KELANI CABLES

ENERGY. ENDURANCE. EXPERTISE.

ANNUAL REPORT 2022/23

CONTENTS

FINANCIAL REPORTS

ENERGY.
ENDURANCE.
EXPERTISE.

Here at Kelani Cables, our unique culture serves as a foundation to our success. We are committed to inspiring the nation through our energy, endurance and expertise factors to unify and connect our people through our inspirational innovational mindsets.

At Kelani, we strive to support and enlighten our people, communities and environment continuously to sustain our brand name as a trusted cable entity as we step into an E.E.E future, for the benefit of our valued stakeholders.

ABOUT US

OUR VISION

To become the nation's leading electrical solutions provider

OUR 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

KELANI CABLES PLC – POWERING THE NATION

Kelani Cables PLC is one of Sri Lanka's premier manufacturers of a dynamic range of products comprising electric cables, enameled winding wires, lighting products etc. With its inception dating back to 1969 as a manufacturer and distributor of power and telecommunication cables and enameled winding wire, the Company has been a key catalyst in the country's economic growth over the last 50 plus years. The humble beginning, marked by a team of just 12, has expanded today to a workforce of over 500 employees.

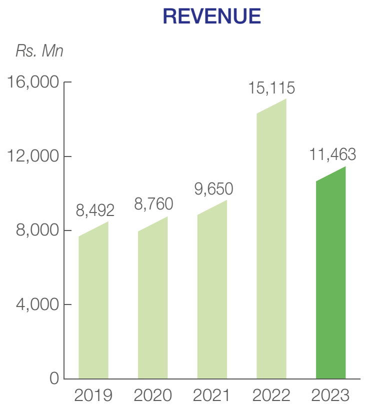
Founded by the Wijegoonawardena family, the Company underwent some significant changes in ownership structure, which paved the way for Kelani Cables to attain the stature and strength it enjoys today. Kelani Cables became a public quoted company in 1973 by being listed in the Colombo Stock Exchange. In 1994, the Company became a subsidiary of the Australian multinational Pacific Dunlop Cables Group. In late 1999 its major shareholding was acquired by ACL Cables PLC, which is another prominent cable manufacturing company in Sri Lanka. The alliance proved fruitful, which afforded the Company growth and expansion opportunities, access to new knowledge, and international best practices in operations, which fuelled its growth.

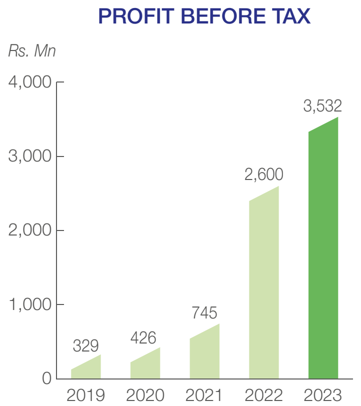
Driven by the vision of becoming the nation's leading electrical solutions provider, Kelani Cables today serves the nation and its economy in multiple ways with the pride of being "made in Sri Lanka".

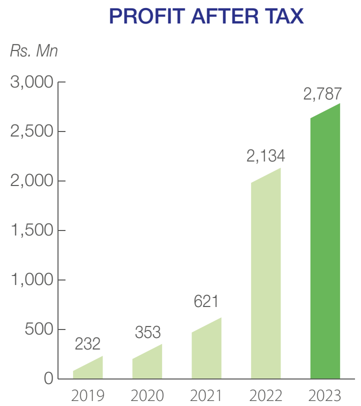
REVENUE	STAFF MEMBERS	NET ASSETS	SHARE PRICE
RS. 11.46 MN.	496	RS. 9,335 MN.	RS. 268.75

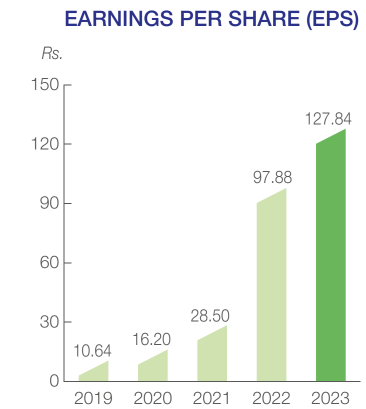
FINANCIAL HIGHLIGHTS - COMPANY AND INVESTEE

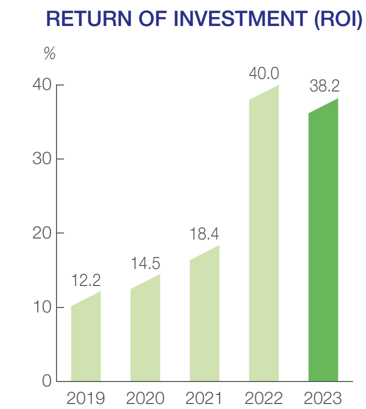
For the year ended 31 March,		2023	2022
Revenue	Rs. Mn.	11,463	15,115
Gross profit	Rs. Mn.	3,477	3,257
Profit before tax	Rs. Mn.	3,532	2,600
Profit after tax	Rs. Mn.	2,787	2,134
Net assets	Rs. Mn.	9,335	6,721
Net assets per share	Rs.	428.20	308.29
Earnings per share (EPS)	Rs.	127.84	97.88
Return of investment (ROI)	%	38.2%	40.0%
Market price per share (at end)	Rs.	268.75	290.75

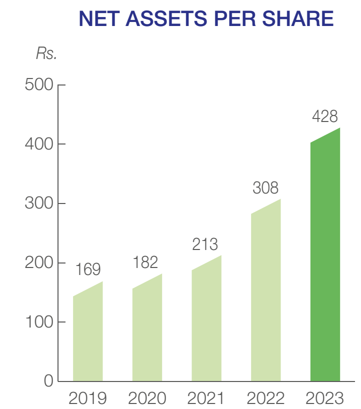












REVENUE

RS. 11,463 MN.

NET PROFIT

RS. 2,787 MN.

EARNING PER SHARE

RS. 127.84

SYSTEM AND PRODUCT CERTIFICATIONS AND AWARDS

A consistent journey of growth and excellence

2006

- Sri Lanka National Quality Awards
- CNCI Achiever of Industrial Excellence - Gold Award
- Taiki Akimoto 5S Award- All Island 1st Runner-Up
- Business Excellence Awards - 2nd Runner-Up - Processing, Manufacturing & Industrial Engineering Sector

2005

- CNCI Achiever of Industrial Excellence - Silver Award
- Sri Lanka National Quality Awards - under the Large Scale Manufacturing Category - Merit Certificate
- Taiki Akimoto 5S Award- All Island 2nd Runner-Up
- National Productivity Awards - 2nd Runner-Up and Provincial Productivity Awards - 2nd Runner-Up

2004

- UL Certification for Enameled Winding Wires from Underwriters Laboratories of India

2000

- ISO 9001 Quality Management System Certification

1994

- SLS 412 Product Certification for Auto Cables

1986

- SLS 750 Product Certification for All Aluminum Conductors

1980

- SLS 40 Product Certification for Building Wires & Flexible Cords. This was later advanced to SLS 733 & SLS 1143

2007

- Taiki Akimoto 5S Awards - Overall Gold Award winner, Gold Award winner - Manufacturing sector
- CNCI Achiever of Industrial Excellence - Gold Award
- Business Excellence Awards Processing, Manufacturing, Industrial Engineering - 2nd Runner-Up
- National Convention in Quality Circles - Seven trophies received
- LMD, the premier Business Magazine, rated Kelani Cables as one of the most valuable brands
- Awarded Business Superbrand status voted one of Sri Lanka's strongest brands
- The Kelani brand was accredited with the Soorya Sinha Logo

2008

- CNCI Achiever of Industrial Excellence - Crystal Award for having won the Gold award for three consecutive years - 2006, 2007 & 2008

2010

- National Safety Awards
- National Engineering & Technology Exhibition - Silver Award for the stall with the best display of local products.
- SLIM Brand Excellence - Award for the Best Entry Kit
- Annual Report Awards - Certificate of Compliance in Manufacturing Sector

2011

- SLS 1186: Product certification for Armoured Electric Cables having Thermosetting Insulation
- ISO 14001: 2004 Environmental Management System Certification
- National Cleaner Production Awards - Manufacturing (Large) – Merit Certificate
- Annual Report Awards - Certificate of Compliance in Manufacturing Sector

2012

- SLIM Brand Excellence Business to Business- B2B Brand of the year, Bronze Award
- SLIM Brand Excellence - Best Entry Kit - Gold Award
- Annual Report Awards - Certificate of Compliance in Manufacturing Sector

2016

- National Quality Award
- Asia's best employer brand award
- Best green reporter Gold award in Tier 2 in National Green reporting system
- Presidential environmental awards - Bronze award in Metal and mineral processing industries
- National HR excellence awards - Silver award
- Social dialogue and workplace cooperation awards – Gold award
- SLIM brand excellence awards - B2B brand of the year Silver award

2015

- Awarded the Responsible Care® Logo
- National Green Award - Silver Award (Private Enterprises)
- SLIM Brand Excellence - CSR Brand of the Year - Silver Award
- SLIM Brand Excellence - B2B Brand of the Year - Silver Award
- Asia's Best Employer Brand Award
- Social Dialogue & Work Place Cooperation Award Manufacturing Sector - Bronze Award
- Annual Report Awards - Certificate of Compliance in Manufacturing Sector

2014

- Geo Responsibility Awards - Excellence in Environmental System Compliance - Merit Award

2013

- SLIM Brand Excellence B2B Brand of the year category – Gold Award
- SLIM Brand Excellence Best Entry Kit - Gold Award
- SLITAD People Development Award - Gold Award
- National Cleaner Production Awards – Manufacturing (Large) Merit award

2017

- The World Class Global Performance Excellence Awards
- National Chamber of Export awards Industry Sector Gold award
- SLIM brand excellence awards - B2B brand of the year Gold award

2018

- SLIM brand excellence awards - B2B brand of the year Silver award
- SLIM brand excellence awards - CSR brand of the year Silver award

2019

- The World Class Global Performance Excellence Awards
- Special award by Sri Lanka Standards Institution in recognition of winning the World class Global performance excellence Award
- SLIM brand excellence awards - B2B brand of the year Gold award
- SLIM brand excellence awards - CSR brand of the year Bronze award

2020

- SLIM brand excellence awards - B2B brand of the year Silver award
- SLIM brand excellence awards – Restart Sri Lanka Resilience Award winner

2022

- Special Award by Sri Lanka Standards Institution in recognition of winning the World Class global performance award for the second time.

CHAIRMAN'S REVIEW

UNDOUBTEDLY THIS FINANCIAL YEAR GOES DOWN IN HISTORY AS THE MOST CHALLENGING ONE FOR CORPORATES AND INDIVIDUALS ALIKE, IN POST-INDEPENDENCE SRI LANKA, AND I AM PROUD TO SHARE WITH YOU HOW THE KELANI CABLES TEAM DEMONSTRATED ITS CHARACTERISTIC RESILIENCE AND TRUE METTLE IN NAVIGATING THESE CHALLENGES WHILST DELIVERING VALUE TO ALL STAKEHOLDERS

Dear Stakeholders,

Welcome to the 54th Annual General Meeting of Kelani Cables PLC, and I am pleased to present to you the Annual Report for the financial year ended 31 March 2023. Undoubtedly this financial year goes down in history as the most challenging one for corporates and individuals alike, in post-independence Sri Lanka, and I am proud to share with you how the Kelani Cables Team demonstrated its characteristic resilience and true mettle in navigating these challenges whilst delivering value to all stakeholders.

UNPRECEDENTED TIMES

The financial year under review brought forth heightened economic challenges, with ensuing social unrest and political instability. The depletion of official foreign currency reserves of the country, which led to the Government of Sri Lanka discontinuing the servicing of its international debt, which in turn led the country to be downgraded to Restricted Default status were critical incidents of the economic crisis. All economic indicators deteriorated reflecting an ailing economy and sending shockwaves across the country. Inflation reached unprecedented levels on account of both demand side pressure and supply side shocks, with September 2022 recording the highest level at 73.70% as measured by the National Consumer Price Index and 69.80% by the Colombo Consumer Price Index. With the Central Bank of Sri Lanka (CBSL) adopting a free-float regime for the exchange rate in March 2022, which was hitherto controlled at just over Rs. 200/- this set on a rapid depreciation, where by end 2022, the Sri Lankan Rupee had depreciated by 80% since. The CBSL took a tightening monetary policy approach to arrest the situation with policy rates of Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate reaching the highest ever at 15.50% and 16.50% respectively. Market interest rates escalated in tandem, driving up borrowing costs and hindering business growth and new investments.

Wide ranging import restrictions imposed to preserve foreign currency liquidity meant acute scarcity of imported goods including essential items, fuel, etc., having a profound effect on day to day life of individuals as well as businesses dependent on import input. The gross domestic production (GDP) contracted by 7.8% during the year, within which the construction sector contracted by 20.9% versus the growth of 4.4% recorded in 2021, directly affecting the business of Kelani Cables. The situation led to a drop in our top line.

The period was also marked by many other hardships such as long hours of power outages, scarcity of a wide ranging import goods including fuel, cooking gas, medicine, etc., all of which had debilitating effects on both individuals and businesses.

The economy began to signal recovery from the beginning of 2023 with the Government seeking an Extended Fund

NET PROFIT AFTER TAX

RS. 2,787 MN.

NPAT GROWTH

31 %

EVEN THOUGH OUR REVENUE DIPPED BY 24% TO RS. 11.5 BN., THROUGH PRUDENT COST MANAGEMENT, AND REALIZATION OF INVESTMENT IN MALDIVES TOGETHER WITH THE EXCHANGE GAIN WE MANAGED TO REPORT A POST-TAX PROFITABILITY OF RS. 2.8 BN, A 31% INCREASE OVER THE PRIOR YEAR, WHICH IS COMMENDABLE CONSIDERING THE OPERATING ENVIRONMENT

Facility from the International Monetary Fund, political stability and CBSL's tightening monetary policy gradually achieving its intended objectives.

DELIVERING SHAREHOLDER VALUE

Understandably, the challenges affected our financial performance. Our top line got affected due to subdued demand stemming from slowed down construction activity as well as heavily reduced purchasing power of customers. Accordingly, our revenue dipped by 24% to Rs. 11.5 Bn. However, through prudent cost management, and realization of investment in Maldives together with the exchange gain we managed to report a post-tax profitability of Rs. 2.8 Bn, a 31% increase over the prior year, which is commendable considering the operating environment. Resultantly, earnings per share enhanced to Rs. 127.84 from Rs. 97.88 of the previous year.

We drew strength from our strongly capitalized and dynamic balance sheet through turbulent times. Total assets of the Company and Investee was Rs. 11.57 Bn by the end of the financial year. The net asset value per share of the Company was Rs. 428.20 whilst the share price as of the financial year was Rs. 268.75.

A STRONG GOVERNANCE STRUCTURE ENHANCING RESILIENCE

Kelani Cables remained to be governed by one of the most robust governance and risk management frameworks perfected over the decades. The agility of the leadership team in swiftly responding to the emerging challenges within such frameworks, largely enhanced Kelani Cable's resilience in not just surviving the hardships, but also driving organizational performance to greater heights. The professionalism, integrity and commitment of its Board members and employees together with Board sub committees functioning dedicated to critical governance aspects, continuous improvement to the framework, etc., stood the Company in good stead in creating undisrupted value to all stakeholders joining the Kelani Cables journey.

WAY FORWARD

At the global level, demand for metal is expected to remain strong, due to the reopening of China's economy, better-than-anticipated industrial growth in Europe and demand for base metals coming from the USA together with a correction in the US dollar. Demand is expected to be also affected by prevailing uncertainty in the global economy due to the Russia-Ukraine war and rate hikes by the US Federal Reserves.

It is encouraging to note the country's economy gradually emerging on the path of recovery, though attaining pre-crisis economic status is still distant. The finalization of the Extended Fund Facility with the International Monetary Fund, the moderation of economic indicators such as inflation and interest rates in response to the CBSL's tightening monetary policy and political stability are such encouraging signs. However, the Sri Lanka economy is set to contract by over four per cent in 2023, before entering positive territories in 2024. We hope the construction sector will gradually recover, and relaxation of import restrictions will augur well towards this end.

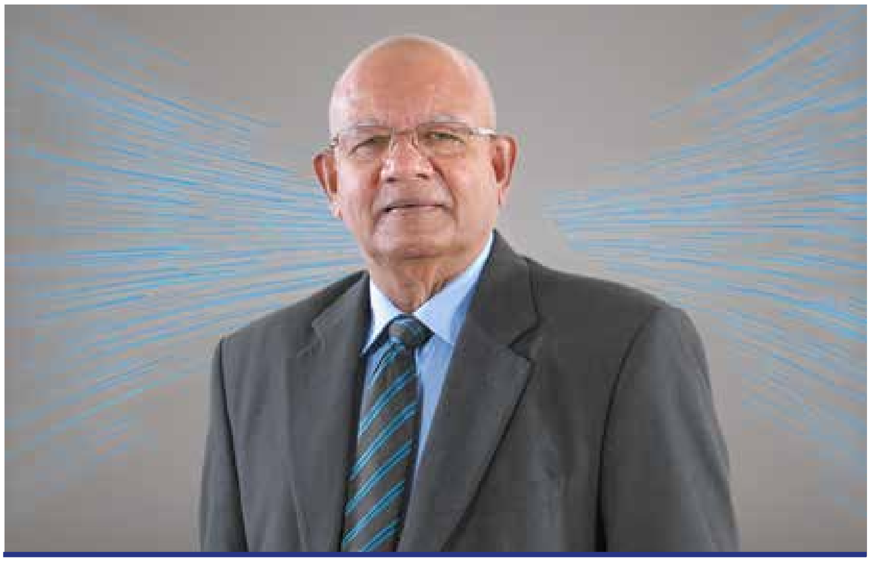
We remain optimistic of the country and its capacity to rebound from the setbacks experienced. Kelani Cables will leverage the decades strong expertise in serving the country and its people and will continue to make sustainable, sound and meaningful returns to its shareholders and all other stakeholders.

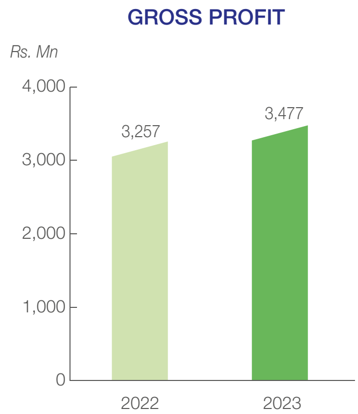
APPRECIATION

I wish to express my gratitude to my fellow board members for their insights and prowess in guiding Kelani Cables through turbulent times. The Managing Director, the management team and all the staff members deserve exceptional commendation for their agility, resilience and commitment in serving the purpose of Kelani Cables. We also wish to place on record, our appreciation towards all our shareholders, customers, suppliers and other stakeholders who have been an integral part of our success journey.

Upali Madanayake
Chairman
14 August 2023

MANAGING DIRECTOR'S REVIEW





I AM PROUD TO NOTE THAT THE KELANI CABLES TEAM ROSE TO THESE CHALLENGES WITH GRACE AND POISE AND CONTINUED TO DELIVER ON THEIR MANDATE IN TAKING KELANI CABLES PLC TO NEW POSSIBILITY FRONTIERS.

Dear Shareholders,

It gives me immense pleasure to pen this message to you, in retrospection of the by-gone financial year. As was elaborated in the Chairman's Message, the year was marked by hitherto unforeseen challenges on socio, political and economic fronts. I am proud to note that the Kelani Cables team rose to these challenges with grace and poise and continued to deliver on their mandate in taking Kelani Cables PLC to new possibility frontiers.

FINANCIAL PERFORMANCE

Notwithstanding the challenges, your company closed the year with a post-tax profitability of Rs. 2.8 Bn, an impressive 31% increase over the prior financial year of 2021/22. In the challenged macro-economic set up, our top line suffered a setback compared to the prior year, with a 24% reduction at Rs. 11.5 Bn. Yet for all, this is satisfactory performance, considering the slowdown in the construction sector, negative GDP growth and reduced spending from consumers throughout the year. Profitability was largely boosted by other income within which profit from foreign investments posted a record figure of Rs. 610 Mn, including the movement in exchange rate. Net finance income also supported profitability, helping mitigate the effects of reduced top line. The high interest rate environment led to higher interest income on our local and foreign currency deposits, whilst prudent management of financing options enabled us to stem finance expenses at reasonable levels. The resultant net finance income was Rs. 747 Mn.

Strategic cost management was also pursued diligently through the year powered by operational excellence. Our distribution expenses increased by 24%, predominantly attributable to the increase in fuel prices in multiple occasions through the period under review. Increase in administration expenses was curtailed at 4%, which is commendable in a high-inflation environment, and this was made possible through leaner processes and greater efficiencies. Your company made a tax contribution of Rs. 745 Mn. to Government fiscal revenue at an effective tax rate of 21.1%.

The balance sheet which reflects the stature and strength of the company built over its five decades plus performance recorded a total assets base of Rs. 11.5 Bn. This was marginally lower compared to the previous financial year, but reflects prudent balance sheet management necessitated by the unique challenges the year brought by. Equity continued to be the majority funding source, with 81% of the balance sheet so funded. Equity base enhanced by 39% with the increase in retained earnings. The company reported a return on assets of 24% compared with 19% of the previous year. Return on shareholder funds or ROE was 35%, denoting resilience in performance and continuity in delivering shareholder value.

A MISSION LED WITH STRATEGIC FORESIGHT IN POWERING THE NATION'S GROWTH

Kelani Cables PLC has been a pioneer in manufacturing and distributing power and telecommunication cables and enamelled winding wires, essential in the construction industry. With humble beginnings in 1969 with just twelve employees as a family-owned business, the company underwent timely ownership changes, affording it opportunities for expansion and knowledge sharing which have enabled the Company to grow exponentially. Today we offer employment opportunities for nearly 500 individuals, contribute to export income of the country with an average export revenue per year of USD 6 Mn and help save foreign currency by manufacturing quality cables and wires locally. We are continually driven on a strong and clear strategic path which focus on multiple aspects such as sustainable growth, customer-centricity, empowering employees, environmental and social integration and operational excellence. The versatility of this strategy and the agility of the team, together with innovative leadership enabled Kelani Cables to survive the economic crisis and continue to produce sound results. Many tactical changes were deployed to our strategy to stay ahead in the turbulent times, enabled by the repository of business acumen gathered over the decades.

CARING FOR OUR EMPLOYEES

Our employees are one of our most valuable and critical resources that has enabled the growth and prosperity of Kelani Cables as a proud Sri Lankan corporate. It is our employees' contribution, perseverance and unity that differentiate us from any other corporate. We strengthened our care towards them during the year, in consideration of the hardships brought by the economic crisis, with focus on all round well-being covering physical, mental and financial well-being. Continued learning and development, added relief in financial and non-financial modes and strengthened employee engagement initiatives ensured that our employees continued to grow and develop. Reflecting the country-wide exodus of skilled labour to other countries triggered by the economic crisis, we at Kelani Cables too experienced a considerably higher attrition rate of 10% in 2023 (4% in 2022). The versatility of our team and repurposing of staff together with greater process efficiencies enabled undisrupted operations throughout the year amidst high attrition. We will continue our concerted efforts and investments in our team, as they are integral in our growth journey and their development and empowerment form a core element of our long term growth strategy.

ENVIRONMENTAL AND SOCIAL INTEGRATION

As a responsible corporate citizen we ensure that our existence is healthily integrated to the environment and society that we function in. In such notion, we furthered our efforts in being an environmentally friendly entity. Notable achievements during the year are the installation of a 1 MW roof top solar power generation unit at the Wewelduwa site which is fully operational now. with our existing solar power generation unit at the Siyambalape site, the two units together generating approximate monthly income exceeding Rs. 2 mn. We also continued our social empowerment initiatives through Kelani Saviya and Kelani Shakthi unabated through the tumultuous year. We are truly inspired by our own actions where with the assistance of the Engineering Faculty of the University of Peradeniya, to date since inception, this initiative has powered over 450 Electrical Technicians contributing to their professional and personal well-being. Kelani Shakthi, the northern peninsula edition in collaboration with the University of Jaffna, Engineering faculty has also produced over 100 Electrical Technicians to date.

Kelani Saviya and Kelani Shakthi are proud examples of how a corporate can deploy its core competence in driving and empowering professionals in the related sector, which directly contribute towards multiple causes such as personal development, promoting formally-trained skilled labour and adding value to the profession of electricians which at times lacks the due recognition in our country.

WAY FORWARD

As elaborated in the Chairman's message on page 06, we eagerly anticipate the revival of the Sri Lankan economy. We are hopeful that the Government will be committed to addressing the structural anomalies that plague the Sri Lankan economy which will augur well in the long term recovery path both socially and economically. At Kelani Cables, we continue to sharpen our processes for greater efficiency, innovate our product portfolio and develop our staff, such that when the economy is on an upward trajectory, we are ready to perform in our best form with enhanced capacity.

ACKNOWLEDGEMENT

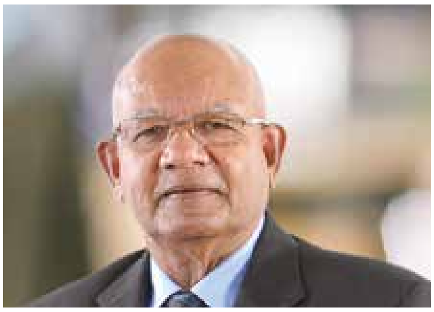
I wish to express my sincere gratitude to the Chairman and the Board of Directors for their invaluable counsel and guidance through the years. Our staff members deserve deep appreciation for their relentless commitment and passion amidst hardships in continuing the legacy of Kelani Cables and taking its reputation across the shores. I also wish to thank our loyal customers for placing their trust in us, and all other stakeholders that have supported us in our growth journey and have flourished under our patronage and support.

Mahinda Saranapala
Managing Director
14 August 2023

BOARD OF DIRECTORS

MR. UPALI MADANAYAKE
Chairman

MR. SUREN MADANAYAKE
Deputy Chairman



MR. MAHINDA SARANAPALA
Managing Director

MRS. N. C. MADANAYAKE
Director – Non-Executive

DR. BANDULA PERERA
Director – Independent / Non-Executive

MR. DEEPAL SOORIYAARACHCHI
Director – Independent / Non-Executive

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 Independent Non-Executive for CT Land Development PLC.

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.

MR. MAHINDA SARANAPALA

Managing Director

Mr. Mahinda Saranapala joined the Company as the Chief Executive Officer on April 1, 2011. Mr. Saranapala was appointed to the Board of Kelani Cables PLC on 23rd December 2015 and on 22nd June 2023, he was appointed as the Managing Director of the Company.

His career spans over 40 plus years and he has worked for top Sri Lankan corporates such as Ceylon Tobacco Company, The Maharaja Organization 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) recognised him, at the annual Jasteca awards night held on 23 March 2013 in appreciation of his contribution to the growth and development of JASTECA and for initiating the implementation of the 5S concept and for his devotion and continuing efforts to promote and propagate 5S in Sri Lanka.

