considered 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	
	2020 Rs.	2019 Rs.
<b>12.4 Details of fully depreciated assets as at the reporting date is as follows.</b>		
Furniture, fittings and office equipment	13,901,720	12,902,663
Business machines	38,354,943	35,043,100
Motor vehicles	57,686,979	49,987,529
Plant machinery, and electrical fittings	211,280,079	174,982,216
	<b>321,223,721</b>	<b>272,915,508</b>

### 12.5 Property, plant and equipment pledged as security

There are no property, plant and equipment pledged as security for liabilities as at the reporting date of the Company.

### 12.6 Restriction on title of property, plant and equipment

There are no restrictions that existed on the titles of the property, plant and equipment of the Company as at the reporting date.

### 12.7 Assessment of impairment

As a result of the COVID-19 outbreak in Sri Lanka during the fourth quarter ending 31 March 2020, the Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31st March 2020. 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.

### 12.8 Temporarily idle property, plant and equipment

There are no idle property, plant and equipment as at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,		Company and Investee / Company	
		2020 Rs.	2019 Rs.
<b>13. INTANGIBLE ASSETS</b>			
Computer software			
Cost			
Balance as at 1 April		5,822,751	5,822,751
Additions during the year		-	-
Balance as at 31 March		5,822,751	5,822,751
Amortization			
Balance as at 1 April		5,822,751	5,822,751
Amortized during the year		-	-
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		295,000,000	280,000,000
Change in fair value		11,000,000	15,000,000
Balance as at 31 March		306,000,000	295,000,000

Changes 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 bare land owned by the Company.

Location	Extent	Carrying value As at 31 March 2020 Rs.
Situated at No.78, Raja Mawatha, Ekala, Ja-ela	13A .00R .02P	306,000,000

## 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 2020.

The significant unobservable inputs used in measuring land is categorised as Level 3 in the fair value hierarchy as at 31 March 2020.

### 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.

Valuation Technique	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	Inter relationship between significant unobservable inputs and fair value measurement
Market comparable method	Rs.23,500,000/- per acre	295,000,000	306,000,000	11,000,000	Price per perch for land	Estimated fair value would increase/(decrease) If; Price per Perch of land increase/(decreases)

The outbreak of the COVID 19, declared by the World Health Organisation as a 'global pandemic' on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

As at the valuation date, market activity is being impacted in many sectors. therefore, less weight was given to previous market evidence for comparison purpose. The valuation is reported on the basis of 'material valuation uncertainty' as per RICS Red Global book. Accordingly, less certainty and a high degree of caution was considered in valuation than would normally be the case.

- 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 rate of 10% on the revaluation surplus in excess of the deemed cost of investment assets as at 30 September 2017. Accordingly deferred tax liability has been recognized in the financial statements.

## 15. INVESTMENT IN SUBSIDIARY

As at 31 March,	Company and Investee / Company			
	Company Holding	No. of Shares	2020 Rs.	2019 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.

# NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,	Company	
	2020 Rs.	2019 Rs.
<b>16. INVESTMENT IN EQUITY ACCOUNTED INVESTEE</b>		
Investment in ACL-Kelani Magnet Wire (Private) Limited	51,200,000	51,200,000
Provision for impairment of the associate (Note 16.1)	-	-
	51,200,000	51,200,000
<b>16.1 Provision for impairment of the associate</b>		
Balance as at 1 April	-	29,438,981
Reversal for the year	-	(29,438,981)
Balance as at 31 March	-	-

The Company has stake of 29.99% in ACL Kelani Magnet Wire (Pvt) Ltd whose principal business activities are manufacturing, exporting and selling all kinds and gauges of enamelled wire. The ultimate parent Company of both ACL Kelani Magnet Wire (Pvt) Ltd. and Kelani Cables PLC is ACL Cables PLC.

Pursuant to the Associate's long term plan to merge with ACL Cables PLC, the ultimate parent company, and continue in operation as a department of the ultimate parent, all plant and machineries of the the Associate were sold and all employees of the Associate transferred to ACL Cables PLC on 27 and 28 February 2019 respectively. Effective 28 February the Associate ceased commercial operations and intends to sell the remaining assets to related Companies on demand.

The Board of Directors are of the opinion that no asset of the Associate Company is likely to be realized for an amount less than the amount at which it is recorded in the Associate's financial statements as at 31 March 2020.

Based on the internal assessment provision for impairment is not required due to the carrying amount of the investment is less than the recoverable amount of the investment

As at 31 March,	Company and Investee	
	2020 Rs.	2019 Rs.
<b>16.2 Value of the investment</b>		
Balance as at 1 April	56,751,145	20,020,944
Current years share of comprehensive income		
Included in Profit or loss (Note 16.2.1)	(2,009,125)	36,730,201
Included in comprehensive income (Note 16.4)	(2,009,125)	36,730,201
Investment in equity accounted investee	54,742,020	56,751,145
<b>16.2.1 Included in profit or loss</b>		
Share of profit/(loss) before tax	(2,662,562)	33,189,167
Share of income tax charge	653,437	3,541,034
Share of profit of equity accounted investee, net of tax	(2,009,125)	36,730,201

The following table illustrates summarized information of the Company's investment in ACL Kelani Magnet (Pvt) Ltd;



### 16.3 Carrying amount of investment in associates

	2020	2019
Percentage ownership interest	29.99%	29.99%
	Rs.	Rs.
<b>Financial position of equity accounted investee</b>		
Non current assets	-	-
Current assets	284,899,631	293,671,971
Non-current liabilities	-	-
Current liabilities	(96,563,201)	(98,636,225)
<b>Net assets (100%)</b>	<b>188,336,430</b>	<b>195,035,746</b>
<b>Company's share of net assets (29.99%)</b>	<b>56,482,095</b>	<b>58,491,220</b>
<b>Carrying amount of interest in associate</b>	<b>56,482,095</b>	<b>58,491,220</b>
<b>Financial performance of equity accounted investee</b>		
Revenue (100%)	180,834	183,233,290
Profit/(loss) for the year, net of tax (100%)	(6,699,316)	122,474,829
Other comprehensive income (100%)	-	-
<b>Total Comprehensive income (100%)</b>	<b>(6,699,316)</b>	<b>122,474,829</b>
<b>Company's share of total comprehensive income (29.99%)</b>	<b>(2,009,125)</b>	<b>36,730,201</b>
<b>Share of comprehensive income, net of tax</b>	<b>(2,009,125)</b>	<b>36,730,201</b>