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

He serves as a member of the board of advisors to the Sri Lanka Association for the Advancement of Quality and Productivity SLAAQP.

He is a past president of Japan Sri Lanka Technical & Cultural Association and now serves as a member of the Board of trustees of JASTECA. He 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). He was elected as Vice Chairman of the Ceylon National Chamber of Industries (CNCI) in 2021.

BOARD OF DIRECTORS

MRS. N. C. MADANAYAKE

Director – Non-Executive

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 – Independent / Non-Executive

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

He is the former Managing Director of Ceylon Glass PLC, Chairman of SME Bank, former General Manager of Lanka Tiles Ltd, former Chairman of the Industrial Development Board, former Chairman of SME Bank, former Board Member of Credit Information Bureau of Sri Lanka, former Additional Director General of Board of Investments, former Deputy Chairman of Public Utilities Commission and a former Chairman of the Ceylon National Chamber of industries among others. Dr. Perera is currently a Director of PGP Glass PLC, and a Council Member of Japan Lanka Industrial Development Corporation.

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

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

MR. DEEPAL SOORIYAARACHCHI

Director – Independent / Non-Executive

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 AVIVA NDB Insurance PLC (now known as AIA Insurance). He has received extensive management training and exposure locally 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 PLC, Panasian Power PLC, Singer Sri Lanka PLC, Prime Lands Residencies PLC. He also serves on the board of 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. Ralph Rajasundaram
Deputy General Manager - Sales

Mr. Sajeewa De Zoysa
Deputy General Manager - Procurement

Mr. Abhaya Ranawaka
Manager Projects & Engineering

Mr. Namalke Ekanayake
Plant Manager - Plant 3

Miss. Shyama Perera
Manager Technical Operations

SENIOR AND MIDDLE MANAGEMENT TEAM

Mr. Channa Jayasinghe
Marketing Manager

Mr. Kumara Withanarachchi
IT Manager

Mr. Narmal De Zylva
Stores Manager

Mr. Rohana Wadduwage
Sales Manager - Power & Energy Sector

Mr. Sameera Jayasekara
Group Human Resources Manager

Mr. Sagara Balasuriya
Manager Transport

Mr. Chaminda Waidyathillake
National Sales Manager

Mr. Suranga Pathirana
Head of Sales - Institutional

Mr. Chandima Weerasinghe
Head of Sales – Lighting

Mr. Dinuka Chandrakeerthi
Plant 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

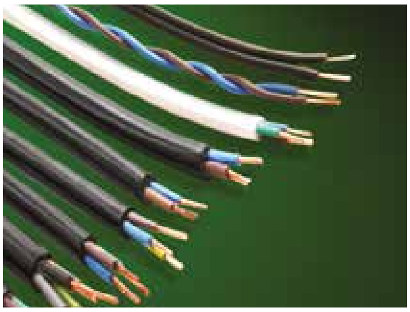
Mr. Nishad Hettiarachchi
Stores Manager

Mr. Darshana Gamlath
Field Sales Manager

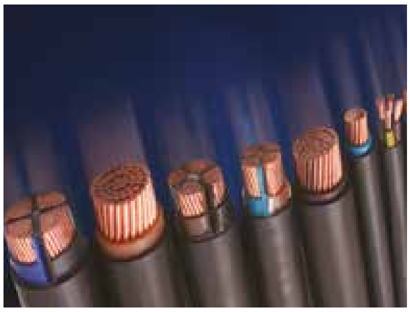
Mr. Piumal Bandara
Accountant

PRODUCT PORTFOLIO

HOUSE & BUILDING WIRES



FLEXIBLE CORDS



ARMOURED AND UNARMOURED POWER CABLES

4 CORE WITH REDUCED NEUTRAL

CONTROL CABLES

KELANI WELDING CABLES

BARE CONDUCTORS

AERIAL BUNDLED CABLES (ABC)

AUTO CABLES

COAXIAL CABLES

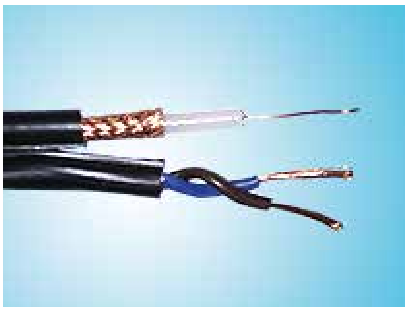
TELEPHONE CABLES

KELANI ENAMELLED WINDING WIRES

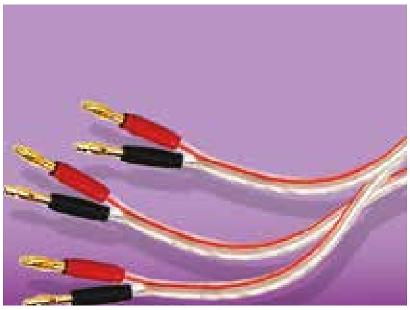
KELANI LEAD FREE SUBMERSIBLE PUMP CABLES

SCREENED CABLES

IRON CABLES

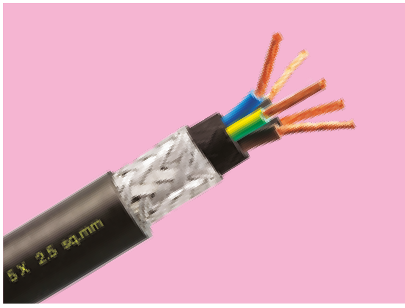


KELANI CCTV CAMERA CABLES



SPEAKER CABLES

ROSETTE TELEPHONE CABLES



KELANI SUPER FLEX ARMOUR

JUMPER/BOOSTER CABLE

TRAILER CABLE

CABLES TO AUSTRALIAN / NEW ZEALAND MARKETS

CABLES TO BANGLADESH MARKET

CAT 5 E AND CAT 6

PRODUCT PORTFOLIO

RG6 JELLY FILLED CABLE

SOLAR CABLES

SCHNEIDER SWITCHGEAR

SWITCHES RANGE

KELANI LED BULBS

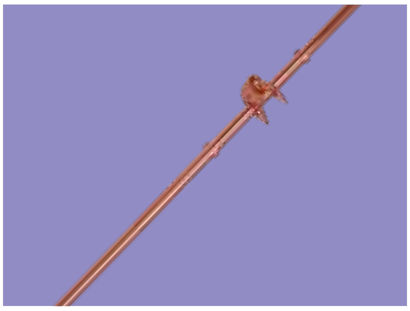
KELANI BREEZER FANS

KELANI INSULATION TAPES

KELANI MASKING TAPES

KELANI LUGS

KELANI GLANDS



KELANI EARTH ROD

OUR STRONGHOLD AND EXCEPTIONAL PERFORMANCE WAS ATTRIBUTED TO THE EFFORTS OF OUR TEAM, THE REPUTATION OF OUR BRAND, AND THE QUALITY OF OUR FINAL PRODUCT THAT WE DID NOT COMPROMISE ON.

MANAGEMENT DISCUSSION & ANALYSIS

Kelani Cables PLC's value creation process continued unabated amidst the multiple adversities that plagued the year. The Management's prudent leadership, the commitment of our team and the versatility of our product solutions together with our empathetic care towards the community and the environment ensured that we supported the aspirations of all our connected stakeholders. The core capitals that we deploy in our value creation process generated sound results, seamlessly merging and co-performing with each other where necessary, enabling us to achieve set outputs and outcomes.

Financial Capital

DESPITE AN ADVERSE AND CHALLENGING OPERATING CONTEXT, KELANI CABLES POSTED A YOY GROWTH OF 31% IN ITS POST-TAX PROFITABILITY TO RS. 2.8 BN, THE HIGHEST EVER IN ITS HISTORY.

The performance of Kelani Cables was affected by the slowdown in the construction sector and the resultant drop in demand for its products. Furthermore unfavourable economic conditions including fluctuation of prices of copper, one of Kelani Cables' key raw materials in the London Metal Exchange together with restrictions imposed on opening Letters of Credit in local banks affected company performance in the first three quarter of the year. Import restrictions on several other key raw materials, forex shortage of the country and a depreciating rupee till end 2022, triggered revisions to our pricing in multiple occasions during the year. The company however forged ahead through the challenges, delivering on the promise of quality that is strongly associated with the Kelani Cables brand.

REVENUE AND GROSS PROFITS

Revenue for the financial year ended 31 March 2023 was Rs. 11.5 Bn. This was a decline of 24% over the prior financial year attributable to volume drop of our sales. The volume drop was compensated for by the price increments during the year.

Gross profit was Rs. 3.5 Bn, an increase of 7% YoY, with a gross profit margin during the year of 30%. This was mainly due to the price increments effected during the year under review and latter part of the previous year. Despite adverse economic conditions like pressure on cost and high inflation, the company was able to secure healthy margins due to timely price decisions and cost controls.

COST MANAGEMENT

Distribution expenses saw a 24% increase during the financial year to Rs. 585 Mn. This considerable increase is predominantly attributable to the increase in fuel prices in the country. Administration expenses decreased by 4% to Rs. 409 Mn, Kelani Cables deployed prudent cost management initiatives throughout the year, which was a continuation of its efforts from prior years to preserve profitability. With regards to personnel expenses, the Company ensured that all employees were paid in a timely manner in full, along with other applicable perks.

PROFITABILITY

Demonstrating the strength and acumen of Kelani Cables gathered over the years, the Company further enhanced its profitability during the financial year 2022/23. As depicted in the table below, profitability at all levels enhanced over the prior financial year, i.e. gross, operating and net profit. Operating profit was

PROFIT BEFORE TAX

RS. 3,536 MN.

NET PROFIT

RS. 2,790 MN.

Rs. 2,788 Mn up by 15% whilst post tax profitability was Rs. 2,790 Mn, up by 31% over the prior year.

	2023 Rs.Mn	2022 Rs.Mn	2021 Rs.Mn
Revenue	11,462	15.115	9,650
Gross Profit	3,477	3,257	1,284
Gross Profit Margin	30%	22%	13%
Operating Profit	2,788	2,416	820
Net Profit	2,790	2,132	621
Net Profit Margin	24%	14%	6%

FINANCIAL POSITION

The stature of Kelani Cables is reflected in its robust balance sheet. As of the end of the financial year, the Company's total assets stood at Rs. 11.5 Bn. 81% of the balance sheet was funded by equity which stood at Rs. 9.3 Bn. Total liabilities was Rs. 2.2 Bn.

Intellectual Capital

KELANI CABLES CONTINUED TO HONE ITS INTELLECTUAL CAPITAL EVEN SHARPER DURING 2022/23 THROUGH MULTIPLE INITIATIVES CENTERING ITS BRAND, EXCELLENCE IN PERFORMANCE ENDORSED THROUGH AWARDS AND INNOVATION.

AWARDS AND RECOGNITION

During the past decade Kelani Cables has focused its efforts on performance excellence and have won multiple awards related to quality and operational excellence.

Notable awards won by Kelani Cables

- National Quality Awards – 2006 and 2016
- Global Performance Excellence Award (GPEA) in 2017 & 2019 - The company is also permitted to use GPEA world class award logo
- Special recognition award from Sri Lanka Standards Institute 2017 & 2022

Kelani Cables team receiving the SLSI special recognition award for winning GPEA 2019

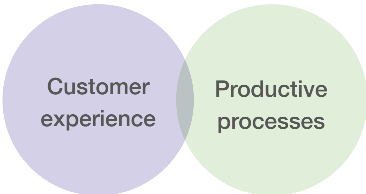
MANAGEMENT DISCUSSION AND ANALYSIS - INTELLECTUAL CAPITAL

BUSINESS & BRAND STRENGTH

The Company has nurtured the brand Kelani Cable in to one of the most well-known and valuable brands in the Sri Lankan domain. This gradual growth process over the past 54 years has also been propelled by the strategic diversification of the Company's products in to related areas. The brand building efforts aptly support Kelani Cable's overall vision to become the nation's leading electrical solutions provider.

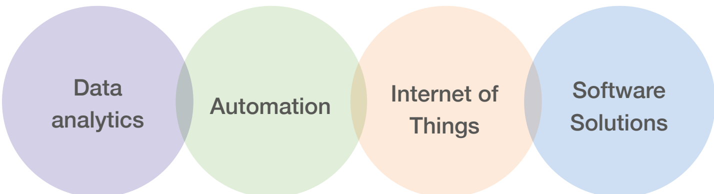
DIGITAL TECHNOLOGY

Deployment of digital technology for enhanced business performance takes a dual-pronged approach in Kelani Cables.



The Company well embraces the mammoth potential digitisation offers in these two aspects, hence there is strategic commitment in ensuring maximum benefits through digitization. Efforts taken over the years have enabled achieve greater productivity and efficiency in the company processes, whilst customer convenience and experience too have elevated with the aid of automated solutions.

Predominant tech trends that the Company has adopted in its digitization process are as follows.



Despite a tumultuous year, the Kelani Cables team continued its ongoing efforts to achieve greater efficiency and cost optimization through digitization. These were led by the OPEX (operational excellence) program initiated under the guidance of the MD of Kelani Cable.

As the Company progresses along digitization we have identified related information systems and technological risks. In response mitigatory actions planned as part of the Company's robust risk management process.

MANUFACTURING AND OPERATIONAL EXCELLENCE

Kelani Cables has established itself as a leader in cable products and wiring solutions for over five decades. The company places a strong emphasis on manufacturing excellence and continuous improvement.

By developing, using, and sharing leading manufacturing principles, processes, tools, and practices, Kelani Cables ensures that its operations are efficient and effective. The Manufacturing Excellence Framework implemented by the company enables the standardization and sharing of best practices across its units. This framework helps in establishing consistent standards, measures, and indicators to evaluate unit performance.

By classifying and prioritizing time and material losses, Kelani Cables can identify areas for improvement and optimize its manufacturing processes. The use of data analytics further enhances the company's ability to report against standards and measures, facilitating benchmarking and identifying best practices.

To drive superior performance, Kelani Cables has dedicated manufacturing and operational excellence teams that focus on continuously improving existing manufacturing operations, facilities, and process technologies. This approach ensures that the company stays at the forefront of innovation and efficiency in its industry.

Overall, Kelani Cables' commitment to manufacturing excellence, standardization, data analytics, and continuous improvement reflects its dedication to delivering high-quality products and solutions to its customers.

CUSTOMER-CENTRIC INNOVATION

Prioritizing understanding and meeting customer requirements is essential for any business to succeed. By focusing on delivering solutions that align with expected quality, environmental, and safety requirements, companies demonstrate a commitment to providing products and services that meet customer needs and contribute to a sustainable future. Kelani Cables embraces this truism to a great extent.

Treating customer partnerships as crucial shows that we, as a company value long-term relationships and are dedicated to meeting their expectations. Collaboration with customers is a powerful mode that we deploy to gather insights, feedback, and ideas that can drive innovation in our production and manufacturing processes. By actively involving customers in the development of new and customized products and services, we ensure that your offerings align closely with their needs and preferences.

Engaging with customers throughout the entire product lifecycle, from concept development to post-sales support, allows us to continuously improve and refine your offerings. Regular communication, feedback loops, and an open dialogue with customers provide valuable insights for enhancing quality, identifying potential environmental impacts, and addressing safety concerns.

Wherever possible and permitted, we employ effective methods for gathering customer requirements, such as surveys, interviews, focus groups, or direct observation.

Innovation coupled with prioritizing customer requirements and fostering strong partnerships has lead to increased customer satisfaction, loyalty, and ultimately, business success at Kelani Cables.

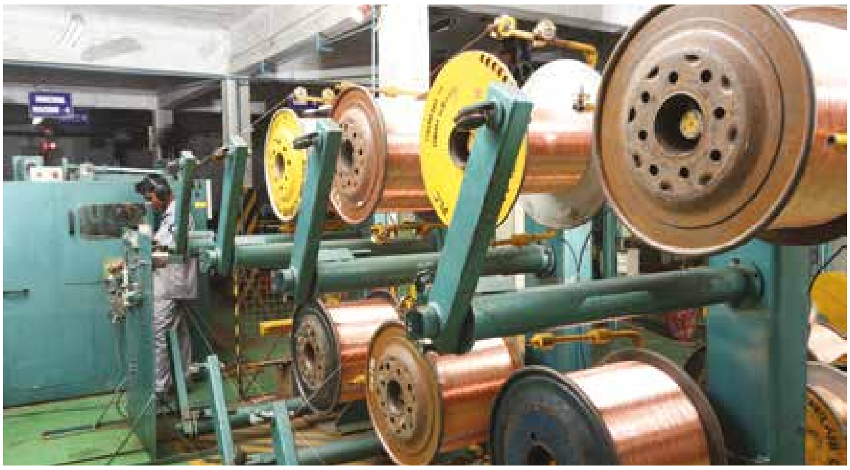
ANALYTICS TO REDUCE WASTE AND REWORK

Quality is a key differentiator for Kelani Cables as a brand and it has contributed to the Company's long standing premium positioning in the market. At our factories, reducing non-conforming products have been identified as having a substantial impact on customer satisfaction and resulting in savings from reduced quality claims and rework.

By utilizing advanced analytics techniques and improving processes, the Company has been able to decrease the number of quality claims and achieve significant cost savings, paying off focus on quality control and continuous improvement.

In addition to quality, optimizing production processes is another important aspect that contributes to overall success. By minimising resource consumption and waste, we not only demonstrate our commitment to environmental sustainability but also maintain our high-quality promise to customers.

These efforts showcase our dedication to delivering top-notch products while being efficient and mindful of the environment. By consistently providing high-quality products, reducing waste, and implementing optimized production processes, we are positioning the Kelani Cables brand as a leader in both quality and sustainability, which further enhances customer satisfaction and loyalty.



Manufacturing facilities

Product & System Excellence Certifications

System Certifications	
Quality management	- ISO 9001:2015
Environmental management	- ISO 14001:2015
Workplace safety	Responsible Care
Product Certifications	
Enamel wire	Underwriters Laboratories (UL) certified
Auto Cables	SLS 412
Building wires	SLS 733
Aluminium overhead lines	SLS 750
Copper Armored cables	SLS 1186
Flexible cords	SLS 1504-2-11
Insulation only cables	SLS 1504-2-31

Human Capital

KELANI CABLES'S UNIQUE HUMAN CAPITAL, POSSESSING YEARS OF SPECIALIZED KNOWLEDGE AND COMPETENCE CONTINUED TO POWER THE COMPANY'S PERFORMANCE THROUGH A TUMULTUOUS YEAR.

THE KELANI CABLES TEAM

Considered as one of greatest asset, the Kelani Cables Team comprises a total of 496 staff members spread across the country.

467

29

The commitment to nurture our human capital to be successful in their professional as well as personal lives over the years, has enabled us to create a workforce that is competent and well-aligned in the mission of delivering the Kelani Cables's promise. The strength of our team is reflected in its profile of relatively young, energetic and passionate staff members well integrated to the overall culture of Kelani Cables.

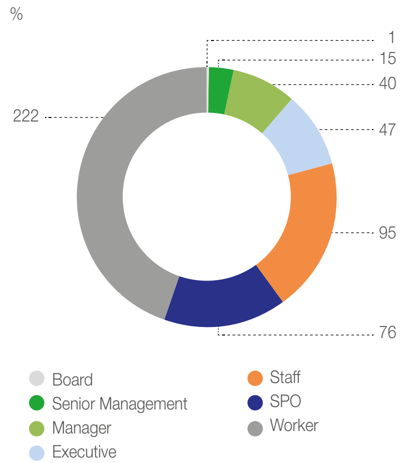
How our culture and the true spirit of team work drives excellence

OUR HUMAN CAPITAL STRATEGY IN 2022/23

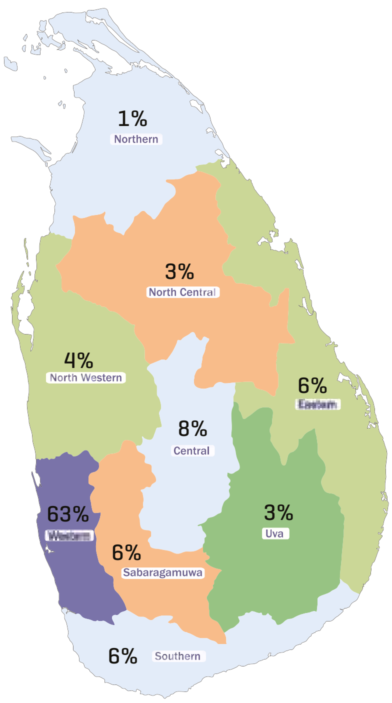
Given the considerable challenges that Sri Lankan corporates underwent over the past few years on account of internal disruptions, a global pandemic and most recently the economic crisis together with evolving trends in the world of work, our human capital strategy was realigned in response to these changes whilst ensuring we channelled the needed support to our staff members.

Key factors that shaped our human capital strategy	Our responses in human capital strategy
This segment comprises the national electricity providers Ceylon Electricity Board and Lanka Electricity Company. This segment also contributed positively towards revenue and profitability targets of the Company for the year.	Continued learning and development Added relief in financial and non-financial modes Strengthened employee engagement initiatives to ensure well-being in all fronts Managing high attrition in line with country-wide trend

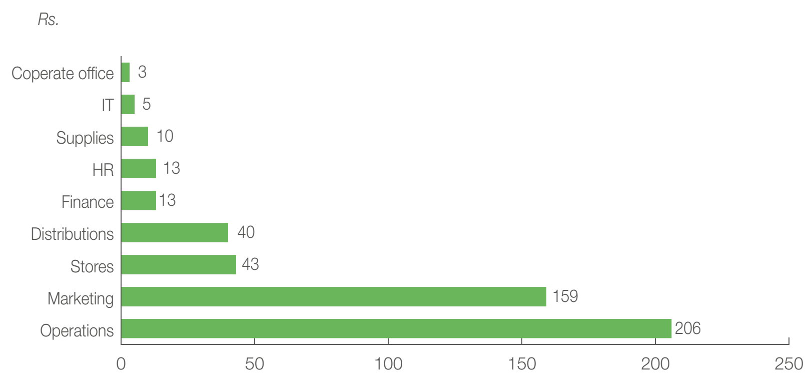
TOTAL WORKFORCE



Team review

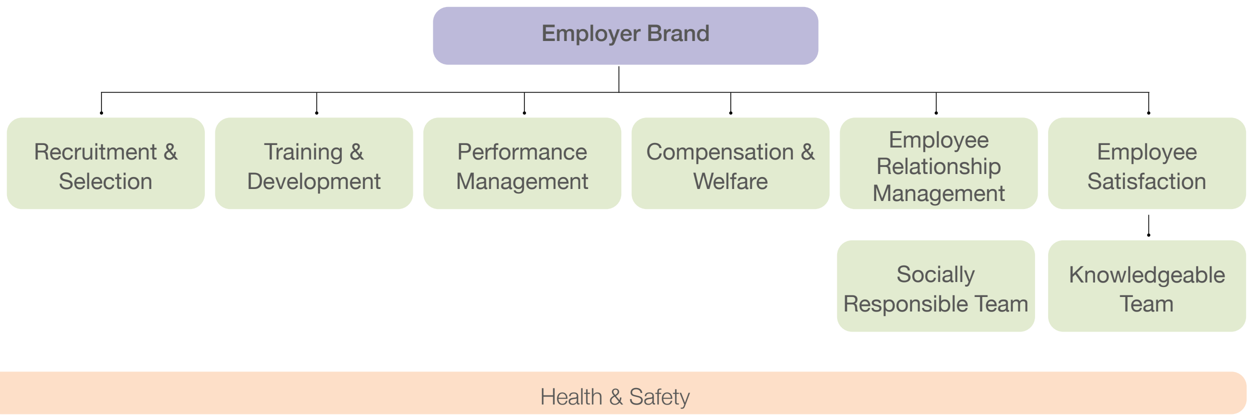


MANPOWER PLAN AS AT 31ST MARCH 2023



MANAGEMENT DISCUSSION AND ANALYSIS - HUMAN CAPITAL

Our structured approach to managing our team



TALENT ACQUISITION

We continue to shape our team size and its talent pool in close alignment with our overall Company mission and values with the aim of optimising the deployment of human capital. We adopt a balanced approach to talent acquisition, which relies on both leveraging the trade learners, skills and experience already available within the organization, while bringing in the necessary capabilities that will ensure outstanding company performance.

Internal career mobility activities	External talent acquiring
• Provision of career development opportunities for staff • Concerted efforts on communicating and informing employees, creating greater visibility of opportunities • Facilitation of cross-divisional moves, allowing employees to develop and expand their skills and pursue diverse careers	Through • Vocational & Technical Institutes (VTEC) • National Institute of Technical Authority (NAITA) • National Youth Corps (NYC) institutions University colleges

Talent retention and attrition

Attrition rose to high levels during the year reflecting the exodus of skilled labour from the country triggered by the economic crisis and resultant challenged living conditions. The high turnover in turn created opportunities for fresh talent which was swiftly fulfilled through both internal and external recruitment, without any disruptions to the talent pool or continuity of operations.

ATTRITION 2022/23

94.0 %

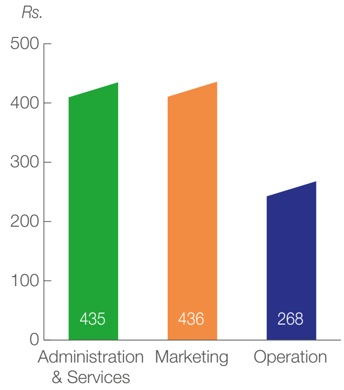
ATTRITION 2021/22

87.8 %

Building talent

Building talent at Kelani Cables is driven on the spirit of developing the team members both professionally and personally and to position the organization for future success. Efforts in this regard are aligned to three priorities.

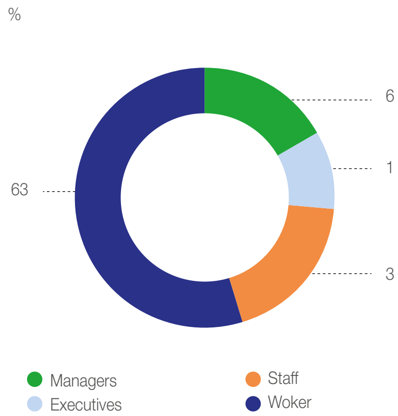
TRAINING 2022-2023



Training and development ensure that talent is made ready for future job roles and emerging talent requirements in line with the development of the external conditions and evolution of customer preferences. The Company's policy on training and development enables the identification for training needs through periodic performance evaluation of staff members against pre-agreed performance goals. This approach enables the Management to identify any skill gaps during the year and address them expeditiously, thereby ensure that the team is well-versed and equipped with the knowledge they need to perform their job scopes as per expectation.

Training comprises a multitude of modes such as on the job training and class room trainings. We are proud to note that despite the challenges in the external environment, we continued our training initiatives unabated.