As at 31 March,	Company and Investee / Company	
	2020	2019
	Rs.	Rs.
<b>17. INVENTORIES</b>		
Raw materials	266,188,324	511,191,490
Work-in-progress	256,881,117	301,036,288
Finished goods	1,026,556,375	1,027,237,123
Consumable stocks	64,493,794	88,381,642
	1,614,119,610	1,927,846,543
Impairment for obsolete Inventories (Note-17.1)	(127,595,716)	(117,951,148)
	1,486,523,894	1,809,895,395
Goods in transit	263,449,653	36,550,002
	1,749,973,547	1,846,445,397
<b>17.1 Impairment for obsolete inventories</b>		
Balance as at 1 April	117,951,148	93,243,012
Provision for the year	17,140,171	27,316,836
Write off of inventories	(7,495,603)	(2,608,700)
<b>Balance as at 31 March</b>	<b>127,595,716</b>	<b>117,951,148</b>

# NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,	Company and Investee / Company	
	2020	2019
	Rs.	Rs.
<b>18. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	2,833,439,686	2,259,934,540
Provision for impairment of trade receivables (Note -18.1)	(335,445,665)	(306,550,755)
	2,497,994,021	1,953,383,785
Advance paid to Bule Water Resort Hotel Project (Note 18.3)	360,540,000	-
Staff loans	5,441,634	5,223,283
Other receivables	60,702,354	8,725,629
Provision for impairment of other receivables (Note -18.2)	(111,600)	(587,192)
	426,572,388	13,361,720
	2,924,566,409	1,966,745,505
<b>18.1 Provision for impairment of trade receivables</b>		
Balance as at 1 April	306,550,755	94,533,175
Adjustment due to initial application of SLFRS 9	-	214,213,340
Adjusted balance as at 1 April	306,550,755	308,746,515
Written-off during the year	-	(2,073,082)
Provision / (provision reversal) during the year	28,894,910	(122,678)
Balance as at 31 March	335,445,665	306,550,755

The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. As at 31 March 2020, the main components of this allowance are a specific loss component that relates to individually significant exposures amounting to Rs.96,773,415/-(2018/19- Rs.72,243,461/-), and a collective loss component established for groups of similar assets in respect of losses that are expected to be incurred in the future, amounting to Rs.238,672,250/-( 2018/19-Rs.234,307,294/-). The collective loss allowance is determined based on historical data of payment statistics for similar financial assets adjusted for probable macro economic conditions.

As at 31 March,	Company and Investee / Company	
	2020	2019
	Rs.	Rs.
<b>18.2 Provision for impairment of other receivables</b>		
Balance as at 1 April	587,192	-
Provision for impairment of other receivables	29,734	587,192
Write off during the year	(505,326)	-
	111,600	587,192

## 18.3 Advance paid to Blue Water Resorts Hotel Project

Kelani Cables PLC made an advance payment of USD 2,000,000 to Blue Water Resorts Hotel project which intends to build a resort in Maldives. The company made this initial payment to purchase the land in return for shares from Blue Water Resorts (Private) Limited after the Company is incorporated.

As at 31 March,	Company and Investee / Company	
	2020 Rs.	2019 Rs.
<b>19. AMOUNT DUE FROM RELATED COMPANIES</b>		
ACL Cables PLC	-	27,411,010
Cable Solutions (Private) Ltd	10,135,360	5,333,513
	10,135,360	32,744,523
<b>20. CASH AND CASH EQUIVALENTS</b>		
Cash in hand and at bank	187,539,171	629,659,916
Fixed deposits	577,359,000	534,439,220
Cash and cash equivalents	764,898,171	1,164,099,136
Bank overdraft	(167,988,699)	(341,226,615)
Cash and cash equivalents in the statement of cash flows	596,909,472	822,872,521

As at 31 March,	Company and Investee / Company	
	2020 Rs.	2019 Rs.
<b>21. STATED CAPITAL</b>		
Issued and fully paid	218,000,000	218,000,000
21,800,000 Ordinary shares ( 31/03/19 - 21,800,000)	218,000,000	218,000,000

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,	Company and Investee		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
<b>22. CAPITAL RESERVES</b>				
Revaluation reserve (Note 22.1)	404,424,947	404,424,947	352,751,640	352,751,640
Capital redemption reserve fund (Note 22.2)	525,000	525,000	525,000	525,000
	404,949,947	404,949,947	353,276,640	353,276,640

## 22.1 Revaluation reserve

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

## 22.2 Capital redemption reserve fund

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

As at 31 March,	Company and Investee / Company	
	2020	2019
	Rs.	Rs.
<b>23. GENERAL RESERVES</b>		
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 1981/82.

## 23.3 Revenue reserve

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

## 24. RETAINED EARNINGS

As at 31 March,	Company and Investee		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April	2,631,157,800	2,632,861,648	2,677,279,962	2,686,275,030
Adjustment on initial application of SLFRS 09	-	(214,213,340)	-	(214,213,340)
Tax effect arising on initial application of SLFRS 09	-	59,979,735	-	59,979,735
Profit for the year	353,051,035	231,997,361	355,060,160	224,706,141
Actuarial gain/(loss)	452,035	(3,167,604)	452,035	(3,167,604)
Interim dividend declared during the year	(76,300,000)	(76,300,000)	(76,300,000)	(76,300,000)
Balance as at 31 March	2,908,360,870	2,631,157,800	2,956,492,157	2,677,279,962

As at 31 March,	Company and Investee / Company	
	2020	2019
	Rs.	Rs.
<b>25. EMPLOYEE BENEFITS</b>		
<b>25.1 Defined contribution plans</b>		
Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.		
<b>Employees' provident fund</b>		
Employer's contribution	33,813,179	31,149,077
Employees' contribution	25,311,914	23,248,002
<b>Employees' trust fund</b>	8,453,295	7,787,269

# NOTES TO THE FINANCIAL STATEMENTS

## 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 2020 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 on annually.

As at 31 March,	Company and Investee / Company	
	2020 Rs.	2019 Rs.
Present value of unfunded obligation (Note 25.2.1)	117,713,145	113,793,053
<b>25.2.1 Movement of the liability recognised in statement of financial position</b>		
Balance as at 1 April	113,793,053	94,980,418
Provision for the year (Note 25.2.1.a)	22,375,540	18,941,039
Actuarial (gain)/ loss during the year (Note 25.2.1.b)	(627,827)	4,399,450
	135,540,766	118,320,907
Transfers to holding company	-	(92,446)
Payments during the year	(17,827,621)	(4,435,408)
Balance as at 31 March	117,713,145	113,793,053
<b>25.2.1.a Amount recognized in the statement of comprehensive income</b>		
Current service cost	9,289,339	9,963,237
Interest cost	13,086,201	8,977,802
	22,375,540	18,941,039
<b>25.2.1.b Amount recognized in the statement of other comprehensive income</b>		
Actuarial (gain)/loss during the year	(627,827)	4,399,450
	(627,827)	4,399,450
<b>The expense is recognized in the following line items in the statement of comprehensive income</b>		
Cost of sales	9,603,254	8,730,231
Distribution expenses	6,834,150	6,212,863
Administrative expenses	5,938,136	3,997,945
	22,375,540	18,941,039
<b>25.3 Actuarial assumptions</b>		
Following were the principle actuarial assumptions at the reporting date.		
(a) Discount rate	10.0%	11.5%
(b) Future salary increase rate	10.0%	10.0%
(c) Retirement age	55 years	55 years
(d) Staff turnover	12.0%	8.5%



## 25.4 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefits obligation by the amounts shown below,

As at 31 March,	2020			
	Discount rate	Effect	Salary increment rate	Effect
		Rs.		Rs.
Effect on defined benefit obligation liability				
Increase by 1%	11.0%	(5,222,357)	11.0%	5,068,497
Decrease by 1%	9.0%	5,733,177	9.0%	(4,703,906)

As at 31 March,	2019			
	Discount rate	Effect	Salary increment rate	Effect
		Rs.		Rs.
Effect on defined benefit obligation liability				
Increase by 1%	12.5%	(5,393,282)	11.0%	6,483,098
Decrease by 1%	10.5%	5,957,451	9.0%	(5,962,112)

As at 31 March,	Company and Investee / Company	
	2020	2019
	Rs.	Rs.
<b>26. DEFERRED TAXATION</b>		
Deferred tax assets (Note 26.1)	130,511,432	97,765,663
Deferred tax liabilities (Note 26.2)	(143,320,472)	(155,515,706)
	(12,809,040)	(57,750,043)
<b>26.1 Deferred tax assets</b>		
Balance as at 1 April	97,765,663	26,900,675
Originating during the year - recognized in profit or loss	32,921,561	9,653,407
Originating/(reversal) during the year recognized in other comprehensive income	(175,792)	61,211,581
Balance as at 31 March	130,511,432	97,765,663
<b>26.2 Deferred tax liabilities</b>		
Balance as at 1 April	155,515,706	151,682,985
Originated/(reversal) during the year recognized in profit or loss	(12,195,234)	3,832,721
Deferred tax liability originating during the year recognized in profit or loss		-
Balance as at 31 March	143,320,472	155,515,706
	(12,809,040)	(57,750,043)

# NOTES TO THE FINANCIAL STATEMENTS

## 26.3 Movement in deferred tax assets and liabilities

As at 31 March,	Statement of Financial Position				Profit or loss		Other Comprehensive Income	
	2020		2019		2020	2019	2020	2019
	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	502,573,113	140,720,472	550,056,091	154,015,706	(13,295,234)	2,332,721	-	-
Investment property	26,000,000	2,600,000	15,000,000	1,500,000	1,100,000	1,500,000	-	-
		143,320,472		155,515,706	(12,195,234)	3,832,721	-	-
<b>Deferred tax assets</b>								
Employee benefits	117,713,145	32,959,681	113,793,053	31,862,055	1,273,418	4,035,692	(175,792)	1,231,846
Provision for PILESIS	812,302	227,445	1,062,737	297,566	(70,121)	(8,592)	-	-
Expected credit loss provision for debtors	263,202,204	73,696,617	234,307,294	65,606,042	8,090,575	5,626,307	-	59,979,735
Provision for inventories	84,384,602	23,627,689	-	-	23,627,689	-	-	-
		130,511,432		97,765,663	32,921,561	9,653,407	(175,792)	61,211,581
		(12,809,040)		(57,750,043)	45,116,795	5,820,686	(175,792)	61,211,581

Management has recognised the impact arising on initial application of expected credit loss model within equity. Therefore in accordance with LKAS 12 deferred tax implications resulting has also been recognised within equity.

## 26.4 Tax on land and building valuation

As per the Inland Revenue Act No 24 of 2017, applicable from 1st April 2018, any gains on realization from disposal of lands used in the business are liable for taxation under the business income of the entity. Accordingly, the realization gains shall be the amount by which the sum of the consideration received on the asset that exceeds the acquiring cost and any accumulated allowable costs incurred on improvement thereon at the time of the realization.

The Company has recognized a revaluation reserve on freehold land and building amounting to Rs. 168,987,105/- as at 31st March 2020, which is considered as the potential gain liable for taxation as at the Balance Sheet date on future realization. Accordingly, the Company has recognized a deferred tax liability of Rs. 47,316,389/- pertaining to revaluation reserve on freehold land and building which is computed at the corporate tax rate of 28%.

## 26.5 The Potential Impact on the deferred tax from the substantively enacted Inland revenue Act.

As per the Circular No. PN/IT/2020-03 (Revised) issued by the Department of Inland Revenue, Income Tax rates of Corporates has been revised to 18% from 28% effective from 01st January 2020 pending formal amendments to be made to the Inland Revenue Act. Accordingly, it was not considered to be substantially enacted as at reporting date.

However, the Company continued to apply the Income Tax rate of 28% in calculating Deferred Tax Assets / Liabilities as at 31st March 2020 as the legislature has not been substantively enacted as the reporting date.

The potential balances on the deferred tax had the Company applied the proposed rates as above shown below:

	Company and Investee / Company	
	Deferred Tax Asset	Deferred Tax Liabilities
	Rs.	Rs.
Balance as at 1 April 2019	97,765,663	155,515,706
Deferred tax provision recognised in profit or loss	(13,752,449)	(60,372,546)
Deferred tax provision recognised in statement of other comprehensive income	(113,009)	-
Balance as at 31 March 2020	83,900,206	95,143,160

As at 31 March,	Company and Investee / Company	
	2020	2019
	Rs.	Rs.
<b>27. INTEREST BEARING BORROWINGS</b>		
Balance as at 1 April	1,123,097,880	242,061,768
Loans obtained during the year	2,671,232,933	1,542,270,842
Loan repayments during the year	(2,777,392,964)	(661,234,730)
Balance as at 31 March	1,016,937,849	1,123,097,880
Amount payable within one year	1,011,920,690	1,115,220,908
Amount payable after one year	5,017,159	7,876,972
	1,016,937,849	1,123,097,880

As at 31 March, Lender	Currency	Year of maturity	2020		2019	
			Face value	Carrying amount	Face value	Carrying amount
			Rs.	Rs.	Rs.	Rs.
Natioanl Development Bank PLC	LKR	2022	15,600,000	8,137,159	15,600,000	10,996,972
Hatton National Bank PLC	LKR	2020	750,000,000	750,000,000	790,686,190	790,686,190
Hongkong and Shanghai Banking Corporation Ltd.	LKR	2020	202,698,845	202,698,845	209,077,335	209,077,335
Standard Chartered Bank	LKR	2020	56,101,845	56,101,845	112,337,384	112,337,384
			1,024,400,690	1,016,937,849	1,127,700,909	1,123,097,881

# NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,	Company and Investee / Company	
	2020 Rs.	2019 Rs.
<b>28. TRADE AND OTHER PAYABLES</b>		
Trade payables		
Trade payables	375,953,131	148,952,321
Bills payable	543,818,927	216,428,672
	919,772,058	365,380,993
Other payables		
Accrued charges	109,374,163	109,061,201
Nation building tax payable	17,827,208	21,306,345
ESC payable	-	11,060,490
Distributors' deposits	71,757,205	62,704,889
Advance from debtors	60,428,757	65,908,794
Other payables	88,988,795	31,986,326
	348,376,128	302,028,045
	1,268,148,186	667,409,038
<b>29. AMOUNT DUE TO RELATED COMPANIES</b>		
ACL Cables PLC	186,743,585	-
ACL Plastics PLC	178,290,058	163,276,892
ACL -Kelani Magnet Wire (Private) Limited	-	7,226,525
ACL Metals & Alloys Pvt Ltd.	4,027,081	8,738,806
Ceylon Copper (Pvt) Ltd.	15,976,018	249,744,278
ACL Electric (Pvt) Ltd.	3,653,905	7,256,055
S M Lighting (Private) Ltd.	55,026,393	49,424,234
	443,717,040	485,666,790
<b>30. CURRENT TAXATION</b>		
Balance as at 1 April	337,060,199	290,895,714
Provision for the year	125,783,358	102,740,511
ESC set off	-	(43,430,051)
Reversal of over provision of tax for last year	(7,571,771)	-
Payments made during the year	(168,378,942)	(13,145,975)
Balance as at 31 March	286,892,844	337,060,199

As at 31 March,	Company and Investee / Company	
	2020 Rs.	2019 Rs.
<b>31. UNCLAIMED DIVIDENDS</b>		
Balance as at 1 April	13,394,318	12,111,368
Dividend declared	76,300,000	76,300,000
Payments during the year	(74,736,628)	(75,017,050)
Balance as at 31 March	14,957,690	13,394,318

## 32. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of its business on an arm's length basis with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS 24) - "Related party disclosures ", the details of which are reported below.

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

#### (i) Loans given to Directors

No loans have been given to Directors of the Company.

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

#### (ii) Key Management Personnel Compensation

For the year ended 31 March,	2020 Rs.	2019 Rs.
Short term employee benefits/fee	18,225,000	17,780,000
Post employment benefits	-	-

#### (iii) Guarantees given to/ received from related parties

There are no guarantees given to/received from related parties.

# NOTES TO THE FINANCIAL STATEMENTS

## 32.2 Transactions with related companies

Company	Relationship	Name of Common Directors	Nature of transaction	Transaction amount 2020 Rs.	Transaction amount 2019 Rs.
ACL Cables PLC	Ultimate parent company	U.G. Madanayake Suren Madanayake Mrs. N. C. Madanayake	Purchase of goods/drawing chgs (Gross) Settlements during the year	(564,712,815) 387,878,067	(299,828,959) 338,216,030
			Sale of goods / drawing chgs (Gross) Settlements during the year	82,001,092 (119,413,384)	280,429,480 (264,522,598)
			Bills Charged by ACL Cables PLC Settlements during the year	(14,940,991) 15,033,437	(13,362,615) 13,270,169
			Bills charged to ACL Cables PLC Settlements during the year	- -	56,131 (56,131)
ACL Plastics PLC	Fellow subsidiary of ACL Cables PLC	U.G. Madanayake Suren Madanayake Mrs. N. C. Madanayake	Purchase of raw materials (Gross) Settlements during the year	(732,621,770) 717,581,446	(712,917,622) 679,854,940
			Sale of goods (Gross) Settlements during the year	264,136 (236,978)	256,625 (256,625)
ACL-Kelani Magnet Wire (Private) Ltd	Equity accounted investee	U.G. Madanayake Suren Madanayake	Sale of goods (Gross)	-	17,138
			Settlements during the year	-	(84,296,001)
			Purchase of finished goods and Raw Materials (Gross)	-	(14,740,425)
			Drawing charges Settlements during the year	- 7,226,525	(96,318,448) 103,638,153
ACL Metals & Alloys (Pvt) Ltd	Fellow subsidiary of ACL Cables PLC	U.G. Madanayake Suren Madanayake	Purchase of raw materials (Gross) Settlements during the year	(269,377,671) 274,027,207	(88,891,520) 80,011,334
			Sale of goods (Gross) Settlements during the year	712,375 (650,196)	141,380 -
Ceylon Copper (Pvt) Ltd.	Fellow subsidiary of ACL Cables PLC	U.G. Madanayake Suren Madanayake	Purchase of raw materials (Gross) Settlements during the year	(1,210,137,570) 1,443,905,830	(1,558,893,613) 1,360,982,273
			Sale of Goods (Gross)	-	43,337,172
ACL Electric (Pvt) Ltd.	Fellow subsidiary of ACL Cables PLC	U.G. Madanayake Suren Madanayake	Purchase of finished goods (Gross) Settlements during the year	(14,373,874) 18,006,984	(18,020,204) 17,210,918
			Sale of finished goods (gross) Settlements during the year	- (30,960)	62,219 (36,534)
Lanka Olex Cables (Private) Ltd	Immediate parent company	U.G. Madanayake Suren Madanayake Mrs. N. C. Madanayake	Interim dividend payment 2018/19-Rs.3/50 per share Interim dividend payment 2017/18-Rs.3/50 per share	57,222,718	57,222,718
S. M. Lighting (Private) Ltd.	Related through KMP	Suren Madanayake	Purchase of finished goods (Gross) Settlements during the year	(204,182,660) 198,514,331	(165,889,552) 139,049,699
			Sale of finished goods (gross) Settlements during the year	70,300 (4,130)	2,964 (44,503)
Cable Solutions (Private) Limited	Fellow subsidiary of ACL Cables PLC	U.G. Madanayake Suren Madanayake Alternative Director- Champika Coomasaru (Group Chief Financial Controller)	Sale of finished goods/ Raw Materials(gross) Settlements during the year	31,934,972 (25,801,065)	54,663,788 (64,270,544)
			Purchase of finished goods (Gross) Settlements during the year	(3,024,472) 1,692,412	(2,467,339) 5,810,956

### 32.3 Recurrent related party transactions

Recurrent related party transactions, the aggregate value of which exceeds 10% of consolidated revenue for the year ended 31 March 2020 as follows :