TRAINING BY CATEGORY



Training statistics

	2022/23	2021/22
Number of employees who underwent training during the year	285	195
Total collective training hours	1138	1150
Average training hours per employee	2.37	2.17
Training budget	2.5 million	2.00 million
Key training topics	Labour Law & Shop & Office Act/How to Manage and lead in a VUCA World/ Essentials in Import Export Procedure/First Aid/EFC workshop on Drafting Letters of Appointment/ Induction Programme	Fire Training/First aid Training/EPF/ETF Contribution, Benefits & Practical Issues/How to Become a Professional Sales Man/Risk Assessment for Workplace/Induction Programme

OCCUPATIONAL HEALTH AND SAFETY

Given the nature of our operations, we prioritize the safety of our employees and continuously work towards improving workplace safety. Two predominant trainings provided to all employees are

1. Fire safety
2. First-aid training

These two trainings equip our staff with critical skills to swiftly manage any emergency situation and potentially save lives. Collaborating with reputed organizations like the Red Cross for practical exercises and information sessions adds credibility to the training.

Safe work environment: The safe work environment afforded to our staff is reflected in the fact that we have achieved zero major accidents in the work place. Work place safety is driven by the following committed approaches

i. The involvement of a Safety Committee overseeing the safe work environment related initiatives
ii. Conducting monthly safety reviews
iii. Dedication to maintaining international safety standards.

Occupational health and safety statistics

	2022/23	2021/22
Number of work place related injuries	03	04
Number of near misses	02	02
Number of relevant trainings conducted	16	15
Number of employees covered in related trainings	285	195

Compensation and benefits

Kelani Cables offers competitive remunerations at par with industry standards. There are a host of other benefits available to our staff members. Attractive compensation and benefits have encourages our employees to maintain longer relationships with the Company, thereby enhance organizational tacit knowledge as well. Some such benefits are as follows.

- Medical insurance
- Staff meals
- Staff transport services
- Travel allowance
- Uniforms
- Death donation
- New Year festival with family members
- X' Mas festival
- Employee day outing
- 1st January gift pack

Gender diversity

We strive to create an equal opportunity work environment to both our female and male staff members. All employees are given the equal opportunity through the entire life cycle of employment with Kelani Cable, starting from recruitment through performance appraisal, career advancements, training and development, benefits, etc. Gender never forms a basis for deciding an employee's career progression, instead it is based on meritocracy.

TOTAL FEMALES IN THE WORK FORCE

6.00 %

TOTAL FEMALES IN MANAGEMENT

3.00 %

Caring for our employees through the economic crisis

The economic crisis that unfolded during the period under review, and the shock waves it sent through economic and personal well-being of our employees were quite severe. In such a scenario, We stepped up to ensure the well-being of our staff members and their families, in financial, physical and emotional aspects. Some such initiatives are as listed below.

- Salary increments
- Gift vouchers
- Flexible Leave policy

Way forward

Our short - to - medium term HR strategy will focus on driving the growth agenda of Kelani Cables amidst the challenged macro-economic conditions. We will also prioritise on talent retention as we value long standing relationships with employees. Driving competency-based talent acquisition and development will also be pursued with added vigour to stay ahead of the growth curve. We will also review and adjust as needed, compensation and benefits to staff members to meet evolving employee needs and emerging market dynamics.

Manufactured Capital

KELANI CABLES DRAWS VITAL STRENGTH FROM ITS STATE-OF-THE ART FACTORIES AND MACHINERY SPRAWLING ACROSS 3.0 HA IN PRODUCING SRI LANKA'S FINEST SOLUTIONS IN CABLES AND RELATED ITEMS

PLANTS AND MACHINERY

Kelani Cables operations are enabled by three plants as follows.

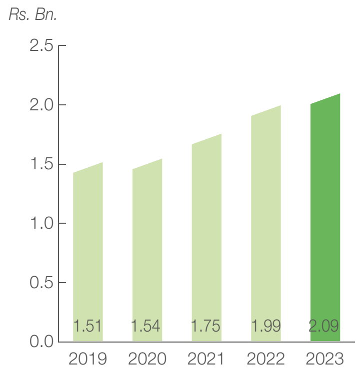
	Plant I & II	Plant III
Location		
Land extent	2.6 Ha	0.4 Ha
Key production lines	Heavy cables, other power cables & Enamel Wire	Domestic Range cables
Capacity	4,800 MT per year	1,800 MT per year
Number of staff members deployed	148	62

PROPERTY, PLANT AND EQUIPMENT

Over the years, Kelani Cables has been continually upgrading its plant and machinery through capital investments to ensure sound production capabilities and continually enhancing capacities. Machinery is procured from most reputed manufacturers in the world, guided by a transparent procurement process. They feature the latest technology, are energy efficient and greater in productivity which enable cost optimization, resource efficiencies, lesser waste and greater profitability.

Our staff are given hands-on experience in handling plants and machinery with the input of the vendors themselves. Maintenance and upkeep are also done regularly in consultation with the vendor as required, which ensure best functioning machinery yielding maximum output and also which ensure employee safety. Planned maintenance happens without compromises to avoid machine breakdowns.

KELANI CABLES PPE (AT COST)



Initiatives conducted to enhance the productivity of PPE during the year

- Replacing inefficient machine parts with efficient units
- Fleet of new machinery acquired to increase production capacities
- New factory building constructed to set up new machines
- Adherence to concepts of 5S and KAIZEN for continuous improvements in process efficiency and productivity

Natural Capital

KELANI CABLES CONTINUED TO DRAW ESSENCE FROM THE NATURAL WORLD IN ITS OPERATIONS AND REMAINED COMMITTED TO MINIMIZE ITS IMPACT AND MAXIMIZE ENVIRONMENTAL PRESERVATION.

Kelani Cables embraces the mammoth responsibility it has towards the environment. Since its inception, the Company has championed many initiatives in ensuring that our operations have a minimum impact on the environment and that our processes are aligned to preserving biodiversity and the balance of the eco-systems.

Listed below are some key initiatives that serve this mission;

- ISO 14001 environmental management system certification since 2011 - ISO 14001 system together with resource efficient and cleaner production techniques employed at our operations helps us operate with the least impact on natural resources and the environment
- Solar energy harvesting at Kelaniya and Siyambalape plants helps the transition to renewable energy sources while managing our cost of energy
- Training programme organised on energy and natural resources management for employees from all divisions to educate them on their contribution to energy conservation and optimal use of materials - As part of the EMS process, aspects and impacts of each process and activity is analysed to identify critical activities at the site and how these operations may affect the environment
- Comprehensive identification of environmental risks associated with different stakeholder groups, their requirements, opportunities and actions performed and audited as per ISO 14001
- Inclusion of identifying environmental risks pertaining to our business and planning mitigation actions in the Company risk management process.

Participants at Energy and natural resource management for employees

OUR EFFORTS IN PRESERVING THE ENVIRONMENT

Environmental monitoring, metrics & targets

Our performance is driven on a set of environmental metrics applicable across all processes and activities which are used to monitor impact. These metrics are periodically reviewed with appropriate action taken to ensure compliance to requirements and to improve environmental performance. Environmental objectives for each division are aligned with our corporate environmental policy & objectives and are reviewed by the department heads and management accordingly.

Waste management

The following stringent processes are followed in ensuring sustainable waste management practices.

- Colour-coded waste types
- Manufacturing processes optimized to minimize use of resources, reduce waste and re-use or convert waste materials into other valuable products
- Promote a circular economy in addition to commercial benefits whilst preventing waste materials entering landfills and ensuring raw materials are reused
- Monitor material efficiency as a measure for effective waste management - This measures the percentage of total output that is converted into products and co-products
- Adoption of reusable steel drums instead of wooden drums to improve material reuse and reduced the impact on the environment

Copper and aluminum sustainability

Over 70% of Kelani Cables' total product output by weight is either Copper or Aluminium. Copper and Aluminium are two of the few materials that can be recycled and reused without any loss in performance, thus contributing to a circular economy. We have incorporated this in to the supply chain whereby we initiated a programme to encourage our project market customers to direct their waste cable materials to recyclers.

Industrial symbiosis - Quest for zero landfill

Drawing essence from industry cross-collaborations, we participate in industrial symbiosis where the waste or by- products of an industry or industrial process becomes the raw material for another process. Application of this concept allows materials to be used in a more sustainable way and contributes to the creation of a circular economy.

Types of waste and their management

- PVC process waste - directed to recycling and reusing
- Properties of the XLPE material waste - difficult to be recycled on an economical scale but used innovatively such as making machine parts and reusable pallets
- Waste items which we were unable to reuse or recycle - disposed of in an environmentally friendly manner through a licensed waste disposer

Renewable energy & energy efficiency

- Solar energy panels with a capacity of 1104 kW commissioned in Kelaniya & Siyambalape factory premises
- Energy performance studies conducted in collaboration with the National Cleaner Production Centre
- Continual improvement to reduce losses in electrical systems and compressed air systems helped improve energy productivity

MANAGEMENT DISCUSSION AND ANALYSIS - NATURAL CAPITAL

Clean air

- Potentially harmful particles that affect air quality emitted in the cable manufacturing industry - Volatile Organic Carbon (VOC), Nitrogen oxide emissions (NOx), sulphur dioxide (SO2) and fine particles less than 10 microns (PM10)
- Kelani Cables approach - strict monitoring processes in place at both sites of Kelaniya and Siyambalape to measure these metrics, capture and report air quality performance, monitor compliance with licensed limits and identify opportunities for process improvements

Water stewardship

Our approach to water sustainability and minimize risk relating to the water supply needed for our business operation

- Monitoring water usage in manufacturing facilities and office areas by controlling water withdrawal at source and using recycled water whenever possible

Material Efficiency

Material efficiency relates to the use of materials or physical processes that require less material, produce higher outputs/ outcomes, and generates less waste. We maximize the conversion of raw materials into the final product by solving the root cause of any losses created.

World Environment Day events

- Celebrated every year, embracing the significant themes from respective years
- Iconic initiatives conducted such as tree planting events, gifting of saplings to employees, educational programs for school children as well as poster and photo competitions

Vegetation in company premises

Embracing the benefits offered by home gardening using organic agriculture method such as health benefits and improving self-sufficiency, we at Kelani Cables grow vegetables in our premises.

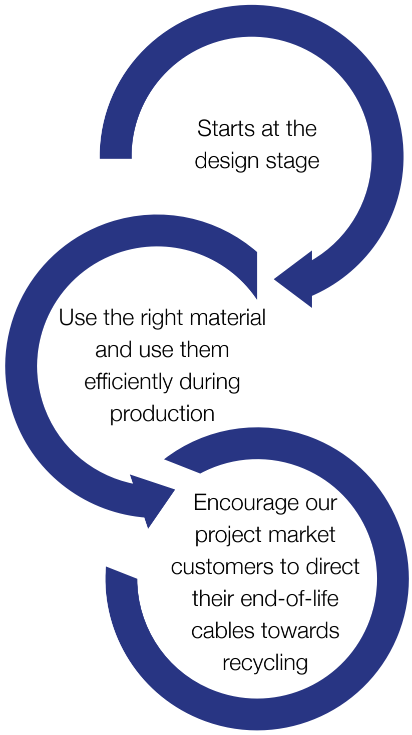


Harvested vegetables

KELANI CABLES PRODUCT RESPONSIBILITY

What product responsibility means to us: Finding the right balance between social, economic and environmental commitments of the company

Our approach to product responsibility



Kelani Cables brand promise - Safety Forever

We offer our customers products that meet and exceed the technical & safety requirements of national and international standard 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 maintain a regular dialogue with our customers, professionals

in the electrical field, state science research and technology institutions, regulatory bodies and other stakeholders 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 the 'Kelani Electricians Club' and the 'Winders Club', we upgrade the skills of professionals to equip them with new industry developments and add value to their professions.

Product information and awareness

- Provision of necessary information to customers on cables and other products that are required to ensure safety while storing, installing, operating and disposing if required
- Categorizing voltage is an essential in product labelling to avoid danger to humans and danger to equipment by cable misuse and is strongly adhered to
- Optimal and safe current ratings for cables recommended in our catalogues based on IET wiring regulations – BS 7671
- Product catalogues available in Sinhala, Tamil and English languages with information that can be understood by experts in the field and the average consumer
- Our emphasis is on wiring safety. 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 with a whole cable solution.
- This service further extended by means of technical seminars for engineers and electricians as well as product safety demonstrations on YouTube

Product certifications

- Sri Lanka Standards Institution - Kelani Cables holds product certifications from the national standards body, Sri Lanka Standards Institution, covering the building wire range, auto cables, armoured cables and overhead lines
- Kelani Cables is the pioneer of and the only manufacturer of enamelled winding wire in Sri Lanka, having commenced operations in 1974. 'Kelani' enamelled winding wire is an Underwriters Laboratories (UL) recognized component and accepted internationally

Social and Relationship Capital

THE YEAR SAW KELANI CABLES FURTHER STRENGTHENING THE TIES IT MAINTAINS WITH THE COMMUNITIES IN WHICH IT OPERATES AND THE WIDER SOCIETY, VIA A NUMBER OF FLAGSHIP EVENTS.

COMMUNITY ENGAGEMENT

At Kelani Cables, we expend considerable time and resources in identifying and responding to the needs of the communities in which we function, and the wider society. We carry out meaningful and informed engagement with them, which have been integral in delivering mutual value and ensuring the sustainability of our business.

Our flagship community engagement initiatives

- Kelani Saviya
- Kelani Shakthi
- Electricians' Club
- Knowledge sharing programmes for electricians

Kelani Saviya - The Company's Iconic Initiative

Objective of the programme:

To promote professionalism in the occupation of electricians whilst encouraging the youth to achieve high standards in their chosen vocation, gain social recognition and stable careers

Inception : In 2007, now running for the 15th consecutive year

Project history : Launched under the patronage of the then Vice Chancellor, University of Peradeniya, Prof. S.B.S. Abeykoon, one of the key founders of the programme

Impact : 700 students from across the island with over 510 achieving the required goals and completing the all 03 course levels to obtain full qualification.

Progress made during the year:

- An MOU with University of Peradeniya renewed for further 05 years

- 13th batch comprising 80 students registered

Alumni of Kelani Saviya formed

Activities of the Alumni of Kelani Saviya during the year: First ever CSR project launched wherein the entire electrical system of the Base Hospital of Wathupitiwala, Gampaha was checked and repaired in January 2023

MANAGEMENT DISCUSSION AND ANALYSIS - SOCIAL AND RELATIONSHIP CAPITAL

External recognition: Silver award CSR brand of the year 2018 and Bronze award CSR brand of the year 2019 at the SLIM Brand Excellence Awards conducted by the Sri Lanka Institute of Marketing.

Kelani Shakthi

About the programme: Extension of Kelani Saviya to the Northern Province of Sri Lanka, with the same objectives

Collaboration: University of Jaffna

Progress made : 5th batch of Kelani "Shakthi" completed in full. Commencement of 6th batch due in 2023

Kelani Electricians' Club

Knowledge sharing programmes

About the program : Our pioneering effort towards raising the standards of electricians, both professionally and socially

Impact: Twelve seminars conducted during the year under review

Focus areas: Usage, safety and conservation of electricity

BUSINESS REVIEW AND MARKETING STRATEGY

BUSINESS REVIEW
COMMENDABLE PERFORMANCE DURING A TUMULTUOUS YEAR

The year under review was one of the most challenging years in Sri Lankan history. Just as the country was recovering from the effects of the COVID-19 pandemic, Sri Lanka went through an economic crisis. Near depletion of the country's foreign reserves and severe shortage of foreign currency liquidity in the country's banking system were two defining challenges. This led to strict import restrictions on a wide range of imported goods, scarcity of imported essentials such as fuel, medicines, food items, construction material, etc., affecting both day to day life and business operations across many sectors. Pronounced impact was felt by Kelani Cables as importation of copper was limited, which forms a critical input item our cables production processes.

Inflation was also on the rise peaking at over 70% as measured by the National Consumer Price Index in September 2022, before gradually declining in response to Central Bank of Sri Lanka's (CBSL) tightening monetary policy. The monetary policy had CBSL's policy interest rates increased by 950 bps during the year, which also drove up interest rates across markets. With the CBSL abandoning a peg of the USD to the Sri Lankan Rupee in March 2022, exchange rate also fluctuated, with the Sri Lankan rupee depreciating by over 80% in end December 2022, before gradually strengthening in early 2023.

Commendable company performance

Despite these hardships, your company achieved sales turnover of Rs. 11.5 Bn for the year, attributable to the dynamic, result-oriented and committed sales and marketing team. Their efforts are commendable as they persevered many challenges, which enabled the Company to achieve a notable post tax profit of Rs. 2.8 bn.

Notable performances of selected products

During the year CAT cables entered our product portfolio as a new introduction with potential in performance yet to be demonstrated. Newly introduced Kelani ceiling fans performed well during the year.

MARKETING STRATEGY

Kelani Cable's marketing strategy continued to revolve around the four elements demonstrated above. Notwithstanding external challenges, the Company continued concerted efforts in driving each of these elements, which ensured resounding success for the "Kelani" brand.

BUSINESS REVIEW AND MARKETING STRATEGY

Our Market Segments

Projects	Exports	Power and Energy	Distribution
These predominantly comprise construction projects. Despite a slowdown in the construction industry (20% decline in 2022), the efforts of sales and marketing teams enabled sound performance in this segment.	The Company recorded a growth in its export income during the year. This enabled the Company to fund its own import bills when the economy was facing a severe foreign currency shortage, and also strengthened the country's foreign currency inflows and helped bridge the deficit.	This segment comprises the national electricity providers Ceylon Electricity Board and Lanka Electricity Company. This segment also contributed positively towards revenue and profitability targets of the Company for the year.	This segment was adversely affected in a scenario where disposable income of consumers was severely reduced due to high inflation. The segment yet delivered positive results, again attributable to the high performance of the sales and marketing teams.

Company Lighting Division

Market penetration of this section was subdued during the year attributable to adverse economic conditions in the country including restrictions on imports and limitation in fuel supply. Amidst the challenges the Lighting Division team progressed in performance during the year.

"The goal of Kelani is to deliver products that improve society's quality of life through effective power and lighting solutions."

Brand Building

Brand building and refreshing continued throughout the year in moderation in response to the economic hardships. Company did not spend on above the line (ATL) advertising and did limited outdoor advertising

- Selected dealer boards replaced with new boards
- Contracts of all the hoardings were renewed.

Role of Kelani Cables brand equity and brand reputation: These intangible assets have yielded the Company sound financial performance, strong customer relations and deep respect as a Sri Lankan corporate providing innovative solutions. The brand continued to be closely associated with safety through all times.

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).

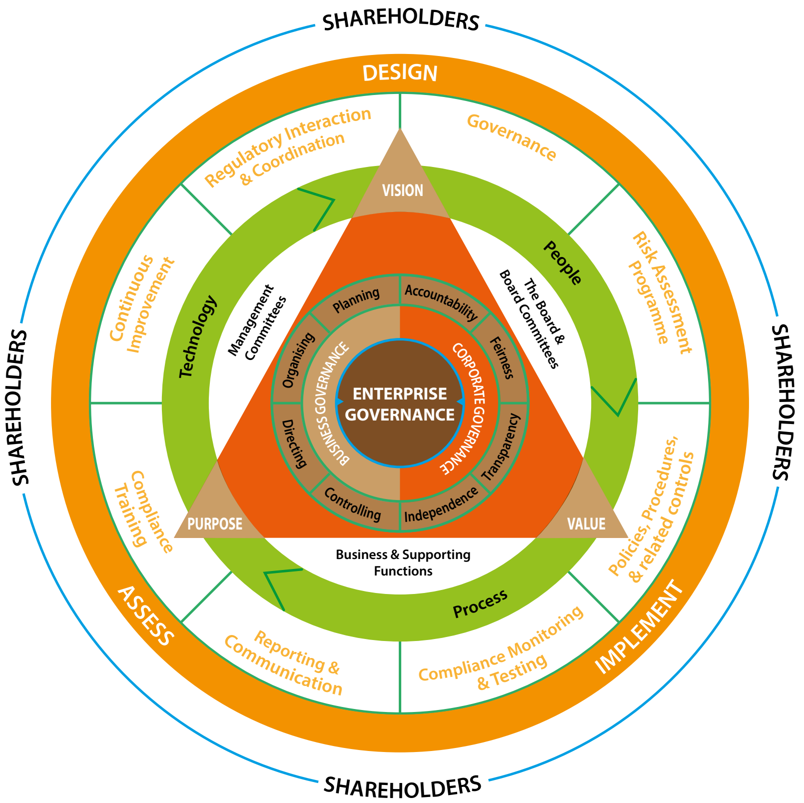
REGULATORY BENCHMARKS

Standard / Principle / Code	Adherence
The Companies Act No.7 of 2007 and regulations	Mandatory Provisions - Fully compliant
Listing Rules of the Colombo Stock Exchange (CSE)	
Security and Exchange Commission of Sri Lanka (SEC) Act No.19 of 2021 including directives and circulars	
Code of Best Practices on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka	
Code of Best Practice on Corporate Governance (2017) jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary provisions – Compliant (except few provisions)

KELANI CABLES PLC ENTERPRISE GOVERNANCE FRAMEWORK

Enterprise governance is "the set of responsibilities and practices exercised by the board and executive management with the goal of providing strategic direction, ensuring that objectives are achieved, ascertaining those risks are managed appropriately and verifying that the organization's resources are used responsibly"

Comprehensive Governance Framework at Kelani Cables PLC



CORPORATE GOVERNANCE

A. BOARD OF DIRECTORS

A1. Board Leadership

Kelani Cables PLC is headed by an effective Board of Directors with a wide array of experience and currently comprises of the Chairman, Deputy Chairman, Managing Director and three Directors. As evident from the profiles of the Board of Directors, Kelani Cables PLC's Board comprises 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 a 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 MD
- Reviewing HR policies and HR processes on management succession planning
- Reviewing and approving investments, acquisitions, disposals, and capital expenditure
- Monitoring systems of governance and compliance
- The Board is in full control of the Company's state of affairs and makes aware of its obligations to shareholders and stakeholders

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. The Company convened twelve (12) Board Meetings for the year out of which 6 were conducted online while 6 were conducted physically. Information provided covers the monthly accounts and comparison of performance against the Budget are discussed and remedial actions taken when necessary. Senior Managers make presentations on the performance in their respective areas on request. When the Board requests additional information, which is also provided.

The 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.

Board Diversity

Kelani Cables PLC acknowledges the need for diversity in Boards and is conscious of the need to attract appropriately skilled Directors who reflect the values and requirements of its businesses and vision. Whilst the company is of the view that diversity ranging across demographic attributes, backgrounds, experiences and social networks improves a Board's understanding of its vast pool of stakeholders, providing diverse connections with the external environment and aiding the company in addressing stakeholders' claims in a more responsive manner, Kelani cables PLC is also conscious of the need to maintain a strong culture of meritocracy, ensuring that Board diversity does not come at the expense of Board effectiveness. In this regard, every effort will be made to attract suitably qualified personnel from diverse demographics and backgrounds.

Dedication of Adequate Time and Effort

Every Director dedicates adequate time and effort to matters of the Board and the Company. Adequate time is devoted at every meeting to ensure that the Board's responsibilities are discharged satisfactorily.

In addition, the Executive Directors of the Board have regular meetings with the Management when required.

Training for the Directors

Every Director receives appropriate training on the first occasion that he or she is appointed to the Board of the Company and subsequently as necessary. The policy on Director's training is, to provide adequate opportunities for continuous development subject to requirements and relevance for each Director.

A2. Chairman and Managing Director

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 Managing Director ensuring that the balance of power and authority is preserved since the positions of Chairman and Managing Director are separated.

A3. Chairman's Role

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

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

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

The main responsibilities of the Chairman are;

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

A4. Finance Acumen

The Board consists of members specialized in a multitude of disciplines and experience in Corporate Finance, Accounting, Taxation, Treasury Management, and Risk Management. Hence, they are able to provide constructive debate, scrutinize performance and help develop Board strategy with a global perspective and outlook.

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-making. The composition of the Executive and Non-Executive Directors in the Board satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange and the code of best practices in corporate governance issued by the Institute of Chartered Accountants of Sri Lanka (ICASL). The Board of Kelani Cables PLC currently comprises six Directors, three of whom are Executive Directors. Two of the three Non-Executive Directors have met the criteria for 'independence'. The period of service of Mr. Ajit Jayaratne, Mr. Rajive Casie Chitty as board members of the ACL Cables PLC (Parent Company) and Dr. Bandula Perera (Kelani Cables PLC) have served on the Board for over a period of nine years Both ACL Cables PLC (Parent) and Kelani Cables PLC boards are of the view that the period of service of the aforesaid Independent Directors do not compromise their independence and objectivity in discharging their functions as Directors and, therefore the relevant Board has determined that Mr. Ajit Jayaratne, Mr. Rajive Casie Chitty and Dr. Bandula Perera are 'Independent' as per the Listing Rules.

Board Independence

There is increased emphasis on board independence by stakeholders, stock exchanges and regulatory bodies worldwide. In order for a Board to be effective, Kelani Cables PLC is of the view that companies must take steps, both in their structures and nominating procedures, to ensure fostering of independent decision-making and mitigating potential conflicts of interest which may arise.

The criteria for defining the independence of boards vary significantly across countries. Kelani Cables PLC is of the view that the intended vision of achieving improved governance and higher independence can be achieved through various checks and balances, whilst not compromising on the underlying operating model of a corporate. These checks and balances may entail, among others, the establishment of various assurance mechanisms and the use of systematic and comprehensive board evaluation processes and independent director lead engagement.

CORPORATE GOVERNANCE

Criteria for identifying the independence of the Independent Non-Executive Directors

Criteria for defining independence	Status of conformity of INEDs
Shareholding carrying not less than 10 percent of voting rights	None of the individual INEDs' shareholdings exceed 1 percent.
Income/non-cash benefits equivalent to 20 percent of the Director's annual income	INEDs income/cash benefits are less than 20 percent of an individual Director's annual income.
Employment at Kelani Cables PLC and/or material business relationship with Kelani Cables PLC.	None of the INEDs are employed or have been employed at Kelani Cables PLC.
Close family member is a Director, MD, or a Key Management Personnel	No family member of the INEDs is a director or MD of a related party company.
Served on the Board continuously for a period exceeding nine years from the date of the first appointment	None of the INEDs are exceeding nine years. Except for the directors aforesaid under the board balance note
Director of another company	None of the INEDs are Directors of another related party company
Is employed, has a material business relationship and/or significant shareholding in other companies. Entails other companies that have a significant shareholding in Kelani Cables PLC and/or Kelani Cables PLC has a business connection with	None of the NED/IDs are employed and have a material business relationship or a significant shareholding of another related party company as defined.

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

A7. Appointment 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 are undertaken by the Board itself, taking into consideration the Board composition required and the strategic input required. This is done according to the Articles of Association. All Board appointments are informed to the SEC as per the existing regulations.

A profile of the 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 Managing Director, retire by rotation. The Directors who hold office for the longest period retire and offer themselves for re-election with the recommendation of the Board of Directors. When they are re-elected at the AGM, immediately after their appointment, they have to come up for re-election in three years or a shorter period. In terms of 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.

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 undertakes 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, and 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 113 to 116. 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 was generally related to prior business, personal commitments, or illness. The Table below provides the Directors' individual attendance at Board and Subcommittee Meetings.