Company	Relationship	Nature of the Transactions	Aggregate value of Related Party Transactions entered into during the financial year Rs.	Aggregate value of Related Party Transactions as % of Net Revenue/Income	Terms and Conditions of the Related Party Transactions
Ceylon Copper (Pvt) Ltd.	Fellow subsidiary of ACL Cables PLC	Purchase of raw materials	1,210,137,570	13.8%	Ordinary course of business

Recurrent related party transactions, the aggregate value of which exceeds 10% of consolidated revenue for the year ended 31 March 2019 as follows :

Company	Relationship	Nature of the Transactions	Aggregate value of Related Party Transactions entered into during the financial year Rs.	Aggregate value of Related Party Transactions as % of Net Revenue/Income	Terms and Conditions of the Related Party Transactions
Ceylon Copper (Pvt) Ltd.	Fellow subsidiary of ACL Cables PLC	Purchase of raw materials	1,558,893,613	18.4%	Ordinary course of business

### 32.4 Non-recurrent related party transactions

There were no non-recurrent related party transactions which were exceed 10% of the equity or 5% of the total assets as per section 9 of the rules for the year ended 31 March 2020 and for the year ended 31 March 2019.



# NOTES TO THE FINANCIAL STATEMENTS

## 33. FINANCIAL RISK MANAGEMENT

### Overview

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

#### 33.1 Credit risk

#### 33.2 Liquidity risk

#### 33.3 Market risk

#### 33.4 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 analyze 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.

The Audit Committee of Kelani Cables PLC, oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### 33.1 Credit risk

Credit risk is the risk of financial loss to the Company, if a customer or counter-party to a financial instrument fails to meet contractual obligations. Credit risk arises principally from the Company's receivables from customers and placement of deposits with banking institutions.

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,	2020	2019
	Rs.	Rs.
<b>Financial assets at amortised cost</b>		
Trade and other receivables (Note 18)	2,924,566,409	1,966,745,505
Amount due from related companies (Note 19)	10,135,360	32,744,523
Cash and cash equivalents (Note 20)	764,898,171	1,164,099,136
	<b>3,699,599,940</b>	<b>3,163,589,164</b>

### Impairment of Trade Receivables

The Company establishes an allowance for impairment that represents its estimate of expected 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 Company's 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.

Age analysis of trade receivables after provision for impairment

As at 31 March	2020	2019
	Rs.	Rs.
Less than 30 days	374,417,915	731,753,273
Between 31 days - 60 days	769,981,763	649,900,017
Between 61 days - 90 days	604,669,476	368,868,931
Between 91 days - 180 days	722,995,808	278,620,083
Between 181 days - 365 days	167,754,007	85,737,806
More than 365 days	193,620,717	150,938,274
Gross trade receivables	2,833,439,686	2,265,818,384
less: Provision for impairment	(335,445,665)	(306,550,755)
Carrying value of trade receivables	2,497,994,021	1,959,267,629

### Management of credit risk

#### 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 Company's 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 endeavor 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

## 33.2 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.

### 33.2.1 Exposure to liquidity risk

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

As at 31 March 2020	Carrying amount Rs.	Total Rs.	up to 3 months Rs.	Less than 1 year Rs.	1 - 2 years Rs.	2 - 5 years Rs.
<b>Non- derivative financial liabilities</b>						
Interest bearing borrowings	1,016,937,849	1,016,937,849	1,009,580,690	2,340,000	3,120,000	1,897,159
Bank overdraft	167,988,699	167,988,699	167,988,699	-	-	-
Trade and other payables	1,268,148,186	1,268,148,186	1,206,635,820	61,512,366	-	-
Amount due to related parties	443,717,040	443,717,040	443,717,040	-	-	-
	2,896,791,774	2,896,791,774	2,827,922,249	63,852,366	3,120,000	1,897,159

As at 31st March 2019	Carrying amount Rs.	Total Rs.	up to 3 months Rs.	Less than 1 year Rs.	1 - 2 years Rs.	2 - 5 years Rs.
<b>Non- derivative financial liabilities</b>						
Interest bearing borrowings	1,123,097,880	1,123,097,880	1,112,880,908	2,340,000	3,120,000	4,756,972
Bank overdraft	341,226,615	341,226,615	341,226,615	-	-	-
Trade and other payables	667,409,038	667,409,038	618,456,229	48,952,809	-	-
Amount due to related parties	485,666,790	485,666,790	485,666,790	-	-	-
	2,617,400,323	2,617,400,323	2,558,230,452	51,292,809	3,120,000	4,756,972

Details below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at 31 March 2020

As at 31 March 2020	On demand Rs.	0 -30 days Rs.	30 -60 days Rs.	60 -90 days Rs.	90-180 days Rs.	180-365 days Rs.	More than 365 days Rs.	Total Rs.
Trade and other payables	-	716,016,826	485,758,841	4,860,152	18,040,319	43,472,048	-	1,268,148,186
Amount due to related parties	-	443,717,040	-	-	-	-	-	443,717,040
Unclaimed dividends	14,957,690	-	-	-	-	-	-	14,957,690
Interest bearing borrowings	-	1,009,060,877	259,983	259,983	779,949	1,559,898	5,017,159	1,016,937,849
Bank overdrafts	167,988,699	-	-	-	-	-	-	167,988,699
	182,946,389	2,168,794,743	486,018,824	5,120,135	18,820,268	45,031,946	5,017,159	2,911,749,464

Details below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at 31st March 2019

As at 31 March 2019	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	-	461,337,726	142,071,651	15,046,852	16,955,819	31,996,990	-	667,409,038
Amount due to related parties	-	485,666,790	-	-	-	-	-	485,666,790
Unclaimed dividends	13,394,318	-	-	-	-	-	-	13,394,318
Interest bearing borrowings	-	1,112,361,095	259,983	259,983	779,949	1,559,898	7,876,972	1,123,097,880
Bank overdrafts	341,226,615	-	-	-	-	-	-	341,226,615
	354,620,933	2,059,365,611	142,331,634	15,306,835	17,735,768	33,556,888	7,876,972	2,630,794,641

### 33.2.2 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.

### 33.3 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.

#### 33.3.1 Currency 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 currency 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 33.3.1 Currency risk

As at 31 March,	Average rate		Reporting date spot rate	
	2020	2019	31 March 2020	31 March 2019
	Rs.	Rs.	Rs.	Rs.
USD 1	180.96	169.55	192.45	176.09

### 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 31st March 2020.

	Effect on profit or loss	
	As at 31 March 2020	As at 31 March 2019
	Rs.	Rs.
LKR depreciated against USD by 5%	32,538,281	55,423,122
LKR appreciated against USD by 5%	(32,538,281)	(55,423,122)

## 33.3.2 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,

	2020	2019
	Rs.	Rs.
<b>Fixed rate instruments</b>		
Financial assets		
- Fixed Deposits	577,359,000	534,439,220
- Savings Accounts	176,216,299	619,791,523
Financial liabilities		
- Interest bearing borrowings	(8,137,159)	(10,996,972)
<b>Variable rate instruments</b>		
Financial liabilities		
- Bank overdraft	(167,988,699)	(341,226,615)
- Interest bearing borrowings	(1,008,800,690)	(1,115,220,908)

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rate at the end of the reporting period would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

As at 31 March,	2020 Rs.	2019 Rs.
Variable Rate instruments		
1% Increase in interest rate - interest cost will increase by	11,767,894	14,564,475
1% Decrease in interest rate - interest cost will decrease by	11,767,894	14,564,475

### 33.4 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 behavior. 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.

## 34. FAIR VALUES OF FINANCIAL INSTRUMENTS

### 34.1 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.

### 34.2 Valuation of financial assets and liabilities not carries 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.

# NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.
<b>Financial assets at amortised cost</b>				
Trade and other receivables	2,924,566,409	2,924,566,409	1,966,745,505	1,966,745,505
Amount due from related parties	10,135,360	10,135,360	32,744,523	32,744,523
Cash in hand cash at bank	764,898,171	764,898,171	1,164,099,136	1,164,099,136
	3,699,599,940	3,699,599,940	3,163,589,164	3,163,589,164
<b>Other financial liabilities</b>				
Trade and other payable	1,268,148,186	1,268,148,186	667,409,038	667,409,038
Amount due to related parties	443,717,040	443,717,040	485,666,790	485,666,790
Interest bearing borrowings	1,016,937,849	1,016,937,849	1,123,097,880	1,123,097,880
Bank overdrafts	167,988,699	167,988,699	341,226,615	341,226,615
	2,896,791,774	2,896,791,774	2,617,400,323	2,617,400,323

## 34.2.1 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.

## 34.2.2 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.

## 35. CAPITAL COMMITMENTS

The following commitments for the capital expenditure was approved by the Board of Directors as at reporting date was not provided in the financial statements.

As at 31 March,	2020	2019
	Rs.	Rs.
Approximate amount approved but not contracted for	3,720,000	11,521,642

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



**36. SEGMENTAL INFORMATION**

There were no operating segments for which disclosure is required.

**37. CONTINGENT LIABILITY**

**Guarantees**

The contingent liability as at 31 March, 2020 on guarantees given to third parties amounted to Rs.104,741,960/- (2018/2019 - Rs. 178,897,250/-)

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.

**38. COMPARATIVE INFORMATION**

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

**39. EVENTS AFTER 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. 4.50 per share for the year ended 31st March 2020 which was approved on 23 July 2020 by the Board of Directors.

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 23 July 2020 has been audited by Messers KPMG.

**40. EMPLOYEE AND INDUSTRY RELATIONS**

There were no material issues pertaining to employees and industrial relations that required to disclosure in the financial statements.

**41. 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 42. IMPACT ON COVID 19

On 11 March 2020 the World Health Organization declared the coronavirus outbreak a pandemic, and the Sri Lankan government declared a state of emergency on 18th March 2020. Responding to the potentially serious threat the COVID – 19 presents to public health, the Sri Lankan government authorities have taken measures to contain the outbreak, including introducing B34 and the 'lockdown' of certain industries, pending further developments. In particular, airlines and railways suspended international transport of people, schools, universities, restaurants, hotels, cinemas, theaters and museums and sport facilities, retailers excluding food retailers, grocery stores and pharmacies were closed.

### **The impact of COVID – 19 pandemics on the business/ operations of the Company and Investee and responses to the impact on COVID-19**

The adverse impact on the macro economy and restrictions being imposed on the business operations of many companies, especially on small and medium enterprises (SMEs) and the construction industry have caused a significant impact on our revenue generation and rescheduling on shipments has affected the planned operations. Lockdown has resulted industrial sites and hardware stores being closed for about two months. Hence the Company faced the challenge of collecting dues. However, as of to date the Company has been able to meet all statutory payments as well as financial obligations to employees.

The Company has recommenced part of the operations having obtained necessary approvals and having taken all necessary health and safety measures to protect our staff and customers. The Company facilitated office staff to work from home with secure access to operating systems when required. We have commenced our dealer sales operation upon lifting of the curfew in all Districts other than Colombo, Gampaha, Kaluthara and Puttalam ensuring that all staff follow the required health and safety guidelines announced by health authorities. In the meantime, Company replenished stock levels at distributors in different parts of the island in order to facilitate sales without having to face stock shortages in the dealer market.

The key priority of the Company has been ensuring that it maintains a strong liquidity position during these challenging times by way of confirmed bank lines and reviewed cost structures and plan to reduce / cut costs which are identified as no longer required under the prevailing situation.

### **The Company's expectation of the future impact of Covid-19 on the Company's future operation and the financial condition.**

We expect a challenging period in next three months mainly due to the delay in receiving amounts due from Corporate, Institutional, and Government Projects. Further management has assessed and ensured that the Company is adequately equipped with required resources to enable production as required by market conditions.

The Company expect to recover the negative impact of profitability by 1st half of the financial year 2020/21. The management closely monitoring the prevailing fluid conditions and will take appropriate actions as far as possible.

The impact of the COVID-19 pandemic on significant accounting estimates were discussed in the relevant notes to these financial statements.

### **Use of estimates, assumptions and judgements due to COVID 19 pandemic**

In preparing these Financial Statements, the Company has considered the "Guidance Notes on Accounting Considerations of the COVID 19 Outbreak (updated on 11th May 2020)" issued by The Institute of Chartered Accountants of Sri Lanka.

The preparation of the financial statements in conformity with LKAS/SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts.

Such estimates and underlying assumptions are reviewed on an ongoing basis.

A brief explanation of the key estimates, assumptions and judgements that have changed during year ended 31 March 2020 follows;

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these Financial Statements.

The estimation uncertainty is associated with:

- the extent and duration of the disruption to business arising from the actions by governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP, employment and house prices). This includes the disruption to capital markets, deteriorating credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and
- the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

The Company have developed various accounting estimates in these Financial Statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 March 2020 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Company. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and recoverable amount assessments of non-financial assets.