Name of the Director	Board Meetings (Total Meetings)	Audit Committee Meetings (Total Meetings)	Remuneration Committee Meetings (Total Meetings)	Related Party Transaction Review Committee Meetings (Total Meetings)
Executive Directors				
Mr. U.G.Madanayake - Chairman	09/11			
Mr. Suren Madanayake - Deputy Chairman	11/11			
Mr. Mahinda Saranapala - Managing Director	11/11			
Non-Executive Directors				
Mrs. N.C. Madanayake	08/11			
Independent Non-Executive Directors				
Dr. Bandula Perera	10/11	4/4		
Mr. Deepal Sooriyaarachchi	11/11	4/4		
Non-Executive Directors of the Parent Company				
Mr. Ajit Jayaratne		4/4	3/3	4/4
Mr. Rajiv Casie Chitty			3/3	4/4

B. DIRECTOR'S REMUNERATION

B1. Director's Remuneration

The Company should have a formal and transparent procedure for developing a 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 page 57 of the Annual Report

Remuneration Committee

The Remuneration Committee of the parent company acts as the remuneration committee of the Company. This committee comprises 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

B2. Level and Make-up of Remuneration

The 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 consists of a fee paid on a fixed basis for participation in monthly Board Meetings. Chairman and Deputy Chairman have acted in an honorary capacity and only a fee for attending Board Meetings was paid to them during the year under review. The remuneration paid to Managing Director is disclosed in the Report

A 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 the remuneration of the Board as a whole. The aggregate remuneration paid to Executive and Non-Executive Directors are disclosed on page 113 of this Report.

C. RELATIONSHIP WITH SHAREHOLDERS

C1. Meeting With Shareholders

Constructive use of the Annual General Meetings (AGM) and conduct of General Meetings and building up relationships with Shareholders. The company should always encourage the participation of the shareholders and solicit their 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 implements 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 2023, is available to all shareholders on the Company website. Shareholders are invited to express their views on any issues of concern at the AGM. The Board will respond to all validly received shareholder correspondences and will direct the Company Secretary to send the response to the shareholder.

Contact persons for shareholder matters are Company Secretary and in the absence of them, the Managing Director 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 are 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 2023.

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 the 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 70 to 126 provides a fair assessment of the company's performance and results for the year. Chairman's Review, MD's Review and Annual Report of the Board of Directors on the Affairs of the Company is given on page from 08 to 09 and 60 to 63. The Statement of Directors' Responsibility for Financial Reporting is given on page 64 and the Independent Auditors' Report on the Financial Statements of the Company for the year ended 31st March 2023 is given on page 66 to 69.

D2. Internal Controls

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board's policy is to have systems in place that optimize the company's ability to manage risk in an effective and appropriate manner. The Board has delegated to the Audit Committee responsibility for identifying, evaluating, and monitoring the risks faced by the company and for deciding how these are to be managed, as a next step in improving the existing internal control system, Board granted its' approval to establish in house Risk and Control department to conduct control reviews, internal audits, and risk management activities in an effective manner. Members of the Audit Committee are expected to report to the Board as necessary the occurrence of any material control issues, serious accidents or events that have had a major commercial impact, or any significant new risks which have been identified.

A summary of those risks which could have a material impact on the performance of the company is given in the Risk Management section on page 52 in the Annual Report. The objective of the company's risk management process is to ensure the sustainable development of Kelani Cables PLC through the conduct of its business in a way which:

- Satisfies its customers,
- Develops environmentally-friendly products,
- Provides a safe and healthy workplace,
- Protects against losses from unforeseen causes,

- Minimizes the cost and consumption of increasingly scarce resources,
- Prevents pollution and wastage,
- Maintains proper relationships with suppliers and contractors, and
- Maintains a positive relationship with the communities in which we do business.

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

Board Sub-Committees

The Board has delegated some of its functions to Board Sub-Committees, whilst retaining final decision rights. Members of these Sub-Committees focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise. The three Board Sub-Committees are as follows:

i. Audit Committee

ii. Related Party Transaction Review Committee

iii. Remuneration Committee

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 of the company and External Auditors, Messrs. KPMG.

The Audit Committee comprises of three Independent Non-executive Directors and the Chairman of the Parent Company Audit Committee acts as the Chairman of the Committee. The Chairman, Deputy Chairman, Managing Director, Group Chief Financial Officer, Group Head of Risk & Control and Chief Financial Officer attend to the Audit Committee as permanent invitees. The Audit Committee Report is given on page 55 to 56.

D4. 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.

D5. 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.

D6. 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 principles 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. The 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 and 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 the CSE website 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 the rules of the Colombo Stock Exchange on Corporate Governance and Related party transactions are given below;

CORPORATE GOVERNANCE

CSE Rule No.	Applicable Category	Governance Requirement	Applicable section in the Annual Report
Board of Directors			
7.10	Compliance	Compliance with Corporate Governance	Corporate Governance
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.	Corporate Governance
7.10.2 (a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher, should be independent	Corporate Governance
7.10.2 (b)	Non-Executive Directors	Each Non-Executive Director should submit a declaration of Independence / non-independence	Corporate Governance
7.10.3 (a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	Corporate Governance
7.10.3 (b)	Disclosures relating to Directors - Independence	Directors do not qualify as independent but are specified by the Board as independent	Corporate Governance
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.	Director's Profile
7.10.3 (d)	Disclosure relating to existing new Directors	Upon appointment of a new Director, a brief resume of the Director should be submitted to the Stock Exchange	Not Applicable
Remuneration Committee			
7.10.5 (a)	Composition	The Committee shall comprise of a majority of a minimum of three Non-Executive Directors a majority of whom shall be independent. One Non - Executive Director shall be appointed as Chairman of the committee by the Board of Directors	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 Managing Director or equivalent role.	Remuneration Committee Report
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	Remuneration Committee Report

CSE Rule No.	Applicable Category	Governance Requirement	Applicable section in the Annual Report
Audit Committee			
7.10.6	Audit Committee (AC)	The Company shall have an AC.	Audit Committee Report
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. Unless otherwise determine by the Committee, the MD and the CFO shall attend meetings. Chairman or one of the Committee members should be a member of a recognized professional accounting body.	Audit Committee 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. The MD, GCFO, CFO & Group Head of Risk & Control attends the meetings as permanent invitees
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	Audit Committee Report
7.10.6 (c)	Disclosure in Annual Report	The names of the members of the Audit Committee The basis of determination of the independence of Auditors. A report of the Audit Committee setting out the manner of compliance	Audit Committee Report

CORPORATE GOVERNANCE

CSE Rule No.	Applicable Category	Governance Requirement	Applicable section in the Annual Report
Related Party Transactions Review Committee			
9	Related Party Transactions Review Committee (RPTRC)	The Company shall have a RPTRC.	Corporate Governance
9.2.1 Related Party Transaction Review Committee (RPTRC)	Functions	The Annual report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions to ensure the interest of the shareholders as a whole is taken to account by the Company when entering into Related Party Transactions.	Related Party Transactions Review Committee 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	Parent Company RPTR Committee act as the RPTR Committee for the Company. RPTR Committee Reports
9.2.3 Related Party Transaction Review Committee (RPTRC)		Holding Company RPTR Committee to function as the RPTR Committee of Company.	RPTR Committee Reports
9.2.4	Frequency of Meeting	The Committee shall meet at least once a calendar quarter. The Committee shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.	The Committee met 4 times during the financial year under review and the minutes of the Committee are tabled at Board Meetings.
9.3.1	Immediate Disclosures	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. Any subsequent Non-recurrent Transaction after it exceeds 5% of equity entered with the same related party.	N/A
9.3.2	Disclosure in the Annual Report	Non-recurrent Related Party Transactions Recurrent Related Party Transactions Report of the Related Party Transactions Review Committee An affirmative Statement by the Directors that they are in compliance with the rules pertaining to Related party transactions	RPTR Committee Reports

Statement of Compliance to the Companies Act No. 7 of 2007

Sections	Compliance	Reference
168 (1) (a) The nature of the business of the Company or subsidiaries or classes of business in which it has an interest together with any change thereto	✓	Management Discussion & Analysis
168 (1) (b) Signed financial statements of the Company	✓	Audited Financial Statements
168 (1) (c) Auditors' Report on financial statements	✓	Independent Auditors' Report
168 (1) (d) Accounting policies and any changes thereto	✓	Notes to the Financial Statements
168 (1) (e) Particulars of the entries made in the Interests Register	✓	Reports of the Directors
168 (1) (f) Remuneration and other benefits paid to Directors of the Company	✓	Notes to the Financial Statements
168 (1) (g) Corporate donations made by the Company	✓	Notes to the Financial Statements
168 (1) (h) Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	✓	Reports of the Directors
168 (1) (i) Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	✓	Notes to the Financial Statements
168 (1) (j) Auditors' relationship or any interest with the Company and its Subsidiaries	✓	Independent Auditors Reports
168 (1) (k) Acknowledgement of the contents of this Report and signatures on behalf of the Board	✓	Financial Statements / Annual Report of the Board of Directors
168 (2) Information specified in paragraphs (b) to (j) of subsection (1) in relation to Subsidiaries	✓	Financial Statements / Annual Report of the Board of Directors

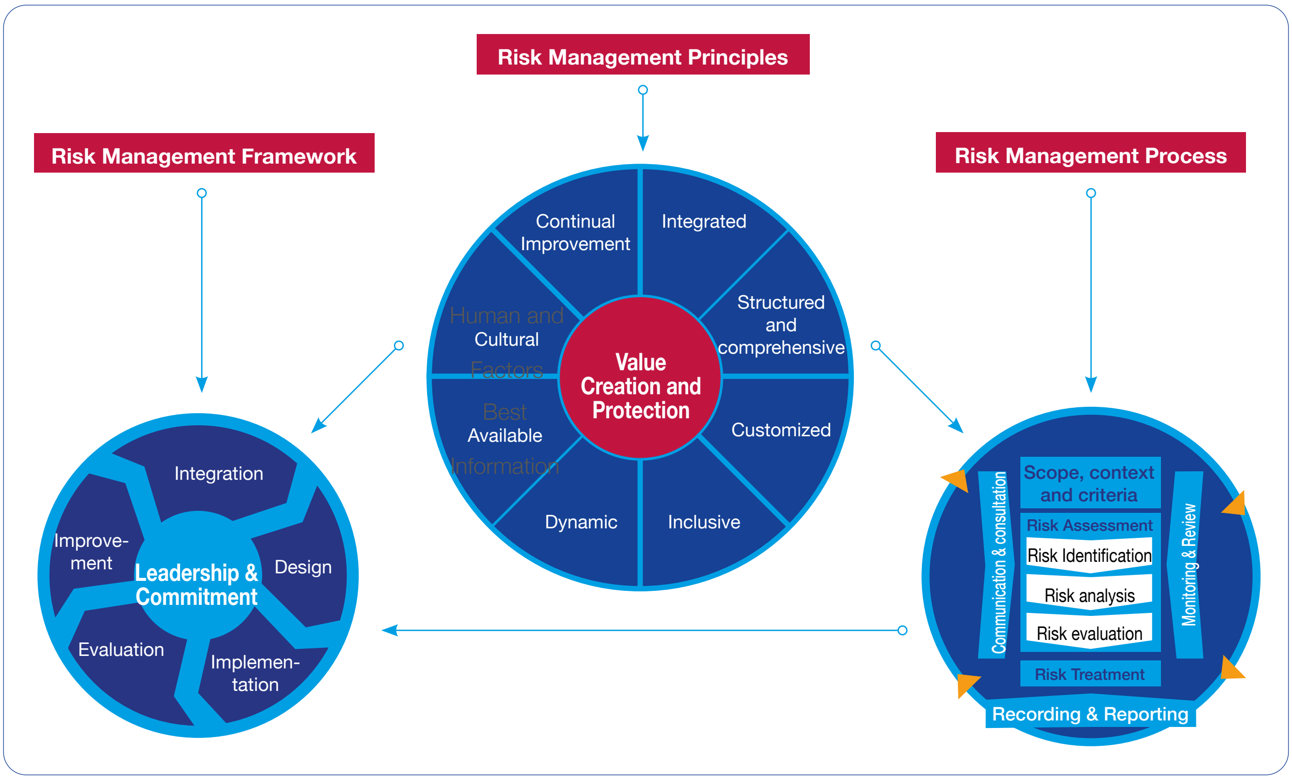
RISK MANAGEMENT

Kelani Cables PLC has given due consideration to its risk identification, assessment, and mitigating procedures in order to maintain sustainable growth while achieving its corporate objectives. An effective risk management framework helps the company in its attempts to achieve the optimum trade-off between risks and returns. The company is exposed to the Broad array of risks 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 our ability to identify and exploit the opportunities in our market. 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 that we are operating in; the company is keen on executing an Enterprise Risk Management that is in line with ISO 31000. This model delivers a structured governance system and provides a proper mechanism to identify risks promptly.

PRINCIPLES, FRAMEWORK AND RISK MANAGEMENT PROCESS FROM ISO 31000



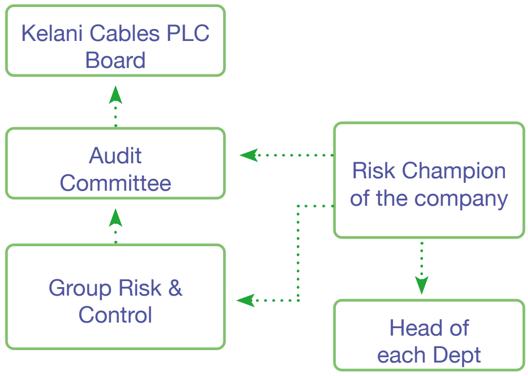
The ISO 31000 guidelines provide a statement of risk management principles. The eight principles are described below:

1. Customized framework and processes
2. Appropriate and timely involvement of stakeholders
3. Structured and comprehensive approach
4. Risk management is an integral part of all organizational activities
5. Risk management anticipates, detects, acknowledges and responds to changes
6. Risk management explicitly considers any limitations of available information.
7. Human and cultural factors influence all aspects of risk management.
8. Risk management is continually improved through learning and experience.

The first five principles provide guidance on how a risk management initiative should be designed, and principles six, seven and eight relate to the operation of the risk management initiative.

Risk management reporting structure of the Kelani Cables PLC

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



RISK EVALUATION AND MAPPING

The risk heat map is developed based on the assessment of the likelihood of occurrence and the potential impact of risks. The 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 categorized as Insignificant, Minor, Moderate, Major and Extraordinary. The above risks and the proposed action plans are then reviewed at the Audit committee meetings as a permanent agenda item in each meeting.

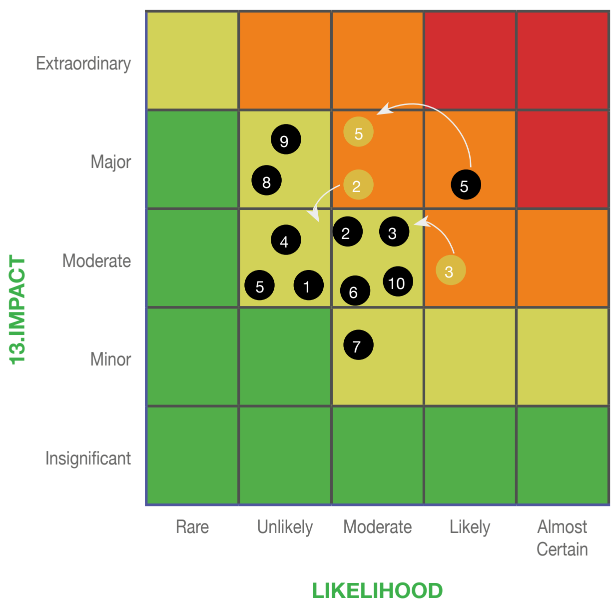
RISK MATRIX

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

Likelihood

FUTURE OUTLOOK

Kelani Cables PLC is effectively managing its risk and identifying emerging risks that could pose an impact on business operations. The Risk Heat Map below shows the key risk drivers that could affect the company in FY 2023/24 (over a one-year horizon) along the dimensions of probability and impact. The risk drivers are not to be seen in isolation as they may trigger or reinforce each other.



1. Liquidity Risk
2. Exchange Rate Risk
3. Credit Risk
4. Operational Risk
5. Country Risk
6. Human Resource Risk
7. Health & Safety Risk
8. Information System Risk
9. Legal and Regulatory Compliance Risk
10. Business Probity Risk

RISK MANAGEMENT

SNAPSHOT OF KEY RISKS AND MITIGATION STRATEGIES

Risk Exposure	Description	Risk Rating	Risk Mitigation actions
1. Liquidity Risk	Adverse impact on the liquidity position as a result of payment delays by debtors, long stock residence period, early payment for creditors, and other factors which may create a negative impact on the working capital cycle of the business	Moderate	• Significant reductions have been made in the credit period for customers who were approved for credit sales • Conducting regular follow-ups on trade debts and continuous reviews on the working capital management position of the business • Obtaining short-term funding facilities to adequately manage liquidity position through financial institutions • Expediting collection procedures of existing outstanding balances through the recovery team • Improving inventory turnover while enhancing sales volumes of the business
2. Exchange Rate Risk	Potential losses as a result of adverse movement in the exchange rates	Moderate	• Utilization of export dollar sales of the company to import raw materials without converting to Sri Lankan rupees • Maintaining existing dollar reserves without utilizing them to import raw materials
3. Credit Risk	Potential losses arising due to customer defaults	Moderate	• Ensuring compliance with credit policy guidelines of the business • Managing the credit risk through the Credit Committee activities • Encouraging cash sales through special discounts • Proceeding credit sales only up to the bank guarantee provided by the distributors • Significant reduction in credit period for customers who are entitled to credit sales • Managing credit exposure through continuous credit reviews
4. Operational Risk	Potential losses due to inadequate internal controls, failures of internal processes, people and systems as a result of natural and human activities	Moderate	• Conducting Enterprise Risk Management and Internal Audit procedures for the company • Conducting continuous control reviews on high-risk areas to assess the strength of the existing control system • Continuous monitoring of regulatory compliance and other internal requirements through compliance dashboards • Conducting system control reviews as per the annual internal audit plan • Establish BCP (Business Continuity Planning) to ensure the smooth continuation of business operations while eliminating operational constraints due to prevailing economic crises. • Maintaining ISO standards in all operational activities

Risk Exposure	Description	Risk Rating	Risk Mitigation actions
5. Country Risk	Negative impact arising due to adverse economic factors such as Political, Economic, Social, Technological, Environmental, and Legal	Significant	• Comprehensive analysis of PESTEL factors on a regular basis to grab market opportunities and minimize the impact of threats due to adverse conditions. • Conducting constant reviews of macroeconomic factors to assess the impact on business performance • Continuous assessments of impacts due to changes in the tax structure of the country
6. Human Resources Risk	The negative impact on the business due to the loss of Key Executives and the inability to attract, develop and retain a skilled workforce.	Moderate	• Maintaining an employee evaluation scheme to reward talented employees. • Maintaining healthy and cordial relationships with employees at all levels through Joint Consultative Committees (JCC) • Providing various employee benefits through the Welfare Society. • Providing specific and general employee training wherever necessary.
7. Health and Safety Risk	The likelihood that an individual may be harmed or suffers adverse health effects if exposed to a hazard	Moderate	• Conducting health and safety assessments to evaluate the adequacy of existing safety measures maintained by the company • Ensuring the effectiveness of health and safety measures through ISO and other certifications • Ensuring compliance with Health guidelines issued by the Government
8. Information Systems Risk	Delays in decision-making due to inaccurate or non-availability of timely information from key computer systems	Moderate	• Enhancing system performance through continuous version upgrading • Maintaining data backups to minimize data losses in case of an emergency • Enhancing system security levels on a regular basis to minimize cyber security risk • Maintaining vendor agreements for support services and system maintenance • Maintaining effectively and sound IT general control (ITGC) system across the company • Revising IT policies and procedures with the aim of creating value for the business
9. Legal and Regulatory Compliance Risk	The potential negative impact on the business due to non-compliances with external regulatory requirements and internal policies & procedures	Moderate	• Maintaining compliance & legal Dash Board to ensure timely compliance over regulatory requirements • Conducting compliance assessment on a quarterly basis

RISK MANAGEMENT

Risk Exposure	Description	Risk Rating	Risk Mitigation actions
10. Business Probity risk	Business probity risk is related to the governance and ethics of the organization. It can arise from unethical behavior by one or more participants in a particular process.	Moderate	• Implement whistle-blowing policy across the group and conducting investigations in effective manner. • Strengthening existing internal control systems based on the recommendations given by the internal and statutory auditors. • Conducting frequent audits on high-risk areas such as cash, inventory, procurement, sales & collections etc. • Monitoring employee activities through CCTV. • Maintaining segregation of duties • Minimizing human involvement through automation and digitalization • Conducting IT audits to identify system loopholes • Conducting Internal Audits under the supervision of the Audit Committee.

AUDIT COMMITTEE REPORT

ROLE OF THE AUDIT COMMITTEE

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities in relation to the integrity of the financial statements of the Company, the internal control and risk management systems of the company, compliance with legal and regulatory requirements, the External Auditors' suitability, performance, and independence, and the adequacy and performance of the Internal Audit function undertaken by the Group Risk & Control division. The scope of functions and responsibilities are adequately set out in the terms of reference of the Committee which has been approved by the Board and is reviewed annually.

The Committee's responsibilities include monitoring and reviewing the followings;

- The integrity of the Financial Statements of the company and the significant reporting judgments contained in them.
- The activities and effectiveness of the internal audit function.
- The effectiveness of the company's internal control and risk management systems.
- The appropriateness of the company'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 three Independent Non-Executive Directors, one from the parent company. The Chairman of the Audit Committee of the parent company, act as the Chairman of the Audit Committee of the Company.

- Mr. Ajit Jayaratne – Chairman of the committee (Senior Independent NED - ACL Cables PLC)
- Dr. Bandula Perera – Member of the audit committee (Independent NED)
- Mr. Deepal Sooriyaarachchi – Member of the audit committee (Independent NED)

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 on four occasions in 2022/2023 as per the annual meeting schedule and the corporate governance requirement. Members' attendance at these meetings is set out in the Corporate Governance Report. The Chairman, Deputy Chairman, Managing Director, Group Chief Finance Officer, Chief Finance 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 2022/2023 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.

INTERNAL AUDIT, RISKS AND CONTROLS

The Committee reviewed the adequacy of the Internal Audit coverage and the Internal Audit Plan for the company the Management of Kelani Cables PLC. The Group Risk & Control division regularly reported to the Committee on the adequacy and effectiveness of internal controls in the company and compliance with laws and regulations and established policies and procedures of the company through Internal Audit reports. Follow-up action was taken on the recommendations of the Internal Auditors and any other significant follow-up matters were documented and presented to the Committee on a quarterly basis by the Group Head of Risk & Control.

The Committee reviewed the whistleblowing arrangements for the company and had direct access to the Ombudsperson (Group Head of Risk & Control) for the company. The effectiveness and resource requirements of the Group Risk & Control division were reviewed and discussed with management and changes were affected where considered necessary.

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.

AUDIT COMMITTEE REPORT

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 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 2022/2023 can be found in Note 07 to the financial statements.

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

INTERNAL CONTROL SYSTEM

In 2022/2023, the Committee reviewed the effectiveness and efficiency of the Risk & Control team in terms of internal audit, Risk management and other governance-related areas to assess the strength of the existing internal control and Risk management systems.

WHISTLEBLOWING

The Company's whistleblowing policy was continued effectively while educating staff and encouraged them to resort to whistleblowing if they had reasonable grounds to believe that there were wrong doings or other improprieties. All appropriate procedures are in place to conduct independent investigations into incidents reported through this process or if identified through other means. Even anonymous complaints are investigated.

In addition, measures have been put in place to protect whistleblowers who act in good faith in the interest of the Company. The Company undertakes to maintain the utmost confidentiality of staff who raise concerns or make serious specific allegations of malpractices or unethical behaviour. In this way, the Company aims to promote a healthy workplace that practices good governance from the lowest to the highest tiers.

On behalf of the Committee

(Sgd.)
Ajit Jayaratne
Chairman of the Audit Committee

14 August 2023

REMUNERATION COMMITTEE REPORT

ROLE OF THE REMUNERATION COMMITTEE

The Remuneration Committee of the parent company acts as the Remuneration Committee of Kelani Cable PLC.

The Remuneration Committee formulates the 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.

Determining compensation of Non-Executive Directors is not under the scope of this Committee.

COMPOSITION OF THE REMUNERATION COMMITTEE

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

- Mr. Ajit Jayaratne – Chairman of the Committee
  (Senior Independent Non-Executive Director – ACL Cables PLC)
- Mr. Rajiv Casie Chitty – Member
  (Independent Non-Executive Director - ACL Cables PLC)

Members of the Committee and the Chairman of the Committee are appointed through a Board resolution.

MEETING AND ATTENDANCE

The Committee met on two occasions in the 2022/2023 financial year while complying with the SEC and Code of Best Practice on Corporate Governance issued by CA Sri Lanka. Members' attendance at these meetings is set out in Corporate Governance Report. The Committee plan to meet at least bi-annually to review and give required recommendations to the board on matters pertaining to remuneration of Executive Directors and Key Executives of the company.

FUNCTIONS OF THE REMUNERATION COMMITTEE

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

- Review and recommend overall remuneration philosophy, strategy, policies and practice and, performance-based pay plans for the company.
- Determine and agree with the Board a framework for the remuneration of the Chairman and Executive Directors based on performance, benchmark principles, industry trends and past remuneration.
- Succession planning of Key Management Personnel.

Members' attendance at meetings of the Remuneration Committee in 2022/2023 is set out in the table in the Corporate Governance Report.

EXECUTIVE DIRECTORS

Kelani Cables PLC'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 decision considered the performance of the individual, comparisons with peer companies and group of companies and reports from specialize consultants.

NON-EXECUTIVE DIRECTOR REMUNERATION

The compensation of Non-Executive Directors was determined in reference to fees paid to other Non-Executive Directors of comparable companies, and adjusted, where necessary, in keeping with the complexity of the business. Non-Executive Directors were paid additional fees for either chairing or being a member of a Sub-Committee and did not receive any performance/incentive payments/share option plans.

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

14 August 2023

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 REVIEW COMMITTEE

The parent company's Related Party Transactions Review Committee acts as the RPTRC of the Kelani Cables PLC.

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

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

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 2022/2023 to review information related to four quarters. 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 43.

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 company as at the date of this Report.

(Sgd.)
Ajit Jayaratne
Chairman-Related Party Transactions Review Committee

14 August 2023

REPORT OF THE DIRECTORS

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their 54th Annual Report of the Company together with the Audited Financial Statements for the year ended 31st March 2023.

PRINCIPAL ACTIVITIES

The principal activities of the Company are manufacturing and selling of Power Cables, Telecommunication Cables and Enameled 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 06 to 07), Managing Director's Review (pages 08 to 09) and Management Discussion & Analysis on pages 19 to 38. 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 the Investee.

REVENUE AND PROFITABILITY

The revenue of the Company and the Company and Investee for 2022/23 was Rs.11.5 Bn (Rs. 15.1Bn in 2021/22). The profit after tax of the Company and Investee for 2022/23 was Rs. 2.78 Bn (Rs. 2.13 Bn in 2021/22), while the Company's profit after tax for 2022/23 was Rs. 2.79 Bn (Rs. 2.13Bn in 2021/22).