# INVESTORS' INFORMATION

## DISTRIBUTION OF SHAREHOLDING - MARCH 31, 2020

Range	No of Holders	Total Holding	% Holding
up to 1000	932	218,897	1.0%
1,001 - 5,000	226	575,275	2.6%
5,001 - 10,000	66	526,625	2.4%
10,001 - 50,000	65	1,195,824	5.5%
50,001 - 100,000	8	556,021	2.5%
100,001 - 500,000	3	533,170	2.5%
500,001 - 1,000,000	2	1,844,840	8.5%
over 1,000,000	1	16,349,348	75.0%
	1,303	21,800,000	

## TWENTY LARGEST SHAREHOLDERS

As at 31 March	2020		2019	
	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	911,084	4.2%	911,084	4.2%
4 Bank of Ceylon-No 2 A/c (BOC PTF)	323,800	1.5%	323,800	1.5%
5 People's Leasing & Finance PLC/Dr. H. S .D Soysa	105,870	0.5%	84,912	0.4%
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 and Finance PLC/L. P. Hapangama	89,812	0.4%	88,402	0.4%
9 Waldock Mackenzie Ltd/Ceylinco Shriram Capital	76,600	0.4%	76,600	0.4%
10 Goonesekera C. D. M. (Mrs)	62,500	0.3%	62,500	0.3%
11 Madanayake H. A. S.	61,000	0.3%	61,000	0.3%
12 Saraswathi V. and Vasudevan S.	60,977	0.3%	-	0.0%
13 Madanayake U. G.	56,200	0.3%	56,200	0.3%
14 Sezeka Limited	53,365	0.2%	-	0.0%
15 People's Leasing & Finance PLC/ L. H. L. M. P. Haradasa	48,856	0.2%	35,058	0.2%
16 Leonard D. S.	41,203	0.2%	41,203	0.2%
17 Kannangara N. L. & De Livera S. S.	40,000	0.2%	40,000	0.2%
18 Sumathipala U. W. J. P. A.	35,200	0.2%	35,200	0.2%
19 People's Leasing & Finance PLC/ Hi Line Towers (Pvt) Ltd.	34,129	0.2%	-	0.0%
20 Samarakkody S. A. B. B. N.	31,248	0.1%	31,248	0.1%

## SHARE HELD BY PUBLIC

	Number of Shares	% Holding	Number of Share holders
Share held by public as at 31st March 2020	4,399,696	20.2%	1,299
Share held by public as at 31st March 2019	4,399,696	20.2%	1,182
Float adjusted market capitalization (Rs.)	228,784,192		

Company complies the requirement of Listing Rules of 7.13.1 -Minimum Public Holding as a Continuous Listing Requirement under the option No. 05 of 7.13.1 (a) as follows.

OPTION	MINIMUM PUBLIC HOLDING REQUIREMENT		
	Float adjusted Market Capitalization	Public Holding Percentage	Number of Public Shareholders
Option -5	Less than Rs.2.5Bn	20%	500

	2020	2019
Market value per share		
At the year end - Rs.	52.00	67.40
Highest value during the year - Rs.	95.00	100.00
Lowest value during the year - Rs.	52.00	67.10
Earnings per share (EPS) - Rs.	16.20	10.64
Net asset per share - Rs.	181.76	169.05
Dividend per share (DPS) -Rs.	3.50	3.50
Dividend yield	6.7%	3.8%
Price earnings ratio	3.21	8.74
Number of transactions	2090	736
Number of share traded	930,394	306,892
Total turnover (Rs.)	77,088,059	27,493,725
Market capitalisation (Rs.)	1,133,600,000	1,469,320,000
Percentage of shares held by the public	20.2%	20.2%

# DECADE AT A GLANCE

## (COMPANY AND INVESTEE)

### TRADING RESULTS

Rs. '000

Year ended 31 March	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenue	8,759,918	8,492,482	7,994,364	7,122,784	6,619,776	6,204,431	5,231,769	4,565,481	4,342,986	3,822,241
Gross profit	1,313,407	1,165,452	1,006,539	1,135,495	1,302,349	1,022,926	866,439	717,357	798,558	616,514
Earnings before interest and tax	576,067	451,428	325,934	535,022	720,210	500,627	351,904	317,254	423,030	265,494
Finance expense	(149,922)	(122,511)	(74,277)	(37,184)	(39,588)	(55,581)	(41,255)	(36,952)	(37,381)	(47,190)
Profit before tax	426,146	328,917	251,657	497,837	680,622	445,045	310,649	280,302	385,649	218,304
Income tax expense	(73,095)	(96,920)	(66,888)	(119,503)	(181,895)	(118,944)	(95,564)	(79,951)	(104,958)	(84,571)
Profit for the year	353,051	231,997	184,769	378,334	498,727	326,101	215,085	200,351	280,692	133,733

### BALANCE SHEET

Rs. '000

As at 31 March	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
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	404,950	404,950	300,458	300,458	300,458	177,009	177,009	177,009	143,063
General reserves	431,136	431,136	431,136	431,136	431,136	431,136	431,136	431,136	431,136	431,136
Retained earnings	2,908,361	2,631,158	2,632,862	2,524,965	2,243,356	1,809,488	1,515,234	1,336,785	1,158,234	921,142
	3,962,447	3,685,244	3,686,948	3,474,559	3,192,950	2,759,081	2,341,378	2,162,930	1,984,379	1,713,341
Property, plant and equipment	822,247	872,316	852,737	663,112	679,381	714,179	588,800	512,733	462,152	429,906
Intangible assets	-	-	-	-	-	1,123	-	-	-	-
Investments	54,742	56,751	20,021	14,155	13,479	10,847	10,409	28,335	32,451	31,154
Investment property	306,000	295,000	280,000	253,750	231,000	208,000	130,000	130,000	130,000	125,000
Current assets	6,108,622	5,600,575	5,003,105	4,717,544	4,170,757	3,937,255	3,143,648	3,047,413	2,269,212	2,295,645
Current liabilities	(3,193,625)	(2,959,978)	(2,238,052)	(2,023,873)	(1,713,177)	(1,895,058)	(1,339,731)	(1,450,733)	(817,253)	(1,087,770)
Non current liabilities	(135,539)	(179,420)	(230,863)	(150,129)	(188,492)	(217,264)	(191,748)	(104,819)	(92,183)	(80,595)
	3,962,447	3,685,244	3,686,948	3,474,559	3,192,950	2,759,081	2,341,378	2,162,930	1,984,379	1,713,341