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 70 to 126 and Independent Auditors' Report on the Financial Statements are provided on page 66 to 69.

ACCOUNTING POLICIES

The accounting policies adopted in preparation of the Financial Statements are given on pages 74 to 86 of this report.

The Institute of Chartered Accountants of Sri Lanka has issued the following revised Sri Lanka Accounting Standards which have become applicable for the financial period beginning on or after 1 April 2023.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12).
- Definition of Accounting Estimates (Amendments to LKAS 8).
- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1). The amendment applies to annual reporting periods beginning on or after 1st January 2023.
- Disclosure of Accounting Policies (Amendments to LKAS 1). The amendment applies to annual reporting period beginning on or after 1st January 2023.

DIVIDENDS

The interim dividend of Rs. 6.50 per share for the financial year ended 31 March 2022 amounting to Rs. 141.7Mn was paid during the financial year on 05th September 2022. The Board of Directors, declared an interim dividend of Rs.6.50 per share for the year ended 31 March 2023 on 21,800,000 shares amounting to Rs. 141.7 Mn and will be paid on 29th August 2023.

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 with 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 2023 is Rs. 218,000,000 comprising of 21,800,000 shares remained unchanged during the year.

RESERVES

The movements during the year relating to Capital Reserves and General Reserves are disclosed in Notes 23 to 24 to the Financial Statements respectively.

SHARE INFORMATION

The information relating to earnings, dividend, net assets and market price per share are given in the Investors Information on page 127 to 128 of the Annual Report.

SHAREHOLDINGS

As at 31 March 2023 there were 2,766 shareholders. The distribution is indicated on page 127 of the Annual Report. The twenty largest shareholders of the Company as at 31 March 2023, together with an analysis is given on page 127 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-LKAS24 "Related Party Disclosures" which were adopted in the preparation of the Financial Statements. These disclosures also comply with the disclosure requirements of the Rule No. 9 of the Listing Rules. Those transactions disclosed by the Directors are given in Note 33 to the Financial Statements forming part of the Annual Report of the Board.

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

Related Party Transactions Review Committee report is set out on pages 58 to 59 in the Financial Statements.

RECURRENT RELATED PARTY TRANSACTIONS

There were no recurrent related party transactions, the aggregate value of which exceeds 10% of consolidated revenue for the year ended 31 March 2023.

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 2023. Audited Financial Statements, which require additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practice 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 33 to the financial statements.

BOARD OF DIRECTORS

The Board of Directors of the Company consists of six Directors throughout the financial year and their profiles are given on pages 10 to 12.

Dr. Bandula Perera has served on the Board of Kelani Cables PLC for over a period of nine years.

Board taking into consideration all other circumstances pertaining to the criteria for defining independence is of the opinion that he is nevertheless independent and having consented to act as independent director on the Board, Board decided that Dr.Bandula Perera be continued on the Board as independent director.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Statement of the Directors' Responsibilities for Financial Statements is given on page 64 of this Annual Report.

DONATIONS

Donations made by the Company during the year amounted to Rs.110,000/- (31 March 2022 Rs. 25,000/-).

PROPERTY, PLANT AND EQUIPMENT

The Land and Buildings of the Company were revalued 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 and an Independent Certified Valuer. Details of Land and Buildings with net book values including the details of Property, Plant and Equipment and their movements as per the valuation report as at 31st March 2021, submitted by Mr. Senanayake 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. The details of Investment Property as at 31st March 2023 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 17 to the Financial Statements.

CAPITAL EXPENDITURE

The capital expenditure incurred on acquisition of property, plant and equipment of the Company has been Rs. 105 Mn, details of which are given in note 12 to the Financial Statements.

CORPORATE GOVERNANCE

In managing the business 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 39 to 49 of the Annual Report.

RISK MANAGEMENT

The details of the significant risks identified by the Company and strategies and procedures adopted in managing those are set out on pages 52 to 54 of this Report.

DIRECTORATE

The Board of Directors of the Company are given below and the profiles are given on pages 10 to 12 of this Report.

REPORT OF THE DIRECTORS

Mr. U.G.Madanayake - Chairman

Mr. Suren Madanayake - Deputy Chairman

Mr. Mahinda Saranapala – Managing Director

Mrs. N.C.Madanayake

Dr. Bandula Perera

Mr. Deepal Sooriyaarachchi

The details of Directors' meetings are set out on page 43 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 33 to the Financial Statements and none of the Directors of the Company are directly or indirectly interested in any other contracts with the Company.

DIRECTORS' REMUNERATION

Remuneration received by the Directors are set out in Note 33 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 33 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:

	No. of Shares		%Holding	
As at 31st March	2023	2022	2023	2022
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
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, wherever relevant have been 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 40.

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 30 to 36 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 Management Discussion and Analysis in pages 30 to 33.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the Capital Commitments and Contingent Liabilities are disclosed on page 125 of the Annual Report.

AUDITORS

The Financial Statements for the period under review have been audited by Messrs KPMG, Chartered Accountants. Rs.904,000/- has been paid as audit fee for the year ended 31st March 2023.

AUDITOR'S RELATIONSHIP WITH THE COMPANY

Fees paid for other services in the capacity of an Auditor were Rs. 90,000/-. 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 authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting to be held on 21 September 2023.

The Report of the Independent Auditors' is given on pages 66 to 69. The functions of the Audit Committee, Remuneration Committee and Related Party Transactions Review Committee are given on pages 55 to 59 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 132 of this Report.

By Order of the Board

(Sgd.)
Corporate Affairs (Private) Limited
Secretaries

Colombo
14 August 2023

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

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

The Board accepts the 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 but 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 2023, 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 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 2023 and Statements of Profit or Loss and other Comprehensive Income for the year ended 31st March 2023 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 14 August 2023.

By Order of the Board

(Sgd.)
Corporate Affairs (Private) Limited
Secretaries

14 August 2023

FINANCIAL
REPORTS

INDEPENDENT AUDITOR'S REPORT

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

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Internet : 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 2023, 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 70 to 126 of this annual report.

In our opinion, the accompanying financial statements of the Company and the Company and equity accounted Investee give a true and fair view of the financial position of the Company and the Company and equity accounted Investee as at 31st March 2023, 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 equity accounted 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 equity accounted Investee's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

01. Valuation of Investment Property

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

As at reporting date 31st March 2023, Investment Properties carried at fair value amounted to Rs 722 Million. Further the Company has reordered a net gain on revaluation of Investment Property amounting to Rs. 32 Million.

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.
- With the assistance of our own KPMG valuation specialists assessing the key assumptions applied and conclusions made in deriving the fair value of the property and comparing the same with evidence of current market values. In addition to that, we have assessed the valuation methodologies with reference to recognized industry standards.
- Assessing the adequacy of disclosures in the financial statements in accordance with the relevant accounting standards.

02. Recoverability of Trade Receivables

Refer to the significant accounting policy in Note 3.8 and explanatory Note 19.1 to these financial statements.

Risk Description

The Company has recognized trade receivable balance of Rs. 895.2 Million as at 31st March 2023, after a provision for impairment of Rs. 225.6 Million.

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.

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.

We identified assessing the recoverability of trade receivables as a key audit matter because the significance of the trade receivables balance 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.

Our audit procedures included

- Obtaining an 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.
- 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.
- 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.
- Assessing the adequacy of relevant disclosures included in the consolidated Financial Statements.

03. Carrying value of Inventories

Refer to the significant accounting policy in Note 3.6 and explanatory Note 18 to these financial statements.

The Company carried inventories of Rs.2,806.1 Million as at 31st March 2023 at the lower of cost or net realizable value after a provision for obsolete/ slow moving inventory of Rs.167.6 Million.

The Company hold significant level 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.

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.

Given the level of judgments and estimates involved, the carrying value of inventories is identified as a key audit matter.

Our audit procedures included

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

INDEPENDENT AUDITOR'S REPORT

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

14th August 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March,	Note	Company and Investee 2023 Rs.	Company and Investee 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Revenue	5	11,462,496,326	15,115,383,470	11,462,496,326	15,115,383,470
Cost of sales		(7,985,968,613)	(11,858,250,759)	(7,985,968,613)	(11,858,250,759)
Gross profit		3,476,527,713	3,257,132,711	3,476,527,713	3,257,132,711
Other income	6	273,754,637	19,815,510	273,754,637	19,815,510
Change in fair value of investment property	14	32,000,000	39,500,000	32,000,000	39,500,000
Distribution expenses		(584,994,853)	(472,735,164)	(584,994,853)	(472,735,164)
Administrative expenses		(409,247,028)	(427,405,358)	(409,247,028)	(427,405,358)
Profit from operations	7	2,788,040,469	2,416,307,699	2,788,040,469	2,416,307,699
Finance income		778,441,635	267,528,370	778,441,635	267,528,370
Finance expenses		(30,872,424)	(85,907,769)	(30,872,424)	(85,907,769)
Net finance income	8	747,569,211	181,620,601	747,569,211	181,620,601
Share of profit/(loss) of equity accounted investee net of tax	17.2	(3,639,400)	1,677,650	-	-
Profit before tax		3,531,970,280	2,599,605,950	3,535,609,680	2,597,928,300
Income tax expense	9	(745,146,292)	(465,771,718)	(745,146,292)	(465,771,718)
Profit for the year		2,786,823,988	2,133,834,232	2,790,463,388	2,132,156,582
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gain/(loss) on employee benefit obligations	26.2	(9,140,140)	43,382,658	(9,140,140)	43,382,658
Related tax	9.2	2,742,042	(8,286,088)	2,742,042	(8,286,088)
Effect of change in tax rates	27.4	(24,687,957)	-	(24,687,957)	-
Other comprehensive income for the year net of tax		(31,086,055)	35,096,570	(31,086,055)	35,096,570
Total comprehensive income for the year		2,755,737,933	2,168,930,802	2,759,377,333	2,167,253,152
Earnings per share					
Basic earnings per share (Rs.)	10	127.84	97.88	128.00	97.81

The Notes to the Financial Statements from pages 74 to 126 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 2023 Rs.	Company and Investee 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	1,158,261,223	1,155,167,933	1,158,261,223	1,155,167,933
Intangible assets	13	-	-	-	-
Investment property	14	722,000,000	690,000,000	722,000,000	690,000,000
Right-of-use assets	16	2,232,324	3,125,240	2,232,324	3,125,240
Investment in equity accounted investee	17	71,493,334	75,132,734	51,200,000	51,200,000
Total non-current assets		1,953,986,881	1,923,425,907	1,933,693,547	1,899,493,173
Current assets					
Inventories	18	2,806,148,784	2,340,191,863	2,806,148,784	2,340,191,863
Trade and other receivables	19	1,059,523,435	2,057,136,180	1,059,523,435	2,057,136,180
Amount due from related companies	30.2	719,570,391	547,202,345	719,570,391	547,202,345
Value added tax recoverable		782,114,463	747,211,164	782,114,463	747,211,164
Deposits and prepayments		22,656,798	23,077,783	22,656,798	23,077,783
Investments in fixed deposits	20	2,877,941,575	1,336,800,383	2,877,941,575	1,336,800,383
Cash and cash equivalents	21	1,350,436,993	2,529,130,311	1,350,436,993	2,529,130,311
Total current assets		9,618,392,439	9,580,750,029	9,618,392,439	9,580,750,029
Total assets		11,572,379,320	11,504,175,936	11,552,085,986	11,480,243,202
EQUITY AND LIABILITIES					
Equity					
Stated capital	22	218,000,000	218,000,000	218,000,000	218,000,000
Capital reserves	23	567,803,216	592,491,173	497,932,457	522,620,414
General reserves	24	431,136,000	431,136,000	431,136,000	431,136,000
Retained earnings	25	8,117,752,575	5,479,026,685	8,167,330,000	5,524,964,710
Total equity		9,334,691,791	6,720,653,858	9,314,398,457	6,696,721,124
Non-current liabilities					
Employee benefits	26	152,619,255	122,806,774	152,619,255	122,806,774
Deferred taxation	27	139,237,122	45,834,383	139,237,122	45,834,383
Interest bearing borrowings	28	83,994,277	239,274,647	83,994,277	239,274,647
Total non-current liabilities		375,850,654	407,915,804	375,850,654	407,915,804
Current liabilities					
Trade and other payables	29	450,644,207	3,005,971,638	450,644,207	3,005,971,638
Amount due to related companies	30.1	314,557,973	511,344,422	314,557,973	511,344,422
Current tax payables	31	869,439,834	660,744,216	869,439,834	660,744,216
Unclaimed dividends	32	12,042,771	12,301,374	12,042,771	12,301,374
Interest bearing borrowings	28	155,651,327	157,983,330	155,651,327	157,983,330
Bank overdrafts	21	59,500,763	27,261,294	59,500,763	27,261,294
Total current liabilities		1,861,836,875	4,375,606,274	1,861,836,875	4,375,606,274
Total liabilities		2,237,687,529	4,783,522,078	2,237,687,529	4,783,522,078
Total equity and liabilities		11,572,379,320	11,504,175,936	11,552,085,986	11,480,243,202

The Notes to the Financial Statements from pages 74 to 126 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
Managing Director

U. G. Madanayake
Chairman

14th August 2023
Colombo

STATEMENT OF CHANGES IN EQUITY

COMPANY AND INVESTEE

For the year ended 31 March 2023	Note	Stated Capital Rs.	Capital Reserves Rs.	General Reserves Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1 April 2021		218,000,000	592,491,173	431,136,000	3,408,195,883	4,649,823,056
Profit for the year		-	-	-	2,133,834,232	2,133,834,232
Other comprehensive income for the year						
Actuarial gain on employee benefit obligations, net of tax		-	-	-	35,096,570	35,096,570
Total comprehensive income for the year		-	-	-	2,168,930,802	2,168,930,802
Transactions with owners of the Company						
Interim dividend - 2020/21	11	-	-	-	(98,100,000)	(98,100,000)
Balance as at 31 March 2022		218,000,000	592,491,173	431,136,000	5,479,026,685	6,720,653,858
Balance as at 1 April 2022		218,000,000	592,491,173	431,136,000	5,479,026,685	6,720,653,858
Profit for the year		-	-	-	2,786,823,988	2,786,823,988
Other comprehensive income for the year						
Actuarial loss on employee benefit obligations, net of tax		-	-	-	(6,398,098)	(6,398,098)
Effect on change in tax rate on revaluation		-	(24,687,957)	-	-	(24,687,957)
Total comprehensive income for the year		-	(24,687,957)	-	2,780,425,890	2,755,737,933
Transactions with owners of the Company						
Interim dividend - 2021/2022	11	-	-	-	(141,700,000)	(141,700,000)
Balance as at 31 March 2023		218,000,000	567,803,216	431,136,000	8,117,752,575	9,334,691,791

COMPANY

For the year ended 31 March 2023	Note	Stated Capital Rs.	Capital Reserves Rs.	General Reserves Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1 April 2021		218,000,000	522,620,414	431,136,000	3,455,811,558	4,627,567,972
Profit for the year		-	-	-	2,132,156,582	2,132,156,582
Other comprehensive income for the year						
Actuarial gain on employee benefit obligations, net of tax		-	-	-	35,096,570	35,096,570
Total comprehensive income for the year		-	-	-	2,167,253,152	2,167,253,152
Transactions with owners of the Company						
Interim dividend - 2020/21	11	-	-	-	(98,100,000)	(98,100,000)
Balance as at 31 March 2022		218,000,000	522,620,414	431,136,000	5,524,964,710	6,696,721,124
Balance as at 1 April 2022		218,000,000	522,620,414	431,136,000	5,524,964,710	6,696,721,124
Profit for the year		-	-	-	2,790,463,388	2,790,463,388
Other comprehensive income for the year						
Actuarial loss on employee benefit obligations, net of tax		-	-	-	(6,398,098)	(6,398,098)
Effect on change in tax rate on revaluation		-	(24,687,957)	-	-	(24,687,957)
Total comprehensive income for the year		-	(24,687,957)	-	2,784,065,290	2,759,377,333
Transactions with owners of the Company						
Interim dividend - 2021/22	11	-	-	-	(141,700,000)	(141,700,000)
Balance as at 31 March 2023		218,000,000	497,932,457	431,136,000	8,167,330,000	9,314,398,457

The Notes to the Financial Statements from pages 74 to 126 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended 31 March,	Note	Company and Investee 2023 Rs.	Company and Investee 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Cash flow from operating activities					
Profit before taxation		3,531,970,280	2,599,605,950	3,535,609,680	2,597,928,300
Adjustments for:					
Share of loss/(profit) from equity accounted investee (net of tax)	17.2	3,639,400	(1,677,650)	-	-
Interest income	8	(418,092,822)	(75,738,344)	(418,092,822)	(75,738,344)
Interest expense	8	30,872,424	85,907,769	30,872,424	85,907,769
Change in fair value of investment property	14	(32,000,000)	(39,500,000)	(32,000,000)	(39,500,000)
Depreciation of property, plant and equipment	12	102,264,561	92,840,087	102,264,561	92,840,087
Amortization of intangible assets	13	-	6,825,088	-	6,825,088
Amortization of right-of use assets	16	892,916	892,926	892,916	892,926
Profit on disposal of property, plant and equipment	6	(12,946,429)	-	(12,946,429)	-
Reversal of provision for impairment of trade and other receivables	19.1	(45,541,971)	(45,850,237)	(45,541,971)	(45,850,237)
Provision /(reversal of provision) for obsolete and slow moving inventories	18.1	(23,041,658)	63,243,625	(23,041,658)	63,243,625
Unrealised exchange loss/(profit) on investment in fixed deposits	20	275,741,328	(411,804,000)	275,741,328	(411,804,000)
Inventory write off	7	48,155,279	29,189,239	48,155,279	29,189,239
Debtors write off	7	228,031	-	228,031	-
Write back of unclaimed dividends	32	(4,008,305)	-	(4,008,305)	-
Provision for employee benefits	26.2	27,667,842	12,280,427	27,667,842	12,280,427
Operating profit before working capital changes		3,485,800,876	2,316,214,880	3,485,800,876	2,316,214,880
Changes in working capital					
Increase in inventories		(491,070,542)	(204,652,320)	(491,070,542)	(204,652,320)
Decrease in trade and other receivables		1,042,926,685	969,909,206	1,042,926,685	969,909,206
Increase in amount due from related companies		(196,681,998)	(46,978,051)	(196,681,998)	(46,978,051)
Increase in deposits and prepayments and value added tax recoverable		(34,482,314)	(11,256,912)	(34,482,314)	(11,256,912)
Increase/(decrease) in trade and other payables		(2,555,327,431)	1,045,244,104	(2,555,327,431)	1,045,244,104
Decrease in amount due to related companies		(196,786,449)	(89,292,402)	(196,786,449)	(89,292,402)
Cash generated from operations		1,054,378,827	3,979,188,505	1,054,378,827	3,979,188,505
Gratuity paid	26.2	(6,995,501)	(6,831,906)	(6,995,501)	(6,831,906)
Current tax paid	31	(464,993,850)	(115,507,500)	(464,993,850)	(115,507,500)
Interest paid	8	(30,411,355)	(85,344,167)	(30,411,355)	(85,344,167)
Net cash generated from operating activities		551,978,121	3,771,504,932	551,978,121	3,771,504,932
Cash flow from investing activities					
Proceeds from disposal of property, plant and equipment	6	12,946,429	-	12,946,429	-
Short term loans given to related parties	30.2	(300,000,000)	(500,000,000)	(300,000,000)	(500,000,000)
Short term loans re-paid by related parties	30.2	324,313,952	-	324,313,952	-
Acquisition of property, plant and equipment	12	(105,357,851)	(239,001,845)	(105,357,851)	(239,001,845)
Investment in fixed deposits (net)	20	(1,762,923,166)	(910,620,000)	(1,762,923,166)	(910,620,000)
Interest received	8	364,133,468	61,361,961	364,133,468	61,361,961
Net cash used in investing activities		(1,466,887,168)	(1,588,259,884)	(1,466,887,168)	(1,588,259,884)
Cash flow from financing activities					
Dividend paid	32	(137,950,298)	(103,011,055)	(137,950,298)	(103,011,055)
Loans obtained during the year	28	-	1,971,740,822	-	1,971,740,822
Loan repayments during the year	28	(156,795,682)	(2,382,798,583)	(156,795,682)	(2,382,798,583)
Lease payments	28	(1,277,760)	(1,229,360)	(1,277,760)	(1,229,360)
Net cash used in financing activities		(296,023,740)	(515,298,176)	(296,023,740)	(515,298,176)
Net increase / (decrease) in cash and cash equivalents		(1,210,932,787)	1,667,946,872	(1,210,932,787)	1,667,946,872
Cash and cash equivalents at beginning of the year	21	2,501,869,017	833,922,145	2,501,869,017	833,922,145
Cash and cash equivalents at the end of the year	21	1,290,936,230	2,501,869,017	1,290,936,230	2,501,869,017

The Notes to the Financial Statements from pages 74 to 126 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.

1.2. Parent Enterprise and Ultimate Parent Enterprise

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

1.3. Principal Activities and Nature of Operations

The principal activities of the Company are manufacturing and sealing 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.

1.4. Number of Employees

The number of employees of the Company as at 31 March 2023 was 496 (2022 – 528).

1.5. Responsibilities for Financial Statements and Approval of Financial Statements

The Board of Directors is responsible for the preparation and presentation of the financial statements of the Company as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards. The Directors' responsibility over financial statements is set out in detail in the Statement of Directors' Responsibility.

The Financial Statements of the Company for the year ended 31 March 2023 were authorized for issue in accordance with a resolution of the Board of Directors on 14th August 2023.

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.

The Company did not adopt any inappropriate accounting treatment, which is not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

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:

Item	Basis of Measurement	Note
Freehold land and buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	12
Investment property	Measured at fair value.	14
Defined benefit obligation	Measured at the present value of the defined benefit obligation	26

2.3 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.

2.4 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:

Critical accounting assumptions and estimation uncertainties	Note
Fair value of land and buildings	2.4.1
Useful lifetime of the property, plant, and equipment	2.4.2
Impairment on non-financial assets	3.8.2
Fair value of Investment Property	2.4.3
Measurement of defined benefit obligation: key actuarial assumptions	2.4.4
Impairment measurement of financial assets: determination of inputs into the ECL measurement model, including key	2.4.5

2.4.1 Fair value of land and buildings

The Company measures land and buildings at revalued amounts with changes in fair value being recognised in Equity through Other Comprehensive Income (OCI). Valuations are performed to ensure that the fair value of a revalued asset does not differ materially from it carrying amount. The Company engages independent professional valuer Mr. Senanayake Bandara, Chartered Valuation Surveyor to assess fair value of land and buildings in terms of Sri Lanka Accounting Standard on "Fair Value Measurement" (SLFRS13). Based on the valuation techniques and inputs used, land and buildings were classified at level 3 in the fair value hierarchy.

The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the land and building, and sensitivity analysis are provided in Note 12.2 and 12.3.

2.4.2 Useful lifetime of the property, plant and equipment

The Company reviews the residual values, useful lives, and methods of depreciation of property, plant, and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. Refer Note 3.3 (c) for more details.

2.4.3 Fair value of Investment property

The Company measures investment property at Fair Value with changes in fair value being recognised in statement of Profit or loss (P&L). Valuations are performed at each year end. The Company engages independent professional valuer Mr. Senanayake Bandara, Chartered Valuation Surveyor to assess fair value of investment property in terms of Sri Lanka Accounting Standard on "Fair Value Measurement" (SLFRS13). Based on the valuation techniques and inputs used, land and buildings were classified at level 3 in the fair value hierarchy.

The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the investment property, and sensitivity analysis are provided in Note 14.1 and 14.2.

2.4.4 Measurement of defined benefit obligation

The cost of defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Refer Note 26.3 for the assumptions used to determine defined benefit obligations. Sensitivity analysis to key assumptions is disclosed in Note 26.4.

2.4.5 Impairment measurement of financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

The Company's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their inter dependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Development of ECL models, including the various statistical formulas and the choice of inputs;
- Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect on Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGD);
- The Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative'.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.6 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;

(a) quoted market prices in active markets for similar instruments,

(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or

(c) 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.

2.7 Going Concern

Management has determined that there is no material uncertainty that casts doubt on the entity's ability to continue as a going concern. In preparing these financial statements, based on available information, the management has assessed the effects of Current economic condition 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 non-essential 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. Therefore, the Financial

Statements of the Company continued to be prepared on a going concern basis.

2.8 Comparative Information

Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous period in the Financial Statements to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.9 Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the Significant Accounting Policies of the Company.

2.10 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements'.

3 SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these Financial Statements.

Assets and bases of valuation

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

3.1 Interest in Equity-accounted investees

The Company's interests in equity-accounted investees comprise interests in associates.

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

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the Company and Investee financial statements include the Company's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

3.1.1 Accounting for investment in associate

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

3.1.2 Financial Period

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

3.2 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.

3.3 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.

Subsequent measurement - Cost Model

The Company applies the Cost model to all Property, Plant & 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.

Subsequent measurement - Revaluation Model

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

On revaluation of an asset, any increase in the carrying amount is recognized in Other Comprehensive Income and presented in Revaluation Reserve in equity or used to reverse a previous loss on revaluation of the same asset, which was charged to the Statement of 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 for the current and comparative periods are as follows.

Plant & Machinery	10 - 45 years
Buildings	25 years
Electrical Fittings	10 years
Office Equipment	10 years
Furniture & Fittings	10 years
Business Machines	5 years
Motor Vehicles	5 years
Software	1 year

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

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

d) Derecognition

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

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.

3.4 Right to use Assets

Recognition

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3.4.1 ROU assets

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Company applies the cost model for the subsequent measurement of the ROU asset and accordingly, the right-of use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(a) Depreciation expenses

Depreciation expenses has been charged to income statement under other operating and administration expenses.

3.4.2 Lease Liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

(a) Interest expenses on lease liabilities

Interest expense is calculated by using the effective interest rate method and is recognised as finance expenses in the Income Statement.

(b) Presentation of ROU asset and lease liabilities

The Company presents right-of-use assets that do not meet the definition of investment property in separate line as 'Right-of-use assets' and lease liabilities within 'Interest bearing borrowings' in the Statement of Financial Position.

(c) Short term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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

NOTES TO THE FINANCIAL STATEMENTS

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.

(h) 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.

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). ECLs are discounted at the effective interest rate of the financial asset.

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 tor 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.

3.8.2 Non-financial assets

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

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. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of other assets, recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in hand and short-term deposits with original maturity of three months or less. Bank overdrafts are shown in current liabilities. For purpose of Cash Flow, Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as components of cash and cash equivalent.

3.10 Stated Capital

Ordinary Shares

Ordinary Shares are classified as equity. Incidental costs attributable to the issue of ordinary shares are recognized as an expense.

3.11 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.

3.12 Employee benefits

(a) 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.

(b) 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.

(c) Defined Benefit Plans

A defined Benefit Plan is a post- employment benefit plan other than a Defined Contribution Plan. The liability recognized in the Statement of Financial Position in respect of a Defined Benefit Plan is the present value of the defined benefit obligation at the Statement of Financial Position date. The defined benefit obligation is calculated annually by independent actuaries, using the projected unit credit method, as recommended by LKAS 19, "Employee Benefits".

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that apply to the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The assumptions based on which the results of the actuarial valuation were determined are included in the note 26 to the Financial Statements. This liability is not externally funded, and the item is grouped under Non- Current Liabilities in the Statement of Financial Position.

The qualifying remuneration of all permanent employees in considered in the calculation of the defined benefit obligation.

However, 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. Liabilities are computed on the basis of half a month's salary for each year of completed service. The Company's obligations under the said Act is determined based on an actuarial

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valuation using the projected unit credit method carried out by a professional actuary.

Remeasurements of the defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in OCI. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(d) Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

3.13 Capital commitments and Contingencies

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

Capital commitments and contingent liabilities of the Company is disclosed in Notes 37 and 38 to the Financial Statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

3.14 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 recognized in the Statement of Profit or Loss when control of the goods has been transferred to the customers. 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 trade returns and trade discounts.

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.

3.15 Expenditure recognition

Operating Expenses

All expenditure incurred in running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to the state Profit & Loss in arriving at the profit for the year. For the purpose of presentation of Statements of Profit or Loss and Other Comprehensive Income, the Directors are of the opinion that the function of expense method present fairly the elements of the enterprise's performance, hence such presentation method is adopted.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business treated as capital expenditure. Repairs and renewals are recognized in Profit or Loss in the year in which the expenditure is incurred.

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.

3.16 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.

3.17 Income Tax Expenses

Income tax expense comprises both current and deferred tax. Income tax expense is recognized in income statement except to the extent that it relates to items recognized directly in equity, in which case is recognized in the statement of comprehensive income or statement of changes in equity, in which case it is recognized directly in the respective statements.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(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.

Unrecognized 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.

(c) Tax exposures

In determining the amount of current and deferred tax, the Company considers the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events.

New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

3.18 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.

3.19 Earnings per share

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.20 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 SRI LANKA ACCOUNTING STANDARDS (SLFRS) ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1st April 2022 and earlier application is permitted. However, the Group has not early adopted the new or amended standards in preparing these financial statements.

— Deferred Tax related to Assets and Liabilities arising

from a Single Transaction (Amendments to LKAS 12) The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

— Definition of Accounting Estimates (Amendments to LKAS 8)

The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendment applies to annual reporting periods beginning on or after 1st January 2023.

— Classification of Liabilities as Current or Non-current (Amendments to LKAS 1). The amendment applies to annual reporting periods beginning on or after 1st January 2023

The amendments in Classification of Liabilities as Current or Non-current (Amendments to LKAS 1) affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those item The key amendments are as follows: - the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The standard also clarifies that settlement refers to the transfer to the counter party of cash, equity instruments, other assets or services. The Group does not anticipate this amended to have a significant impact.

— Disclosure of Accounting Policies (Amendments to LKAS 1). The amendment applies to annual reporting period beginning on or after 1st January 2023

The key amendments include,

- requiring companies to disclose their material accounting policies rather than their significant accounting policies.
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Group's financial statements. The Company does not anticipate this amended to have a significant impact.

5. REVENUE

For the year ended 31 March,	Company and Investee / Company	
	2023	2022
	Rs.	Rs.
Revenue from contracts with customers		
Local sales		
Manufacturing and fabrication	8,127,736,264	10,826,437,285
Trading	1,236,637,069	2,263,851,273
Export sales		
Direct exports	1,339,627,020	1,043,254,262
Indirect exports	758,495,973	981,840,650
	11,462,496,326	15,115,383,470

5.1 Timing of revenue recognition

For the year ended 31 March,	Company and Investee / Company	
	2023	2022
	Rs.	Rs.
Products & services transferred at a point in time	11,462,496,326	15,115,383,470
	11,462,496,326	15,115,383,470

6. OTHER INCOME

For the year ended 31 March,	Company and Investee / Company	
	2023	2022
	Rs.	Rs.
Gain on disposal of property, plant and equipment	12,946,429	-
Sundry sales and sundry income (Note 6.1)	31,381,193	19,815,510
Profit from foreign investment (Note 6.2)	229,427,015	-
	273,754,637	19,815,510

6.1. Sundry sales includes sales of scraps and raw materials. Sundry income includes write back of unclaimed credit balances of trade receivables and unclaimed dividends.

6.2. During the year, the advance payment made to Blue Water Resort Hotel Project (Note 19.3) was paid back to the Company since the investment did not materialize. From the total amount received, after deducting the expenses already incurred, the Company has incurred a profit as above, which comprised of the initial advance made by the company and other income received from the investment.

NOTES TO THE FINANCIAL STATEMENTS

7. PROFIT FROM OPERATIONS

	Company and Investee / Company	
For the year ended 31 March,	2023	2022
	Rs.	Rs.
Profit from operation is stated after charging all expenses including the following.		
Directors emoluments/ fee	25,231,450	22,638,000
Auditors remuneration		
Statutory audit	904,000	786,000
Audit related services	90,000	90,000
Depreciation on property, plant and equipment	102,264,561	92,840,087
Amortization of intangible assets	-	6,825,088
Provision/(reversal) for obsolete and slow moving inventories	(23,041,658)	63,243,625
Inventory write off during the year	48,155,279	29,189,239
Reversal of provision for impairment of trade and other receivables	(45,541,971)	(45,850,237)
Provision for warranties	1,941,473	-
Debtors write off during the year	228,031	-
Donations	110,000	25,000
Staff Costs - (Note 7.1)	788,766,282	706,072,851

7.1 Staff cost other than directors emoluments

	Company and Investee / Company	
For the year ended 31 March,	2023	2022
	Rs.	Rs.
Salaries, wages and related cost	533,484,418	505,992,969
Staff cost other than above	174,727,773	138,208,542
Defined contribution plan cost-EPF,ETF	52,886,249	49,590,913
Defined benefit plan cost-retiring gratuity	27,667,842	12,280,427
	788,766,282	706,072,851

8. NET FINANCE INCOME

For the year ended 31 March,	Company and Investee / Company 2023 Rs.	2022 Rs.
Finance income		
Interest income from foreign currency deposits	140,491,958	60,954,071
Interest income from local currency deposits	142,290,173	11,006,191
Interest income from loans given to ACL Cables PLC	135,310,691	3,778,082
Net foreign exchange gain	360,348,813	191,790,026
	778,441,635	267,528,370
Finance expenses		
Interest expense on bank overdraft	(343,399)	(2,579,921)
Interest expense on bank loans	(18,824,208)	(55,130,328)
Interest expense on trade bills	(4,088,433)	(20,828,453)
Interest expense on ROU assets lease	(461,069)	(563,602)
Interest expense on distributor deposits and staff money retained	(7,155,315)	(6,805,465)
	(30,872,424)	(85,907,769)
Net finance income	747,569,211	181,620,601

9. INCOME TAX EXPENSE

9.1 Amounts recognised in Profit or Loss

For the year ended 31 March,	Company and Investee / Company 2023 Rs.	2022 Rs.
Current taxation		
Current tax expense - (Note 9.3)	742,185,415	469,761,214
Over provision in respect of prior years (Note 9.6)	(68,495,947)	(129,551)
	673,689,468	469,631,663
Deferred taxation		
Deferred tax liability originated / (reversal) during the year	(3,255,093)	366,111
Deferred tax assets originated / (reversal) during the year	14,640,985	(4,226,056)
Effect of change in tax rates	60,070,932	-
	71,456,824	(3,859,945)
Income tax expense recognised in profit or loss	745,146,292	465,771,718

NOTES TO THE FINANCIAL STATEMENTS

9.2 Amounts recognized in Other Comprehensive Income

	Value before tax	Tax (expenses) / benefit	Net of tax
	Rs.	Rs.	Rs.
For the year ended 31 March 2023			
Actuarial loss on employee benefit obligations	(9,140,140)	2,742,042	(6,398,098)
	(9,140,140)	2,742,042	(6,398,098)
For the year ended 31 March 2022			
Actuarial gain on employee benefit obligations	43,382,658	(8,286,088)	35,096,570
	43,382,658	(8,286,088)	35,096,570

9.3 Reconciliation between the accounting profit and the profit for tax purposes

	Company and Investee		Company	
For the year ended 31 March,	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Profit before tax	3,531,970,280	2,599,605,950	3,535,609,680	2,597,928,300
Share of equity accounted investee (profit) / loss share	3,639,400	(1,677,650)	-	-
Adjusted profit before tax	3,535,609,680	2,597,928,300	3,535,609,680	2,597,928,300
Aggregate disallowable expenses	417,903,013	131,735,115	417,903,013	131,735,115
Aggregate allowable expenses	(75,564,741)	(75,377,653)	(75,564,741)	(75,377,653)
Income not liable for tax	(799,200,230)	(100,454,071)	(799,200,230)	(100,454,071)
Taxable Income	3,078,747,722	2,553,831,691	3,078,747,722	2,553,831,691
Income tax on current year profit	742,185,415	469,761,214	742,185,415	469,761,214
Income tax charged at				
Concessionary rate of 14%	41,176,859	47,632,332	41,176,859	47,632,332
Standard rate of 18%	178,993,284	327,405,893	178,993,284	327,405,893
Standard rate of 24%	60,203,114	94,722,989	60,203,114	94,722,989
Standard rate of 30%	461,812,158	-	461,812,158	-
Income tax on current year profits	742,185,415	469,761,214	742,185,415	469,761,214

9.4 Applicable income tax rates as per the Department of Inland Revenue

In accordance with the provisions of the Inland Revenue (Amendment) Act No 10 of 2021, the Company is liable for income tax at the rate of 14% on taxable income from exports, at the rate of 18% on its profit from manufacturing and income tax for any other income is computed at 24% for the first half of the year. According to the Inland Revenue Amended Act No 45 of 2022, the tax rate of the Company is increased to 30% for all types of income w.e.f 01st October 2022.

9.5 Reconciliation of effective tax rate

For the year ended 31 March,	Company and Investee / Company			Company and Investee / Company		
	2023			2022		
	Rs.	Rs. Tax	%	Rs.	Rs. Tax	%
Profit before tax from operations	3,535,609,680			2,597,928,300		
Tax using the Company's domestic tax rate	3,535,609,680	852,319,896	24.1%	2,597,928,300	477,872,507	18.4%
Non-deductible expenses	417,903,013	100,742,753	2.8%	131,735,115	24,231,843	0.9%
Tax-exempt income	(799,200,230)	(192,661,046)	-5.4%	(100,454,071)	(18,477,893)	-0.7%
Tax effect of allowable expenses	(75,564,741)	(18,216,188)	-0.5%	(75,377,653)	(13,865,243)	-0.5%
Changes in estimates related to prior years		(68,495,947)	-1.9%	-	(129,551)	0.0%
Deferred tax charge/(reversal)	-	71,456,824	2.0%	-	(3,859,945)	-0.1%
	3,078,747,722	745,146,292	21.1%	2,553,831,691	465,771,718	17.9%

9.6 The over provision of the tax has resulted due to the application of the public rulings No. PR/IT/2023/01 issued by the Inland Revenue Department for exemptions.

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	
	2023	2022	2023	2022
Profit attributable to ordinary shareholders (Rs.)	2,786,823,988	2,133,834,232	2,790,463,388	2,132,156,582
Weighted average number of ordinary shares	21,800,000	21,800,000	21,800,000	21,800,000
Basic Earnings per share (Rs.)	127.84	97.88	128.00	97.81

Diluted Earnings per share

There were no potentially dilutive ordinary shares as at 31 March 2023 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would required restatement of earning per share.

11. DIVIDEND PER SHARE

For the year ended 31 March,	Company	
	2023	2022
Interim dividend declared - 2020/21- (Rs.)	-	98,100,000
Interim dividend declared - 2021/22- (Rs.)	141,700,000	-
	141,700,000	98,100,000
Gross dividend -(Rs.)	141,700,000	98,100,000
Number of shares	21,800,000	21,800,000
Dividend per share (Rs.)	6.50	4.50

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

	Company and Investee / Company								
	Freehold land	Buildings	Furniture, fittings and office equipment	Business Machines	Motor Vehicles	Plant, machinery, and electrical fittings	Capital work-in -progress	Total as at 31 March 2023	Total as at 31 March 2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost									
Balance as at 1 April	389,500,000	335,766,775	34,509,760	56,593,700	209,855,954	807,707,142	159,398,086	1,993,331,417	1,754,329,572
Additions during the year	33,673,125	-	417,567	3,867,515	14,500,000	7,286,938	45,612,706	105,357,851	239,001,845
Disposals during the year	-	-	-	-	(10,250,000)	-	-	(10,250,000)	-
Balance as at 31 March	423,173,125	335,766,775	34,927,327	60,461,215	214,105,954	814,994,080	205,010,792	2,088,439,268	1,993,331,417
Accumulated depreciation									
Balance as at 1 April	-	29,075,139	24,616,622	48,431,310	146,360,870	589,679,543	-	838,163,484	745,323,397
Charge for the year	-	29,104,697	1,569,637	2,744,815	25,462,792	43,382,620	-	102,264,561	92,840,087
Disposals during the year	-	-	-	-	(10,250,000)	-	-	(10,250,000)	-
Balance as at 31 March	-	58,179,836	26,186,259	51,176,125	161,573,662	633,062,163	-	930,178,045	838,163,484
Carrying value									
As at 31 March 2023	423,173,125	277,586,939	8,741,068	9,285,090	52,532,292	181,931,917	205,010,792	1,158,261,223	
As at 31 March 2022	389,500,000	306,691,636	9,893,138	8,162,390	63,495,084	218,027,599	159,398,086		1,155,167,933

12.1 Valuation of lands and buildings

The Company uses the revaluation model of measurement for lands and buildings. The Company has appointed Mr. Senanayake Bandara, a fellow Member of Institute of Valuers of Sri Lanka, an independent valuer, to determine the fair value of its lands and buildings. Fair value is determined by reference to market-based evidence. Valuations are based on open market rates, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent valuation was 31 March 2021. As per the valuer's opinion, there is no significant change in the fair value as at 31 March 2023.

Fair value hierarchy

The fair value of the land and building was determined by an external independent property valuer, Mr. Senanayake Bandara, a fellow Member of Institute of Valuers of Sri Lanka, having appropriate recognised professional qualifications and experience in the category of the property being valued. The valuer provides the fair value of the property. Based on the valuation techniques used it has been classified under Level 3 in fair value hierarchy. Valuation techniques and significant unobservable inputs are disclosed under Note 12.3.

12.2 The details of freehold land and buildings which are stated at valuation are as follows;

Property owned by Kelani Cables PLC	Extent		No of buildings	Method of valuation	Date of Valuation	Valuer	Revalued Amount		Carrying value after revaluation	Carrying value if carried at cost
	Land	Buildings					Land	Buildings		
	(Perches)	(Square feet)					Rs.	Rs.	Rs.	Rs.
Land and building situated at Wewelduwa, Kelaniya	1,041.50	117,107	19	Market comparable method/ Replacement cost method	31-03-2021	Mr. Senanayake Bandara, a fellow Member of Institute of Valuers of Sri Lanka	342,000,000	250,000,000	592,000,000	206,672,905
Land and building situated at Mahena Road, Siyamblape South, Siyamblape	172.75	35,583	5	Market comparable method/ Replacement cost method	31-03-2021		47,500,000	84,500,000	132,000,000	11,664,889
			24				389,500,000	334,500,000	724,000,000	218,337,794

The Land and buildings were revalued as at 31 March 2021, by external independent property valuer Mr. Senanayake Bandara ,a Fellow Member of Institute of Valuers of Sri Lanka. The surplus on revaluation of Rs. 155,426,146/- relating to land and buildings were incorporated in the financial statements on 31 March 2021. 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.

The details of free hold land and buildings as at 31 March 2023 as follows.

Property owned by Kelani Cables PLC	Extent		No of buildings	Carrying Amount as at 31 March 2023		Carrying value if carried at cost- as at 31 March 2023	
	Land	Buildings		Land	Buildings	Land	Buildings
	(Perches)	(Square feet)		Rs.	Rs.	Rs.	Rs.
Land and buildings	1,251.15	152,690	24	423,173,125	277,586,939	196,678,106	46,865,822

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 catergorised as Level 3 in the fair value hierarchy as at 31 March 2021.

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 The estimated fair value would increase/ (decrease) if:
Wewelduwa, Kelaniya	Market comparable method	Land - Price per perch	Rs.80,000/- to Rs.450,000/-	Price per perch for land increases/(decreases)
	Replacement cost method	Building -Price per square feet	Rs.950/- to Rs.4,500/-	Price per square feet for building increases/ (decreases)
Mahena Road, Siyamblape South, Siyamblape	Market comparable method	Land - Price per perch	Rs. 275,000/-	Price per perch for land increases/(decreases)
	Replacement cost method	Building -Price per square feet	Rs.850/-to Rs.3,750/-	Price per square feet for building increases/ (decreases)

NOTES TO THE FINANCIAL STATEMENTS

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.

Replacement cost method

The Replacement Cost method is a method used in real estate appraisal to estimate the value of a property. It is commonly employed for properties with unique features or characteristics that make it difficult to find comparable properties for comparison. This approach focuses on determining the cost to replace or reproduce the property in its current condition.

12.4 Fully depreciated property, plant and equipment in use

Details of fully depreciated assets as at the reporting date is as follows.

	Company and Investee / Company	
As at 31 March,	2023	2022
	Rs.	Rs.
Building	10,890,323	-
Furniture, fittings and office equipment	19,504,405	18,743,727
Business machines	45,177,842	42,100,765
Motor vehicles	80,520,604	90,770,604
Plant, machinery, and electrical fittings	502,695,127	279,334,548
	658,788,301	430,949,644

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 to property, plant and equipment

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

12.7 Assessment of impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31 March 2023 by considering the impact from the current economic condition as well. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of property, plant and equipment (2021/2022 - Nil).

12.8 Temporarily idle property, plant and equipment

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

12.9 Property, plant and equipment under construction

Capital work in progress as at the reporting date included expenses incurred for buildings being constructed and installation of machineries which are to be completed in next financial year.

13. INTANGIBLE ASSETS

As at 31 March	Company and Investee / Company 2023 Rs.	2022 Rs.
Computer software		
Cost		
Balance as at 1 April	12,750,925	12,750,925
Additions during the year	-	-
Balance as at 31 March	12,750,925	12,750,925
Accumulated amortization		
Balance as at 1 April	12,750,925	5,925,837
Amortized during the year	-	6,825,088
Balance as at 31 March	12,750,925	12,750,925
Carrying value as at 31 March	-	-

14. INVESTMENT PROPERTY

As at 31 March,	Company and Investee / Company 2023 Rs.	2022 Rs.
Balance as at 1 April	690,000,000	650,500,000
Change in fair value	32,000,000	39,500,000
Balance as at 31 March	722,000,000	690,000,000

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 Rs.
Situated at No.78, Raja Mawatha, Ekala, Ja-ela, Sri Lanka.	13A .00R .02P	722,000,000

NOTES TO THE FINANCIAL STATEMENTS

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 2023.

The significant unobservable inputs used in measuring land is catergorised as Level 3 in the fair value hierarchy as at 31 March 2023.

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	Fair value of land	Fair value gain recognized on land	Significant unobservable valuation inputs	Inter relationship between significant unobservable inputs and fair value measurement
		Rs.	Rs.	Rs.		
Market comparable method	Rs.55,500,000/- per acre	690,000,000	722,000,000	32,000,000	Price per perch for land	Estimated fair value would increase/(decrease) If; price per perch of land increase/ (decreases)

14.3 As per the Inland Revenue (Amendment) Act No 45 of 2022 which has been legislated and has become effective from 01st October 2022, the Company will be liable for capital gain tax at the rate of 30% on the revaluation surplus in excess of the deemed cost of investment assets (10% - 31st March 2022). Accordingly, deferred tax liability has been recognized in the financial statements.

14.4 Direct operating expenses arising from investment property that did not generate rental income during the year was Rs. 669,500/- (2021/22 -Rs.162,000/-).

15. INVESTMENT IN SUBSIDIARY

	Company and Investee / Company			
As at 31 March,	Company Holding	No. of Shares	2023	2022
			Rs.	Rs.
Kelani Electrical Accessories (Pvt) Limited				
Cost	100%	8	80	80
Provision for investment			(80)	(80)
			-	-

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

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

16 RIGHT-OF-USE ASSETS

As at 31 March	Company and Investee / Company 2023 Rs.	2022 Rs.
Cost		
Balance as at 1 April	4,911,092	4,911,092
Additions to right-of-use assets	-	-
Balance as at 31 March	4,911,092	4,911,092
Accumulated amortization		
Balance as at 1 April	1,785,852	892,926
Charge for the year	892,916	892,926
Balance as at 31 March	2,678,768	1,785,852
Carrying value as at 31 March	2,232,324	3,125,240

The Company leases warehouse facilities. The leases typically run for a period of 2 years, with an option to renew the lease after that date. Lease payments are renegotiated every two years to reflect market rentals.

17 INVESTMENT IN EQUITY ACCOUNTED INVESTEE

17.1 Investment in ACL-Kelani Magnet Wire (Private) Limited

As at 31 March,	Company 2023 Rs.	2022 Rs.
Investment in ACL-Kelani Magnet Wire (Private) Limited	51,200,000	51,200,000
	51,200,000	51,200,000

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.

As the directors of the associate company intend to liquidate the company, the financial statements have been prepared on a liquidation basis. In adopting the liquidation basis the following policies and procedures were implemented in current financial year.

- All assets are considered realizable and have been classified as current assets within on year.
- All liabilities reflect the full valued of payables, which need to be settled within one year and have been classified as current liabilities.

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 2023.

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.

NOTES TO THE FINANCIAL STATEMENTS

17.2 Value of the investment

As at 31 March,	Company and Investee 2023 Rs.	2022 Rs.
Balance as at 1 April	75,132,734	73,455,084
Current years share of comprehensive income		
Included in profit or loss (Note 17.2.1)	(3,639,400)	399,661
Adjustment of previous share of profit or loss	-	1,277,989
Included in other comprehensive income (Note 17.2.2)	-	-
Included in comprehensive income	(3,639,400)	1,677,650
Investment in equity accounted investee	71,493,334	75,132,734
17.2.1 Included in Profit or loss		
Share of loss before tax	(7,622,754)	(531,076)
Share of income tax charge	3,983,354	930,737
Share of profit /(loss) of equity accounted investee, net of tax	(3,639,400)	399,661
17.2.2 Included in other comprehensive income		
Share of other comprehensive income of the equity accounted investee, net of tax	-	-

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

17.3 Carrying amount of interest in associate

As at 31 March	Company and Investee 2023 Rs.	2022 Rs.
Percentage ownership interest	29.99%	29.99%

As at 31 March	Company and Investee 2023 Rs.	2022 Rs.
Financial position of equity accounted investee		
Non current assets	-	-
Current assets	343,911,142	360,233,299
Non-current liabilities	-	-
Current liabilities	(105,520,566)	(109,707,344)
Net assets (100%)	238,390,576	250,525,955
Company's share of net assets (29.99%)	71,493,334	75,132,734
Carrying amount of interest in associate	71,493,334	75,132,734

17.4 Company's share of comprehensive income

For the year ended 31 March,	Company and Investee	
	2023	2022
	Rs.	Rs.
Financial performance of equity accounted investee		
Revenue (100%)	-	-
Profit/(loss) for the year, net of tax (100%)	(12,135,378)	1,332,646
Other comprehensive income (100%)	-	-
Total Comprehensive income (100%)	(12,135,378)	1,332,646
Company's share of total comprehensive income (29.99%)	(3,639,400)	399,661
Share of comprehensive income, net of tax	(3,639,400)	399,661

18 INVENTORIES

As at 31 March,	Company and Investee / Company	
	2023	2022
	Rs.	Rs.
Raw materials	779,723,551	486,145,620
Work-in-progress	235,028,097	211,918,072
Finished goods	1,856,838,440	1,220,907,442
Consumable stocks	102,170,481	85,637,400
	2,973,760,569	2,004,608,534
Impairment for obsolete Inventories (Note-18.1)	(167,611,785)	(190,653,443)
	2,806,148,784	1,813,955,091
Goods in transit	-	526,236,772
	2,806,148,784	2,340,191,863

18.1 Impairment for obsolete inventories

As at 31 March,	Company and Investee / Company	
	2023	2022
	Rs.	Rs.
Balance as at 1 April	190,653,443	127,409,818
Provision recognised/(reversal) during the year	(23,041,658)	63,243,625
Write off of inventories previously impaired	-	-
Balance as at 31 March	167,611,785	190,653,443

NOTES TO THE FINANCIAL STATEMENTS

19 TRADE AND OTHER RECEIVABLES

	Company and Investee / Company	
As at 31 March,	2023	2022
	Rs.	Rs.
Trade receivables	1,120,774,524	1,917,269,613
Provision for impairment of trade receivables (Note -19.1)	(225,566,609)	(271,108,580)
	895,207,915	1,646,161,033
Other receivables		
Advance paid to Blue Water Resort Hotel Project (Note 19.3)	-	371,439,207
Staff advances	7,664,600	12,693,275
Interest income receivable	23,821,217	-
Advance paid to trade creditors	120,449,491	25,695,326
Receivables other than above	12,491,812	1,258,939
Provision for impairment of other receivables (Note -19.2)	(111,600)	(111,600)
	164,315,520	410,975,147
	1,059,523,435	2,057,136,180

19.1 Provision for impairment of trade receivables

	Company and Investee / Company	
As at 31 March,	2023	2022
	Rs.	Rs.
Balance as at 1 April	271,108,580	316,958,817
Written-off during the year previously impaired	-	-
Reversal of provision during the year	(45,541,971)	(45,850,237)
	225,566,609	271,108,580

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 2023, the main components of this allowance are a specific loss component that relates to individually significant exposures amounting to Rs.91,498,075/-(2021/22- Rs.145,903,693/-, 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.134,068,534/- (2021/22-Rs.125,204,887/-). The collective loss allowance is determined based on historical data of payment statistics for similar financial assets adjusted for probable macro economic conditions.

19.2 Provision for impairment of other receivables

	Company and Investee / Company	
As at 31 March,	2023	2022
	Rs.	Rs.
Balance as at 1 April	111,600	111,600
Balance as at 31 March	111,600	111,600

19.3 Advance paid to Blue Water Resort Hotel Project

Kelani Cables PLC made an advance payment of USD 2,000,000 to Blue Water Resorts Hotel project which was intended 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 was incorporated. During the year, the advance payment made to Blue Water Resort Hotel Project was paid back to the Company since the investment did not materialize.