### RATIOS

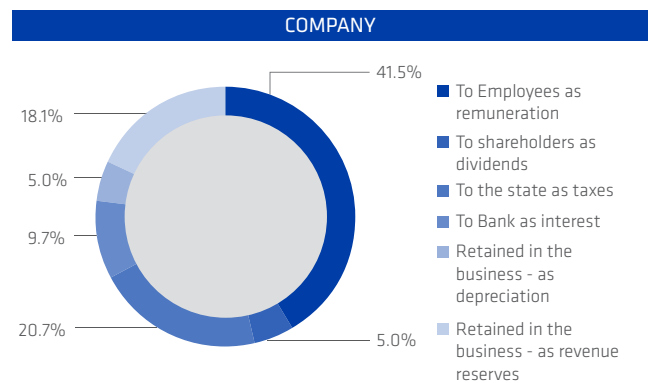
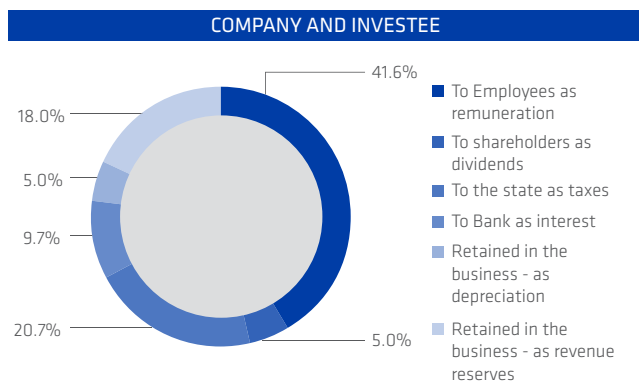
Gross margin	15.0%	13.7%	12.6%	15.9%	19.7%	16.5%	16.6%	15.7%	18.4%	16.1%
Net margin	4.0%	2.7%	2.3%	5.3%	7.5%	5.3%	4.1%	4.4%	6.5%	3.5%
Return of investment (ROI)	14.5%	12.2%	8.8%	15.4%	22.6%	18.1%	15.0%	14.7%	21.3%	15.5%
Return of average equity	9.2%	6.3%	5.2%	11.3%	16.8%	12.8%	9.6%	9.7%	15.2%	8.3%
Assets turnover	2.2	2.3	2.2	2.0	2.1	2.2	2.2	2.1	2.2	2.2
Working capital turnover	3.0	3.2	2.9	2.6	2.7	3.0	2.9	2.9	3.0	3.2
Current ratio	1.9	1.9	2.2	2.3	2.4	2.1	2.3	2.1	2.8	2.1
Net asset per share - Rs.	181.76	169.05	169.13	159.38	146.47	126.56	107.40	99.22	91.03	78.59
Dividend per share (DPS) - Rs.	3.50	3.50	3.50	4.50	3.00	1.50	1.50	1.00	1.50	1.25
Earnings per share (EPS) - Rs.	16.20	10.64	9.03	17.27	22.79	14.78	10.46	9.19	12.88	6.13
Market price per share (end) - Rs.	52.00	67.40	93.00	117.50	112.50	80.00	80.00	64.10	67.00	95.30
Dividend yield (%)	6.7%	5.2%	3.8%	3.8%	2.7%	1.9%	1.9%	1.6%	2.2%	1.3%
Dividend payout ratio	22%	33%	39%	26%	13%	10%	14%	11%	12%	20%
Price earnings ratio	3.21	6.3	10.30	6.80	4.94	5.41	7.65	6.97	5.20	15.53

# STATEMENT OF VALUE ADDITION

For the year ended 31 March	Company and Investee		Company	
	2020	2019	2020	2019
	Rs'000	Rs'000	Rs'000	Rs'000
Revenue	8,759,918	8,492,482	8,759,918	8,492,482
Other operating and interest income	119,259	42,426	119,259	42,426
	8,879,177	8,534,908	8,879,177	8,534,908
Less:				
Cost of material & services purchased	7,341,467	7,122,254	7,339,458	7,129,545
Value added	1,537,710	1,412,654	1,539,719	1,405,363
Value addition as percentage on revenue	17.6%	16.6%	17.6%	16.5%

## DISTRIBUTION AS FOLLOWS

For the year ended 31 March	Company and Investee				Company			
	2020	As a %	2019	As a %	2020	As a %	2019	As a %
	Rs'000		Rs'000		Rs'000		Rs'000	
To Employees as remuneration	638,777	41.6%	597,461	42.3%	638,777	41.5%	597,461	42.5%
To shareholders as dividends	76,300	5.0%	76,300	5.4%	76,300	5.0%	76,300	5.4%
To the state as taxes	318,472	20.7%	390,613	27.6%	318,472	20.7%	390,613	27.8%
To Bank as interest	149,922	9.7%	122,511	8.7%	149,922	9.7%	122,511	8.7%
Retained in the business					-			
- As depreciation	77,488	5.0%	70,072	5.0%	77,488	5.0%	70,072	5.0%
- As revenue reserves	276,751	18.0%	155,697	11.0%	278,760	18.1%	148,406	10.6%
	1,537,710		1,412,654		1,539,719		1,405,363	





# 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.

## **EBIT**

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.

## **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 INVESTMENT**

Earnings before interest and taxes as at percentage of shareholders funds.

## **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 Fifty First Annual General Meeting of Kelani Cables PLC will be held on 17th September 2020, at No. 60, Rodney Street, Colombo 8, at 10.30 a.m. for the following purposes:-

- |   |   |
|---|---|
| <p>(i) To receive and adopt the Report of the Directors and the statement of Accounts for the financial year ended 31 March 2020 with the Report of the Auditors thereon.</p> <p>(ii) To re-elect as a Director Mrs. N. C. Madanayake, who retires by rotation in terms of Article 85 and being eligible for re-election in terms of Article 86, of the Articles of Association of the Company.</p> <p>(iii) To re-elect as a Director Mr. Deepal Sooriyaarachchi, who retires by rotation and being eligible for re-election in terms of Article 91, of the Articles of Association of the Company.</p> <p>(iv) To re-appoint Messrs KPMG, Chartered Accountants as Auditors and to authorize the Directors to determine their remuneration.</p> <p>(v) 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</p> | <p>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"</p> <p>c) "That Dr. C T S 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"</p> <p>d) "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"</p> <p>(vi) To authorise the Directors to determine donations to charities.</p> |
|---|---|
- 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"

By Order of the Board

(Sgd.)  
Corporate Affairs (Pvt) Ltd  
Secretaries

31 July 2020

## NOTE:

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

## NOTES



## NOTES

# 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  
Fax: +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@kelanicable.com](mailto:info@kelanicable.com)

## CORPORATE WEBSITE

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

## BOARD OF DIRECTORS

Mr. U. G. Madanayake  
Mr. Suren Madanayake  
Mrs. N. C. Madanayake  
Dr. Bandula Perera  
Mr. Mahinda Saranapala  
Mr. Deepal Sooriyaarachchi

## 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  
DFCC Bank PLC

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

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