20 INVESTMENT IN FIXED DEPOSITS

As at 31 March,	Company and Investee / Company	
	2023	2022
	Rs.	Rs.
Balance as at 1 April	1,336,800,383	-
Investments during the year	3,099,723,549	910,620,000
Withdrawals during the year	(1,336,800,383)	-
Exchange gain/(loss)	(275,741,328)	411,804,000
Balance at the end of the year	2,823,982,221	1,322,424,000
Interest receivable	53,959,354	14,376,383
Total investment in fixed deposits as at 31 March	2,877,941,575	1,336,800,383

21 CASH AND CASH EQUIVALENTS

As at 31 March,	Company and Investee / Company	
	2023	2022
	Rs.	Rs.
Cash in hand	1,051,102	2,633,027
Cash at bank	925,620,275	2,526,497,284
Fixed deposits -(3 months)	423,765,616	-
Cash and cash equivalents in the statement of financial position	1,350,436,993	2,529,130,311
Bank overdraft	(59,500,763)	(27,261,294)
Cash and cash equivalents in the statement of cash flows	1,290,936,230	2,501,869,017

22 STATED CAPITAL

As at 31 March,	Company and Investee / Company	
	2023	2022
	Rs.	Rs.
Issued and fully paid		
21,800,000 Ordinary shares (31/03/22 - 21,800,000)	218,000,000	218,000,000
	218,000,000	218,000,000

22.1 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

23 CAPITAL RESERVES

As at 31 March,	Company and Investee		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Revaluation reserve (Note 23.1)	567,278,216	591,966,173	497,407,457	522,095,414
Capital redemption reserve fund (Note 23.2)	525,000	525,000	525,000	525,000
	567,803,216	592,491,173	497,932,457	522,620,414

23.1 Revaluation reserve

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

As at 31 March,	Company and Investee		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April	591,966,173	591,966,173	522,095,414	522,095,414
Effect of change in tax rates - reversal during the year recognised in other comprehensive income	(24,687,957)	-	(24,687,957)	-
Balance as at 31 March	567,278,216	591,966,173	497,407,457	522,095,414

23.2 Capital redemption reserve fund

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

24 GENERAL RESERVES

As at 31 March,	Company and Investee / Company	
	2023	2022
	Rs.	Rs.
Development reserve (Note 24.1)	7,143,905	7,143,905
Dividend equalization reserve (Note 24.2)	1,000,000	1,000,000
Revenue reserve (Note 24.3)	422,992,095	422,992,095
	431,136,000	431,136,000

24.1 Development reserve

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

24.2 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.

24.3 Revenue reserve

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

25. RETAINED EARNINGS

As at 31 March,	Company and Investee 2023 Rs.	Company and Investee 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Balance as at 1 April	5,479,026,685	3,408,195,883	5,524,964,710	3,455,811,558
Profit for the year	2,786,823,988	2,133,834,232	2,790,463,388	2,132,156,582
Other comprehensive income for the year	(6,398,098)	35,096,570	(6,398,098)	35,096,570
Interim dividend declared during the year	(141,700,000)	(98,100,000)	(141,700,000)	(98,100,000)
Balance as at 31 March	8,117,752,575	5,479,026,685	8,167,330,000	5,524,964,710

26 EMPLOYEE BENEFITS

26.1 Defined contribution plans

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

As at 31 March,	Company and Investee / Company 2023 Rs.	Company and Investee / Company 2022 Rs.
Employees' Provident Fund		
Employer's contribution	42,309,006	39,672,730
Employees' contribution	31,894,639	29,846,787
Employees' Trust Fund	10,577,251	9,918,183

26.2 Defined benefit plans - provision for employee benefits

As at 31 March,	Company and Investee / Company 2023 Rs.	Company and Investee / Company 2022 Rs.
Present value of unfunded obligation (Note 26.2.1)	152,619,255	122,806,774
26.2.1 Movement of the liability recognised in statement of financial position		
Balance as at 1 April	122,806,774	160,740,911
Provision for the year (Note 26.2.1.a)	27,667,842	12,280,427
Actuarial (gain)/loss during the year (Note 26.2.1.b)	9,140,140	(43,382,658)
	159,614,756	129,638,680
Payments during the year	(6,995,501)	(6,831,906)
Balance as at 31 March	152,619,255	122,806,774

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,	Company and Investee / Company 2023 Rs.	2022 Rs.
26.2.1.a Amount recognized in the statement of comprehensive income		
Current service cost	9,860,860	9,235,446
Interest cost	17,806,982	11,251,864
Past service credit	-	(8,206,883)
	27,667,842	12,280,427
26.2.1.b Amount recognized in the statement of other comprehensive income		
Actuarial (gain)/loss during the year	9,140,140	(43,382,658)
	9,140,140	(43,382,658)
The expense is recognized in the following line items in the statement of comprehensive income		
Cost of sales	12,781,932	5,365,701
Distribution expenses	9,096,242	3,818,497
Administrative expenses	5,789,668	3,096,229
	27,667,842	12,280,427

The provision for retirement benefits obligations as at 31 March 2023 is based on the actuarial valuation carried out by professionally qualified actuaries, Mr. M. Poopalanathan AIA of Actuarial & Management Consultants (Pvt) Ltd a firm of professional actuaries, using "Projected Unit Credit" (PUC) method, the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

During 2021/2022, the pension arrangements were adjusted to reflect new legal requirements in the country regarding the retirement age. As a result of the plan amendment, the Company's defined benefit obligation decreased by Rs. 8,206,883/-. A corresponding past service credit was recognized in profit or loss during 2021/2022.

26.3 Actuarial assumptions

As at 31 March,	Company and Investee / Company 2023 Rs.	2022 Rs.
Following were the principle actuarial assumptions at the reporting date.		
(a) Discount rate	18.0%	14.5%
(b) Future salary increase rate	15.0%	10.0%
(c) Retirement age	60 years	60 years
(d) Staff turnover	10.0%	10.0%
(e) Weighted average retirement age	8.14 years	8.08 years

Other assumptions regarding future mortality are based on A67-70 (Ultimate) UK Assured Lives Table.

The gratuity liability is not externally funded.

It is also assumed that the company will continue in business as a going concern.

26.4 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,	Company and Investee / Company 2023			
	Discount rate	Effect Rs.	Salary increment rate	Effect Rs.
Effect on defined benefit obligation liability				
Increase by 1%	19.0%	(7,094,107)	16.0%	8,599,364
Decrease by 1%	17.0%	7,798,116	14.0%	(7,931,698)

As at 31 March,	Company and Investee / Company 2022			
	Discount rate	Effect Rs.	Salary increment rate	Effect Rs.
Effect on defined benefit obligation liability				
Increase by 1%	15.5%	(5,683,881)	11.0%	7,014,123
Decrease by 1%	13.5%	6,253,332	9.0%	(6,459,892)

26.5 Maturity profile of the defined benefit obligation

As at 31 March,	Defined benefit obligation 2023 Rs.	2022 Rs.
Future working life times		
Within the next 12 months	25,571,229	21,540,353
Between 1-2 years	28,842,031	27,660,955
Between 2-5 years	41,126,288	28,769,945
Between 5-10 years	38,054,363	28,543,505
Beyond 10 years	19,025,344	16,292,016
	152,619,255	122,806,774

NOTES TO THE FINANCIAL STATEMENTS

27 DEFERRED TAXATION

As at 31 March,	Company and Investee / Company 2023 Rs.	Company and Investee / Company 2022 Rs.
Deferred tax assets (Note 27.1)	(164,775,168)	(112,482,518)
Deferred tax liabilities (Note 27.2)	304,012,290	158,316,901
	139,237,122	45,834,383

27.1 Deferred tax assets

	2023 Rs.	2022 Rs.
Balance as at 1 April	112,482,518	116,542,550
Originated/(reversal) during the year - recognized in profit or loss	(14,640,985)	4,226,056
Originated/(reversal) during the year recognized in other comprehensive income	2,742,042	(8,286,088)
Effect of change in tax rates -originated, recognized in the profit or loss	64,191,593	-
Balance as at 31 March	164,775,168	112,482,518

27.2 Deferred tax liabilities

	2023 Rs.	2022 Rs.
Balance as at 1 April	158,316,901	157,950,790
Originated/(reversal) during the year recognized in profit or loss	(3,255,093)	366,111
Effect of change in tax rates - originated during the year recognized in profit or loss	124,262,525	-
Effect of change in tax rates - reversal during the year recognized in other comprehensive income	24,687,957	-
Balance as at 31 March	304,012,290	158,316,901

For the year ended 31 March,	Company and Investee / Company 2023 Rs.	Company and Investee / Company 2022 Rs.
27.3 Provision for the year		
Provision/ (reversal) during the year recognized in profit/(loss)	11,385,892	(3,859,945)
Provision/(reversal) during the year recognized in other comprehensive income	(2,742,042)	8,286,088
Effect of change in tax rates - provision during the year recognized in profit or loss	60,070,932	-
Effect of change in tax rates - reversal during the year recognized in other comprehensive income	24,687,957	-
Provision during the year recognized in comprehensive income	93,402,739	4,426,143

27.4 Movement in deferred tax asset and liabilities

As at 31 March,	Statement of Financial Position				Profit or loss			Other Comprehensive Income		
	2023		2022		2023		2022	2023		2022
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect	Timing Difference	Effect on change in tax rate	Timing Difference	Timing Difference	Effect on change in tax rate	
	Rs.		Rs.		Rs.		Rs.	Rs.		Rs.
Deferred tax liability										
Property, plant and equipment	342,646,958	102,794,088	384,604,352	73,459,431	(12,587,218)	41,921,874	(3,413,340)	-	-	-
Land revaluation	226,495,019	67,948,505	226,495,019	43,260,549	-	-	-		24,687,957	
Investment property	442,000,000	132,600,000	410,000,000	41,000,000	9,600,000	82,000,000	3,950,000	-		-
Right-of-use assets	2,232,324	669,697	3,125,240	596,921	(267,875)	340,651	(170,549)	-		
		304,012,290		158,316,901	(3,255,093)	124,262,525	366,111	-	24,687,957	-
Deferred tax assets										
Employee benefits	152,619,255	45,785,777	122,806,774	23,456,094	6,201,703	13,385,938	1,040,668	2,742,042		(8,286,088)
Provision for staff payable	543,938	163,181	619,247	118,276	(22,593)	67,498	(9,590)	-		-
Impairment provision for debtors	225,566,609	67,669,983	271,108,580	51,781,739	(13,662,591)	29,550,835	(8,757,395)	-		-
Impairment provision for inventory	167,611,785	50,283,536	190,653,443	36,414,808	(6,912,497)	20,781,225	12,079,533	-		-
Lease liability	2,908,971	872,691	3,725,662	711,601	(245,007)	406,097	(127,160)	-		-
		164,775,168		112,482,518	(14,640,985)	64,191,593	4,226,056	2,742,042	-	(8,286,088)
		(139,237,122)		(45,834,383)	(11,385,892)	(60,070,932)	3,859,945	2,742,042	(24,687,957)	(8,286,088)

Management has measured the net deferred tax liability by applying the tax rates as per Inland Revenue (Amendment) Act No 45 of 2022 as at 31 March 2023. The Net Deferred Tax Liability is arrived at by applying the corporate tax rate of 30% applicable for the temporary difference as at 31 March 2023. (19.1% - 31 March 2022).

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.

27.5 Tax on land valuation

As per the Inland Revenue Act No 24 of 2017, applicable from 1 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 amounting to Rs. 226,495,019/- as at 31 March 2023, 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. 67,948,506 /- pertaining to revaluation reserve on freehold lands, which is computed at the corporate tax rate of 30%.

NOTES TO THE FINANCIAL STATEMENTS

28 INTEREST BEARING BORROWINGS

As at 31 March,	Company and Investee / Company	
	2023	2022
	Rs.	Rs.
Current liability		
Bank borrowings (Note 28.1)	154,638,122	156,795,672
Lease liability (Note 28.2)	1,013,205	1,187,658
	155,651,327	157,983,330
Non-current liability		
Bank borrowings (Note 28.1)	82,098,511	236,736,643
Lease liability (Note 28.2)	1,895,766	2,538,004
	83,994,277	239,274,647
	239,645,604	397,257,977

28.1 Borrowings from banks

As at 31 March,	Company and Investee / Company	
	2023	2022
	Rs.	Rs.
Balance as at 1 April	393,532,315	804,590,076
Loans obtained during the year	-	1,971,740,822
Loan repayments during the year	(156,795,682)	(2,382,798,583)
Balance as at 31 March	236,736,633	393,532,315
Current	154,638,122	156,795,672
Non-current	82,098,511	236,736,643
Total Bank borrowings as at 31 March	236,736,633	393,532,315

28.2 Lease liabilities

As at 31 March,	Company and Investee / Company 2023 Rs.	2022 Rs.
Balance as at 1 April	3,725,662	4,391,420
Additions during the year	-	-
Interest expense during the year	461,069	563,602
Payments made during the year	(1,277,760)	(1,229,360)
Balance as at 31 March	2,908,971	3,725,662
Current	1,013,205	1,187,658
Non-current	1,895,766	2,538,004
Total lease liabilities as at 31 March	2,908,971	3,725,662
Amounts recognised in profit or loss		
Interest on lease liabilities	461,069	563,602
Amortization on right of use assets	892,926	892,296
Amounts recognised in statement of cashflows		
Total cash flow for leases	1,277,760	1,229,360
Amount payable after one year		
Borrowings from banks	82,098,511	236,736,643
Lease liability	1,895,766	2,538,004
	83,994,277	239,274,647
Maturity analysis of lease liability		
Within 1 year	1,352,296	1,277,760
Between 1 and 2 years	1,405,536	1,352,296
Between 2 and 5 years	702,768	2,108,304
	3,460,600	4,738,360

NOTES TO THE FINANCIAL STATEMENTS

28.3 The details the bank borrowings as at the reporting date are as follows :

As at 31 March,				2023		2022	
	Currency	Interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
National Development Bank PLC	LKR	9.2% p.a	2022	-	-	15,600,000	2,157,550
Peoples Bank	LKR	5.5% p.a	2025	360,000,000	180,000,000	360,000,000	324,000,000
DFCC Bank PLC	LKR	7.75% - 8.25% p.a	2029	74,466,853	56,736,633	74,466,853	67,374,765
				434,466,853	236,736,633	450,066,853	393,532,315

29 TRADE AND OTHER PAYABLES

	Company and Investee / Company	
As at 31 March,	2023	2022
	Rs.	Rs.
Trade payables		
Trade payables	61,260,105	457,736,254
Bills payable	16,356,615	1,920,976,476
	77,616,720	2,378,712,730
Other payables		
Accrued charges	95,319,364	105,062,737
Nation building tax payable	17,827,208	17,827,208
SSCL payable	15,458,874	-
EPF, ETF payable	7,037,749	6,216,490
Distributors' deposits	49,109,186	118,294,246
Advance from debtors	131,952,534	316,409,895
Retention of payments	23,562,604	22,611,907
Provision for warranties	1,941,473	-
Payables other than above	30,818,495	40,836,425
	373,027,487	627,258,908
	450,644,207	3,005,971,638

30 AMOUNT DUE TO RELATED COMPANIES

30.1 Amount due to related companies

As at 31 March,	Company and Investee / Company	
	2023	2022
	Rs.	Rs.
ACL Cables PLC	14,345,989	95,085,123
ACL Plastics PLC	286,421,877	293,275,565
ACL Electric (Pvt) Ltd	4,327,662	2,680,607
Cable Solutions (Private) Ltd	2,914,133	648,114
S M Lighting (Private) Ltd	6,548,312	119,655,013
	314,557,973	511,344,422

30.2 Amount due from related companies

As at 31 March,	Company and Investee / Company	
	2023	2022
	Rs.	Rs.
Trade receivables		
ACL Metals & Alloys (Pvt) Ltd	11,960	87,091
Ceylon Copper (Pvt) Ltd	36,921,989	43,337,172
	36,933,949	43,424,263
Short term loans and other receivables		
Loans given to ACL Cables PLC (Note 30.2.1)	475,686,048	500,000,000
Interest receivable from ACL Cables PLC	40,674,068	3,778,082
Other receivables (Note 30.2.2)	166,276,326	-
	719,570,391	547,202,345

30.2.1 Loans given to ACL Cables PLC

Balance as at 1 April	500,000,000	-
Loan granted during the year	300,000,000	500,000,000
Re-payments during the year	(324,313,952)	-
Balance as at 31 March	475,686,048	500,000,000

During the year the Company granted a loan facility of Rs.300,000,000/- to the ACL Cables PLC for the purpose of financing working capital. According the agreement the interest is accrued monthly at the rate of 91 days Treasury bill rate less 2% p.a or AWPLR, whichever is lower. The Capital payment due at the expiration of the facility shall be paid on or before maturity or be rolled over as may be decided by the Company.

30.2.2 Other receivables from ACL Cables PLC

Other receivables include bills to be reimbursed by ACL Cables PLC which were paid by the Company behalf of ACL Cables PLC.

31 CURRENT TAX PAYABLES

	Company and Investee / Company	
As at 31 March,	2023	2022
	Rs.	Rs.
Balance as at 1 April	660,744,216	306,620,053
Provision for the year	742,185,415	469,761,214
Reversal of over provision of tax for last year	(68,495,947)	(129,551)
Payments made during the year	(464,993,850)	(115,507,500)
Balance as at 31 March	869,439,834	660,744,216

32 UNCLAIMED DIVIDENDS

	Company and Investee / Company	
As at 31 March,	2023	2022
	Rs.	Rs.
Balance as at 1 April	12,301,374	17,212,429
Dividend declared	141,700,000	98,100,000
Write back of unclaimed dividends	(4,008,305)	-
Payments during the year	(137,950,298)	(103,011,055)
Balance as at 31 March	12,042,771	12,301,374

33 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.

Parent and Ultimate Controlling Entity

- The parent company is Lanka Olex Cables (Private) Limited and the ultimate holding Company is ACL Cables PLC.

33.1 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	2023 Rs.	2022 Rs.
Short term employee benefits/fee	25,231,450	22,638,000
Post employment benefits	-	-

(iii) Guarantees given to/ received from related parties

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

(iv) Transaction with close family members

There were no transaction with close family members during the year ended 31 March 2023.

32.2 Transactions with Related Companies

Company	Relationship	Name of Common Directors	Nature of transaction	Transaction amount 2023 Rs.	Transaction amount 2022 Rs.
ACL Cables PLC	Ultimate parent company	U.G. Madanayake	Purchase of goods/raw materials (Gross)	(408,197,384)	(789,781,045)
		Suren Madanayake	Settlements during the year	487,062,180	849,055,228
		Mrs. N. C. Madanayake			
			Purchase of machinery	-	(108,000,000)
			Settlements during the year	-	108,000,000
			sale of goods, scraps and drawing charges (Gross)	87,903,592	76,188,120
			Settlements during the year	(90,935,482)	(69,325,897)
			Bills charged by ACL Cables PLC	(23,910,914)	(23,540,961)
			Settlements during the year	23,562,227	18,634,733
			Bills charged by Kelani Cables PLC	122,473,153	-
			Settlements during the year	(45,578,536)	-
			Loan given to ACL Cables PLC	300,000,000	500,000,000
			Loan settlements	(324,313,952)	
			Interest received/ accrued	135,310,692	3,778,082

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Company	Relationship	Name of Common Directors	Nature of transaction	Transaction amount 2023 Rs.	Transaction amount 2022 Rs.
ACL Plastics PLC	Fellow subsidiary of ACL Cables PLC	U.G. Madanayake	Purchase of raw materials (Gross)	(1,101,572,331)	(1,389,675,759)
		Suren Madanayake	Settlements during the year	1,109,491,934	1,346,783,237
		Mrs. N. C. Madanayake			
			Sale of goods/scraps (Gross)	3,330,574	4,191,162
			Settlements during the year	(4,396,489)	(4,301,791)
ACL-Kelani Magnet Wire (Private) Ltd	Equity accounted investee	U.G. Madanayake		-	-
		Suren Madanayake		-	-
				-	-
ACL Metals & Alloys (Pvt) Ltd	Fellow subsidiary of ACL Cables PLC	U.G. Madanayake	Purchase of raw materials (Gross)	-	(52,039,141)
		Suren Madanayake	Settlements during the year	-	52,039,141
			Sale of goods/scraps (Gross)	121,994	300,154
			Settlements during the year	(197,125)	(437,357)
Ceylon Copper (Pvt) Ltd.	Fellow subsidiary of ACL Cables PLC	U.G. Madanayake	Purchase of raw materials (Gross)	(6,415,183)	(383,397,761)
		Suren Madanayake	Settlements during the year	6,415,183	539,416,289
			Sale of Goods	-	-
			Settlements during the year	(6,415,183)	
ACL Electric (Pvt) Ltd.	Fellow subsidiary of ACL Cables PLC	U.G. Madanayake	Purchase of finished goods (Gross)	(47,277,049)	(9,875,295)
		Suren Madanayake	Settlements during the year	45,693,829	10,009,029
			Sale of finished goods (gross)	170,488	113,754
			Settlements during the year	(234,322)	(45,098)
Lanka Olex Cables (Private) Ltd	Immediate parent company	U.G. Madanayake	Interim dividend payment 2021/22- Rs.6/50 per share	106,270,762	
		Suren Madanayake	Interim dividend payment 2020/21- Rs.4/50 per share		73,572,066
		Mrs. N. C. Madanayake			

Company	Relationship	Name of Common Directors	Nature of transaction	Transaction amount 2023 Rs.	Transaction amount 2022 Rs.
S. M. Lighting (Private) Ltd.	Related through KMP	Suren Madanayake	Purchase of finished goods (Gross)	(121,407,812)	(514,869,806)
			Settlements during the year	234,496,794	469,909,482
			Sale of finished goods (gross)	177,550	3,120
			Settlements during the year	(159,830)	-
Cable Solutions (Private) Limited	Fellow subsidiary of ACL Cables PLC	U.G. Madanayake	Sale of finished goods/ raw materials (gross)	2,889,644	8,708,889
		Suren Madanayake	Settlements during the year	(2,007,353)	(10,295,823)
		Alternative Director - Mahesh Amarasiri			
			Purchase of finished goods (Gross)	(41,291,877)	(9,231,721)
			Settlements during the year	38,143,565	14,029,841

Transactions with related parties are carried out in the ordinary course of business have been reviewed and approved by the Related Party Transaction Review Committee of the company. All these transactions were entered into with these related parties on an arm's length basis under normal commercial terms & conditions. Outstanding related parties account balances at the year-end are unsecured. No expense has been recognized in the current or prior year for bad and doubtful debts in respect of the amount owed by related parties. No guarantees were given or received for the transactions. This note should be read in conjunction with 30 to the Financial Statements.

33.3 Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue/income of the Company as per 31 March 2023 audited Financial Statements. Details of significant related party disclosures are as follows for the year ended 31 March 2023.

Company	Relationship	Nature of the Transactions	Aggregate value of Related Party Transactions entered into during the financial year	Aggregate value of Related Party Transactions as % of Net Revenue/ Income Rs.	Terms and Conditions of the Related Party Transactions Rs.
ACL Cables PLC	Ultimate parent company	Purchase of goods/ raw materials (Gross)	408,197,384	3.6%	Ordinary course of business
ACL Plastics PLC	Fellow subsidiary of ACL Cables PLC	Purchase of raw materials (gross)	1,101,572,331	9.6%	Ordinary course of business

33.4 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 which ever is lower of the Company as per 31 March 2023 audited Financial Statements. Details of significant non-recurrent related party disclosures for the year ended 31 March 2023 are as follows

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Company	Relationship	Nature of the Transactions	Aggregate value of Related Party Transactions entered into during the financial year	Aggregate value of Related Party Transactions as % of equity	Aggregate value of Related Party Transactions as % of total assets
			Rs.	Rs.	Rs.
ACL Cables PLC	Ultimate parent company	Loan given	300,000,000	3.2%	2.6%

34 FINANCIAL RISK MANAGEMENT

Overview

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

34.1 Credit risk

34.2 Liquidity risk

34.3 Market risk

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

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 Company. 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.

34.1 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,	Company and Investee / Company 2023 Rs.	2022 Rs.
Financial assets at amortised cost		
Trade Receivable (net)	895,207,915	1,646,161,033
Amount due from related companies (Note 30.1)	719,570,391	547,202,345
Deposits	7,959,050	7,028,858
Investment in fixed deposit (Note 20)	2,877,941,575	1,336,800,383
Cash at bank (Note 21)	925,620,275	2,526,497,284
	5,426,299,206	6,063,689,903

Expected credit loss assessment for trade receivables

The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of Trade Receivables. 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 similar assets in respect of losses that expected to be incurred. The collective loss allowance is determined based on historical data of payment statistics as at every reporting date.

The aging of trade receivables at the end of the reporting period was as follows:

As at 31 March 2023	Gross carrying amount Rs.	Impairment on Trade receivables Rs.	Net carrying amount Rs.
Less than 30 days	292,131,019	9,380,952	282,750,067
Between 31 days - 60 days	344,487,573	13,403,083	331,084,490
Between 61 days - 90 days	93,750,368	5,330,101	88,420,267
Between 91 days - 180 days	113,784,759	17,588,029	96,196,730
Between 181 days - 365 days	33,859,916	18,097,078	15,762,838
More than 365 days	242,760,889	161,767,366	80,993,523
	1,120,774,524	225,566,609	895,207,915

As at 31 March 2022	Gross carrying amount Rs.	Impairment on Trade receivables Rs.	Net carrying amount Rs.
Less than 30 days	740,909,885	18,796,277	722,113,608
Between 31 days - 60 days	576,797,457	15,883,275	560,914,182
Between 61 days - 90 days	227,024,475	8,193,767	218,830,708
Between 91 days - 180 days	123,212,624	8,072,140	115,140,484
Between 181 days - 365 days	43,604,479	15,779,589	27,824,890
More than 365 days	205,720,693	204,383,532	1,337,161
	1,917,269,613	271,108,580	1,646,161,033

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Movements in the allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

As at 31 March,	Company and Investee / Company	
	2023	2022
	Rs.	Rs.
Balance as at 1 April	271,108,580	316,958,817
Written-off during the year previously impaired	-	-
Provision reversal during the year	(45,541,971)	(45,850,237)
Balance as at 31 March	225,566,609	271,108,580

a 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 market segment of the Company's customer base, including the default risk of the industry in which customers operate, as these factors may have an influence on credit risk.

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Sales limits are established for each customer, which represents the maximum open amount without requiring further approval from the Managing Director these limits are reviewed annually. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis or on secured basis. In response to the current economic conditions , the risk management committee has also been performing more frequent reviews of sales limits for customers in regions and industries that are severely impacted.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 30 and 60 days for individual and corporate customers respectively. During the year ended 31 March 2023, the Company restricted credit and temporarily extended the credit terms to up to 30 days for specific customers with liquidity constraints arising as a direct result of the current economic conditions. All extensions were granted within current sales limits after careful consideration of the impact of the current economic conditions on the creditworthiness of the customer and each customer that was granted an extension is closely monitored for credit deterioration.

More than 75% of the Company's customers have been transacting with the Company for over four years. In monitoring customer credit risk, customers are grouped according to the credit characteristics of the market segment, including whether they are an individual or legal entity, whether they are a corporate customer or a state entity.

Control measures and action plans to mitigate risk

(a) Constant monitoring of trends in payment patterns.

(b) 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.

(c) Robust credit policy in place to review credit worthiness on a periodic basis.

(d) Every endeavour is made to secure revolving advances.

(e) Actively measuring trade debtor balances with collection targets and regular meetings to monitor and review efficacy of collection activities.

(f) Instituting legal action as a last resort.

b Credit risk on financial investments

Cash and Cash equivalents

The Company held cash and cash equivalents at banks of Rs, 1,349 Mn as at 31 March 2023 (2021/2022 - Rs. 2,527 Mn), which represents it's maximum credit exposure on these asset. Cash and cash equivalents are held by banks which are rated as follows

	Company and Investee / Company	
As at 31 March,	2023	2022
	Rs.	Rs.
Credit Rating		
AAA	74,019	480,579,195
AA+	-	-
AA-	-	2,044,858,277
A+	-	1,059,812
A	1,241,638,832	-
A-	107,673,040	-
	1,349,385,891	2,526,497,284

Investment in fixed deposits

The Company held Investment in fixed deposits at banks of Rs, 2,878 Mn as at 31 March 2023, which represents it's maximum credit exposure on these asset. Investment in fixed deposits are held by banks which are rated as follows,

	Company and Investee / Company	
As at 31 March,	2023	2022
	Rs.	Rs.
Credit Rating		
AA-	-	1,336,800,383
A	2,607,770,328	-
A-	270,171,247	-
	2,877,941,575	1,336,800,383

Control measures and action plans to mitigate risk

(a) The Company's investment policy prohibits non-graded investments, unless specifically authorised.

(b) Regularly review credit worthiness of counterparties and take necessary actions if required.

(c) Appropriate actions are implemented when the investments are expected to be high credit risk.

c Amount due from related companies

Amounts due from related Companies are expected to be settled within one year from the reporting date hence the discounting impact would be immaterial. Therefore carrying amount approximate the fair value as at the reporting date. Based on historic default rate the Company believes that, apart from the above, no impairment allowance is necessary in respect of amounts due from related parties for past dues or past due by up to 365 days.

NOTES TO THE FINANCIAL STATEMENTS

34.2 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.

Exposure to liquidity risk

Details below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at 31 March 2023.

As at 31 March 2023	Carrying amount Rs.	Total Rs.	Contractual cash flows (Rs.) up to 3 months Rs.	Less than 1 year Rs.	1 - 2 years Rs.	2 - 7 years Rs.
Non- derivative financial liabilities						
Interest bearing borrowings	239,645,604	255,885,831	42,139,653	123,055,861	50,585,916	40,104,401
Bank overdraft	59,500,763	59,500,763	59,500,763	-	-	-
Trade payables	77,616,720	77,616,720	77,616,720	-	-	-
Unclaimed dividend	12,042,771	12,042,771	12,042,771	-	-	-
Amount due to related parties	314,557,973	314,557,973	314,557,973	-	-	-
	703,363,831	719,604,058	505,857,880	123,055,861	50,585,916	40,104,401

As at 31 March 2022	Carrying amount Rs.	Total Rs.	Contractual cash flows (Rs.) up to 3 months Rs.	Less than 1 year Rs.	1 - 2 years Rs.	2 - 7 years Rs.
Non- derivative financial liabilities						
Interest bearing borrowings	397,257,977	432,308,697	45,105,817	130,773,359	165,112,773	91,316,748
Bank overdraft	27,261,294	27,261,294	27,261,294	-	-	-
Trade and other payables	2,544,059,891	2,544,059,891	2,438,069,255	105,990,636	-	-
Unclaimed dividend	12,301,374	12,301,374	12,301,374	-	-	
Amount due to related parties	511,344,422	511,344,422	511,344,422	-	-	-
	3,492,224,958	3,527,275,678	3,034,082,162	236,763,995	165,112,773	91,316,748

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 has access to approved short-term financing facilities from commercial banks, if required.

The Company monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables and it is estimated that the maturity of trade receivables as at the reporting date would occur in sufficient quantity and timing, given the historical trends, and currently available information which would enable the Company to meet its contractual obligations.

- Maintaining a diversified funding base and appropriate contingency facilities.
- Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.
- Monitoring liquidity ratios and carrying out stress-testing of the Company's liquidity position.
- Regular reviews cash flow projections.
- Availability of stand by overdraft facility to be used in the event of an emergency.

Unutilised bank overdraft facilities

As at 31 March 2023 the Company had approved overdraft facilities amounting to Rs. 510 Mn of which Rs. 59.5Mn was unutilised. In addition, the Company has access to approved trade and short-term financing facilities of Rs. 6,090 Mn from commercial banks, of which Rs. 544 Mn was utilized on letter of credits/guarantees and loans as at 31st March 2023.

34.3 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.

Market risk principally arises on the Company's equity investments, interest-bearing financial assets and financial liabilities, and financial assets and financial liabilities denominated in foreign currencies.

Control measures and action plans to mitigate risk

(a) Expansion of its portfolio through strategic investment.

(b) Innovating and trend setting while benchmarking with global competition.

(c) Introduction of unique and innovative services to create demand for the destination.

(d) Obtaining Quality and safety standard certification for assurance of health and safety.

(e) Securing Green Globe and Eco Friendly Certification in acknowledgement of commitment to sustainable tourism.

(f) Participation in global and regional tourism promotional events in potential and emerging markets.

34.3.1 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.

Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows,

As at 31 March,	Company and Investee / Company			
	2023		2022	
	Amount in USD	Amount in LKR	Amount in USD	Amount in LKR
Financial assets				
Trade and other receivables	882,568	288,723,296	1,644,226	483,192,086
Investment in fixed deposit	7,794,232	2,549,805,056	4,500,000	1,322,424,000
Cash and cash equivalents	1,225,683	400,969,937	4,588,095	1,348,312,622
	9,902,483	3,239,498,289	10,732,321	3,153,928,707
Financial liability				
Trade and other payables	-	-	(7,666,489)	(2,252,966,408)
	-	-	(7,666,489)	(2,252,966,408)
Net finance assets /(liability) exposure	9,902,483	3,239,498,289	3,065,832	900,962,299

	Average rate (Rs.)		Reporting date conversion rate (Rs.)	
	2023	2022	31-Mar-23	31-Mar-22
USD 1	361.44	212.21	327.14	293.87

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Sensitivity analysis - based on exchange rate fluctuation against Sri Lankan rupees

The Company, as at the reporting date holds financial instruments denominated in currencies other than its functional / reporting currency. A reasonable possible strengthening or weakening of the US Dollar (USD) against Sri Lanka Rupee (LKR) as at the reporting date would have affected the measurement of USD denominated Assets and Liabilities and affected profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

LKR has depreciated significantly against USD subsequent to the reporting date, this may lead to substantial impact on the future profits of the Company.

As at 31 March	Effect on profit or loss	
	2023	2022
	Rs.	Rs.
LKR depreciated against USD by 15%	485,924,743	135,144,345
LKR appreciated against USD by 15%	(485,924,743)	(135,144,345)

34.3.2 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,

The interest rates have increased significantly after the reporting date, this may lead to substantial negative impact on the future profits of the Company.

As at 31 March,	Company and Investee / Company			
	2023		2022	
	Fixed rate instruments	Variable rate instruments	Fixed rate instruments	Variable rate instruments
	Rs.	Rs.	Rs.	Rs.
Fixed rate instruments				
Financial assets				
- Fixed deposits	2,877,941,574	-	1,345,482,000	-
- Savings and fixed deposits (less than 3 months)	1,339,740,694	-	2,532,760,486	-
- Loan given to related party	475,686,048	-	500,000,000	-
	4,693,368,317	-	4,378,242,486	-
Financial liabilities				
- Interest bearing borrowings	(236,736,633)	-	(393,532,315)	-
- Bank overdraft	-	(59,500,763)	-	(27,261,294)
	(236,736,633)	(59,500,763)	(393,532,315)	(27,261,294)
Maximum exposure	4,456,631,684	(59,500,763)	3,984,710,171	(27,261,294)

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,	Effect on profit or loss	
	2023	2022
	Rs.	Rs.
Variable rate instruments		
1% Increase in interest rate (2022 - 8%)	(595,008)	(2,180,904)
1% decrease in interest rate (2022 - 8%)	595,008	2,180,904

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

34.4 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.

35 FAIR VALUES OF FINANCIAL INSTRUMENTS

35.1 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.

35.2 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.

As at 31 March	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.
Financial assets at amortised cost				
Trade Receivables	895,207,915	895,207,915	1,646,161,033	1,646,161,033
Deposits	7,959,050	7,959,050	7,028,858	7,028,858
Amount due from related parties	719,570,391	719,570,391	547,202,345	547,202,345
Investment in fixed deposit	2,877,941,575	2,877,941,575	1,336,800,383	1,336,800,383
Cash in hand cash at bank	1,350,436,993	1,350,436,993	2,529,130,311	2,529,130,311
	5,851,115,924	5,851,115,924	6,066,322,930	6,066,322,930
Other financial liabilities				
Trade and other payable	205,545,101	205,545,101	2,566,671,798	2,566,671,798
Amount due to related parties	314,557,973	314,557,973	511,344,422	511,344,422
Interest bearing borrowings	239,645,604	239,645,604	397,257,977	397,257,977
Bank overdrafts	59,500,763	59,500,763	27,261,294	27,261,294
	819,249,441	819,249,441	3,502,535,491	3,502,535,491

35.2.1 Short term deposits

The fair values of fixed term deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts.

35.2.2 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.

35.2.3 Financial liabilities

The carrying amount of financial liabilities approximate to the fair value due to the timing of cash dues.

36 CAPITAL MANAGEMENT

The Company's policy is to retain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves and retained earning . The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

The gearing ratio at the reporting date is as follows.

	Company and Investee		Company	
As at 31 March	2023	2022	2023	2022
Total liabilities (Rs.)	2,237,687,529	4,783,522,078	2,237,687,529	4,783,522,078
Less: Cash and cash equivalents (Rs.)	(1,350,436,993)	(2,529,130,311)	(1,350,436,993)	(2,529,130,311)
Net liability (Rs.)	887,250,536	2,254,391,767	887,250,536	2,254,391,767
Equity (Rs.)	9,334,691,791	6,720,653,858	9,314,398,457	6,696,721,124
Gearing ratio	0.10	0.34	0.10	0.34

37 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	2023 Rs.	2022 Rs.
Approximate amount approved but not contracted for	2,121,930	18,846,674

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

38 CONTINGENT LIABILITY

The contingent liability as at 31 March, 2023 on guarantees given to third parties amounted to Rs.294,443,992/-(2022 - Rs.183,384,363/-).

The Company has taken legal action to recover Rs. 15,943,389/- as at 31 March 2023.These litigations are still being heard in the courts.

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

NOTES TO THE FINANCIAL STATEMENTS

39 COMPARATIVE INFORMATION

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

40 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.6/50 per share for the year ended 31 March 2023 which was approved by the Board of Directors on 28 July 2023.

41 EMPLOYEE AND INDUSTRY RELATIONS

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

42 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.

INVESTORS' INFORMATION

DISTRIBUTION OF SHAREHOLDING - MARCH 31, 2023

Range			No of Holders	Total Holding	% Holding
		Up to 1000	2179	480,863	2.2%
1,001	-	10000	491	1,631,825	7.5%
10,001	-	100000	90	1,961,805	9.0%
100,001	-	1000000	5	1,376,159	6.3%
	-	Over 1,000,000	1	16,349,348	75.0%
			2766	21,800,000	

TWENTY LARGEST SHAREHOLDERS AS AT 31 MARCH

		2023		2022	
	Name	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	Bank of Ceylon-No 2 A/C (BOC PTF)	117,918	0.5%	117,918	0.5%
4	Employees Trust Fund Board	116,285	0.5%	116,285	0.5%
5	People's Leasing & Finance / Mr. Iresh Sridas	104,700	0.5%	-	0.0%
6	Thaha I. M.	103,500	0.5%	103,500	0.5%
7	Ceylinco Shriram Capital Management Services	76,600	0.4%	76,600	0.4%
8	Wijaya P. & Ramesh P.	76,342	0.4%	-	0.0%
9	Saraswathi V. and Vasudevan S.	63,944	0.3%	63,944	0.3%
10	DFCC Bank PLC A/C No. 02	62,550	0.3%	87,450	0.4%
11	Goonesekera C. D. M. (Mrs.)	62,500	0.3%	62,500	0.3%
12	Madanayake H. A. S.	61,000	0.3%	61,000	0.3%
13	Madanayake U. G.	56,200	0.3%	56,200	0.3%
14	Leonard D.S.	41,203	0.2%	41,203	0.2%
15	Mayakaduwage J. K	40,959	0.2%	54,000	0.2%
16	Kannangara N. L. & De Livera S. S.	40,000	0.2%	40,000	0.2%
17	Seylan Bank PLC/Priyantha Pushpakumara	35,844	0.2%	16,500	0.1%
18	Sumathipala U. W.J. P. A.	35,200	0.2%	35,200	0.2%
19	Samarakkody S. A. B. B. N.	31,248	0.1%	31,248	0.1%
20	Gunaratne H. H. (Deceased)	31,248	0.1%	31,248	0.1%

INVESTORS' INFORMATION

SHARE HELD BY PUBLIC

	No. of Shares	% Holding	No. of Share holders
Share held by public as at 31 March 2023	4,399,696	20.2%	2762
Share held by public as at 31 March 2022	4,399,696	20.2%	1964

	As at 31 March	
	2023	2022
Float adjusted market capitalization (Rs.)	1,182,418,300	1,279,211,612

Company complies the requirement of Listing Rules of 7.14.1 -Minimum Public Holding as a Continuous Listing Requirement under the option No. 05 of 7.14.1 (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

For the year ended 31 March,	2023	2022
Market value per Shares		
At the year end -Rs.	268.75	290.75
Highest value during the year -Rs.	458.00	772.00
Lowest value during the year -Rs.	98.10	110.25
Earnings per share (EPS)- Rs.	127.84	97.88
Net asset per share - Rs.	428.20	308.29
Dividend per share (DPS) -Rs.	6.50	4.50
Dividend yield	2.4%	1.5%
Price earnings ratio	2.1	3.0
Number of transactions	27,893	21,229
Number of share traded	5,043,200	8,489,627
Total turnover (Rs.)	9,664,454,615	2,576,566,087
Market capitalisation (Rs.)	5,858,750,000	6,338,350,000
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	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenue	11,462,496	15,115,383	9,650,438	8,759,918	8,492,482	7,994,364	7,122,784	6,619,776	6,204,431	5,231,769
Gross profit	3,476,528	3,257,133	1,283,987	1,313,407	1,165,452	1,006,539	1,135,495	1,302,349	1,022,926	866,439
Earnings before interest and tax	3,562,843	2,685,514	854,931	576,067	451,428	325,934	535,022	720,210	500,627	351,904
Finance expense	(30,872)	(85,908)	(110,301)	(149,922)	(122,511)	(74,277)	(37,184)	(39,588)	(55,581)	(41,255)
Profit before tax	3,531,970	2,599,606	744,630	426,146	328,917	251,657	497,837	680,622	445,045	310,649
Income tax expense	(745,146)	(465,772)	(123,264)	(73,095)	(96,920)	(66,888)	(119,503)	(181,895)	(118,944)	(95,564)
Profit for the year	2,786,824	2,133,834	621,365	353,051	231,997	184,769	378,334	498,727	326,101	215,085

FINANCIAL POSITION Rs'000

As at 31 March	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Stated capital	218,000	218,000	218,000	218,000	218,000	218,000	218,000	218,000	218,000	218,000
Capital reserves	567,803	592,491	592,491	404,950	404,950	404,950	300,458	300,458	300,458	177,009
General reserves	431,136	431,136	431,136	431,136	431,136	431,136	431,136	431,136	431,136	431,136
Retained earnings	8,117,753	5,479,027	3,408,196	2,908,361	2,631,158	2,632,862	2,524,965	2,243,356	1,809,488	1,515,234
	9,334,692	6,720,654	4,649,823	3,962,447	3,685,244	3,686,948	3,474,559	3,192,950	2,759,081	2,341,378
Property, plant and equipment	1,158,261	1,155,168	1,009,006	822,247	872,316	852,737	663,112	679,381	714,179	588,800
Intangible assets	-	-	6,825	-	-	-	-	-	1,123	-
Investments	71,493	75,133	73,455	54,742	56,751	20,021	14,155	13,479	10,847	10,409
Investment property	722,000	690,000	650,500	306,000	295,000	280,000	253,750	231,000	208,000	130,000
Right-of-use assets	2,232	3,125	4,019	-	-	-	-	-	-	-
Current assets	9,618,393	9,580,750	6,893,214	6,108,622	5,600,575	5,003,105	4,717,544	4,170,757	3,937,255	3,143,648
Current liabilities	(1,861,837)	(4,375,606)	(3,779,493)	(3,193,625)	(2,959,978)	(2,238,052)	(2,023,873)	(1,713,177)	(1,895,058)	(1,339,731)
Non current liabilities	(375,850)	(407,916)	(207,703)	(135,539)	(179,420)	(230,863)	(150,129)	(188,492)	(217,264)	(191,748)
	9,334,692	6,720,654	4,649,823	3,962,447	3,685,244	3,686,948	3,474,559	3,192,950	2,759,081	2,341,378

RATIOS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Gross margin	30.3%	21.5%	13.3%	15.0%	13.7%	12.6%	15.9%	19.7%	16.5%	16.6%
Net margin	24.3%	14.1%	6.4%	4.0%	2.7%	2.3%	5.3%	7.5%	5.3%	4.1%
Return of investment (ROI)	38.2%	40.0%	18.4%	14.5%	12.2%	8.8%	15.4%	22.6%	18.1%	15.0%
Return of average equity	34.7%	37.5%	14.4%	9.2%	6.3%	5.2%	11.3%	16.8%	12.8%	9.6%
Assets turnover	1.0	1.5	1.2	1.2	1.3	1.4	1.3	1.3	1.4	1.4
Working capital turnover	1.5	2.9	3.1	3.0	3.2	2.9	2.6	2.7	3.0	2.9
Current ratio	5.2	2.2	1.8	1.9	1.9	2.2	2.3	2.4	2.1	2.3
Net asset per share - Rs.	428.20	308.29	213.29	181.76	169.05	169.13	159.38	146.47	126.56	107.40
Dividend per share (DPS) -Rs.	6.50	4.50	4.50	3.50	3.50	3.50	4.50	3.00	1.50	1.50
Earnings per share (EPS)-Rs.	127.84	97.88	28.50	16.20	10.64	9.03	17.27	22.79	14.78	10.46
Market price per share-end Rs.	268.75	290.75	111.75	52.00	67.40	93.00	117.50	112.50	80.00	80.00
Dividend yield	2.4%	1.5%	4.0%	6.7%	5.2%	3.8%	3.8%	2.7%	1.9%	1.9%
Dividend payout ratio	5%	5%	16%	22%	33%	39%	26%	13%	10%	14%
Price earnings ratio	2.1	3.0	3.9	3.2	6.3	10.3	6.8	4.9	5.4	7.6

STATEMENT OF VALUE ADDITION

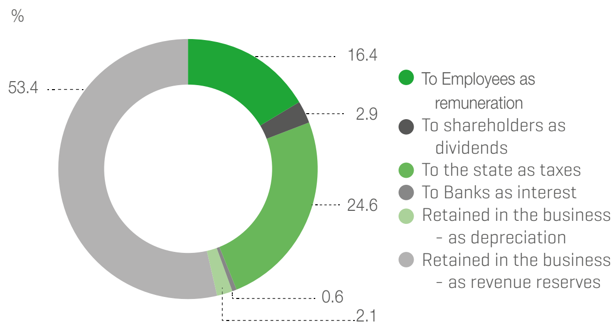
For the year ended 31 March,	Company and Investee 2023 Rs'000	Company and Investee 2022 Rs'000	Company 2023 Rs'000	Company 2022 Rs'000
Revenue	11,462,496	15,115,383	11,462,496	15,115,383
Other operating and interest income	1,084,196	326,844	1,084,196	326,844
Share of profit/(loss) of equity accounted investee net of tax	(3,639)	1,678	-	-
	12,543,053	15,443,905	12,546,692	15,442,227
Less:				
Cost of material and services purchased	7,591,459	11,492,553	7,591,460	11,492,554
Value Added	4,951,594	3,951,352	4,955,232	3,949,674
Value addition as a percentage on revenue	43.2%	26.1%	43.2%	26.1%

DISTRIBUTION AS FOLLOWS

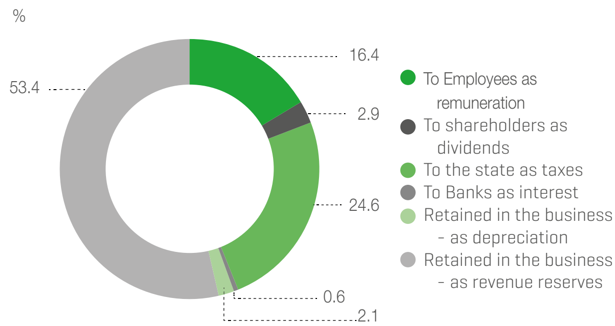
For the year ended 31 March,	Company and Investee 2023 Rs'000	As a % of Total	2022 Rs'000	As a % of Total	Company 2023 Rs'000	As a % of Total	2022 Rs'000	As a % of Total
To employees as remuneration	811,048	16.4%	725,761	18.4%	811,048	16.4%	725,761	18.4%
To shareholders as dividends	141,700	2.9%	98,100	2.5%	141,700	2.9%	98,100	2.5%
To the state as taxes	1,220,585	24.6%	913,009	23.1%	1,220,585	24.6%	913,009	23.1%
To banks as interest	30,872	0.6%	85,908	2.2%	30,872	0.6%	85,908	2.2%
Retain in the business								
- As depreciation	102,265	2.1%	92,840	2.3%	102,265	2.1%	92,840	2.3%
- As revenue reserves	2,645,124	53.4%	2,035,734	51.5%	2,648,762	53.4%	2,034,057	51.5%
	4,951,594		3,951,352		4,955,232		3,949,674	

DISTRIBUTION OF VALUE ADDITION 2022/23

COMPANY AND INVESTEE



COMPANY



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 and 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 Average Equity

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

Return of Investment

Earnings before interest and taxes as a percentage of 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-Fourth Annual General Meeting of Kelani Cables PLC will be held at the Auditorium of A C L Cables PLC, No. 60, Rodney Street, Colombo 08 on 21st September 2023 at 9.30 am for the following purposes.

01. To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2023 with the report of the Auditors thereon.

02. (a) To re–elect as a Director Mrs. N. C. Madanayake who retires by rotation being eligible for re-election in terms of Article No. 85 of Articles of Association.

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

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

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

    (c) That Dr. Bandula Perera, who has passed the age of 70 years in April 2015, be and is hereby appointed a Director of the Company and that the age limit of 70 years referred to in Section 210 of Companies Act No. 07 of 2007 shall not apply to him.

    (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.

04. To re–appoint Messrs. KPMG, Chartered Accountants, as Auditors of the Company and authorize the Directors to determine their remuneration.

05. To authorize the Directors to determine donations to charities.

06. To consider and if thought fit to pass the following Special Resolution:

    Special Resolution 1:

    That the following be added as the third paragraph of Rule No.47 of the Articles of Association of the Company:

    A General Meeting of shareholders may be held either-

    (a) by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or

    (b) by means of audio, or audio and visual communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting.

07. To consider and if thought fit to pass the following Special Resolution:

    Special Resolution 2:

    That the following sentence be included immediately after the first paragraph of Rule No. 143 of the Articles of Association of the Company:

    Notices to shareholders as aforesaid may be sent electronically via email addresses provided by the shareholder.

By Order of the Board

(Sgd.)

Corporate Affairs (Private) Limited
Secretaries

14 August 2023

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 (48) hours before the time appointed for the Meeting.

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

NOTES

FORM OF PROXY

I/We.. of
.... being a Shareholder/ Shareholders of the above Company hereby appoint
.... or failing him/ her
.... of .... as my/
our Proxy to represent me/us, to speak and vote whether on a show of hands or on a poll for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 21st September 2023 at 9.30 a.m. and at any adjournment thereof.

		IN FAVOUR	NOT IN FAVOUR
	Ordinary Resolutions as set out in the Notice of Meeting:		
(1)	To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2023		
(2)	To re-elect Mrs N C Madanayake as a Director who retires by rotation in terms of Rule No. 85 of the Articles of Association of the Company		
(3)	(a) To re-appoint Mr U G Madanayake, who has passed the age of 70 years, as a Director of the Company		
	(b) To re-appoint Mrs N C Madanayake, who has passed the age of 70 years, as a Director of the Company		
	(c) To re-appoint Dr Bandula Perera, who has passed the age of 70 years, as a Director of the Company		
	(d) To re-appoint Mr Mahinda Saranapala, who has passed the age of 70 years, as a Director of the Company		
(4)	To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.		
(5)	To authorize the Directors to determine donations to charities.		
(6)	To consider and if thought fit to pass the following Special Resolution:		

Special Resolution 1:

That the following be added as the third paragraph of Rule No.47 of the Articles of Association of the Company:

A General Meeting of shareholders may be held either-

(c) by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or

(d) by means of audio, or audio and visual communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting.

		IN FAVOUR	NOT IN FAVOUR
(7)	To consider and if thought fit to pass the following Special Resolution:		

Special Resolution 2

That the following sentence be included immediately after the first paragraph of Rule No. 143 of the Articles of Association of the Company:

Notices to shareholders as aforesaid may be sent electronically via email addresses provided by the shareholder.

Signed this ....day of 2023

....
Signature

INSTRUCTIONS FOR COMPLETION OF PROXY

The instrument appointing a Proxy shall in the case of an individual be signed by the appointor or by his Attorney and in the case of a Corporation as per its Articles of Association – Companies Act or signed by its Attorney or by an Officer on behalf of the Corporation.

IMPORTANT NOTICE TO SHAREHOLDERS

Consequent to the change of Articles of Association as detailed in the Notice of Meeting in accordance with the digitalization initiative, please provide the following information to info@kelanicables.com, for future Notices of Meetings to be sent to the e-mail address provided by you.

Full name : ....

Email Address : ....

NIC / Company Registration No. : ....

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.

STOCK EXCHANGE LISTING

The shares are listed on the Colombo Stock Exchange.

REGISTERED OFFICE

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

PRINCIPLE PLACE OF BUSINESS

P.O. Box 14, Wewelduwa, Kelaniya
Tel: +94 11 2911224, +94 11 7434400
Fax: +94 11 2910481
E-mail: info@kelanicables.com

CORPORATE WEBSITE

www.kelanicables.com
Financial Year End: 31 March
VAT Registration Number: 104028462-7000

BOARD OF DIRECTORS

Mr. U. G. Madanayake
Mr. Suren Madanayake
Mr.Mahinda Saranapala
Mrs. N. C. Madanayake
Dr. Bandula Perera
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. Box186
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
Sampath Bank PLC
Commercial Bank of Ceylon PLC
Seylan Bank PLC

QUERIES ON THE 2022/ 23 ANNUAL REPORT

Ms. Hemamala Karunasekara
Chief Financial Officer
email: info@kelanicables.com
Telephone number: 0117434400

Designed & produced by
emagewise

KELANI CABLES

www.kelanicables.com