CENTRAL INDUSTRIES PLC

Annual Report 2017/18

RESOLUTE AND UNABATED

RESOLUTE AND UNABATED

From the inception as a member of the prestigious Central Finance Group in 1984, we have made our mark as a manufacturer and marketer for “National PVC”, a leading brand of PVC, and for the “Krypton” brand of electrical switches and sockets. The period under review is witness to our dedication to provide our valued consumers with products of incomparable quality in every industry we operate, be it residential plumbing, complex agricultural and industrial water supply, drainage, dredging or engineering projects. Resolute and unabated, we have over the course of our illustrious journey, moulded ourselves into becoming the embodiment of unsurpassed excellence. With our position as the most sought after choice for the range of product and services we produce, cemented, we keenly anticipate a more promising future.

CONTENTS

Chairman's Review

It is with pleasure that I present to you on behalf of the Board of Directors, the Annual Report and Audited Financial Statements of Central Industries PLC for the Year ended 31st March 2018.

Performance during the Year

The year under review was a challenging one for the Company. Our main raw material is PolyVinyl Chloride (PVC) resin which is petroleum based and is imported. Therefore we are extremely susceptible to the changes in the oil prices, exchange rate and the custom duty structure. The government imposed an excise duty of Rs. 10/- per kg of PVC resin since November 2017. This and the continuous appreciation of the US dollar resulted in immense pressure on our margins. Intense competition in the industry and restrained demand in the market due to adverse economic conditions brought about due to prolonged drought followed by floods, did not favour the adjustment of retail prices. However, the Company has demonstrated resilience in the second half of the year with Profit After Tax increasing by more than 94% when compared to the first half of the year.

The Central Bank Annual Report 2017 states that credit granted for personal housing construction activities grew by 22.3% during latter part of the year compared to the same period of the previous year. The Central Bank also reports that there was a decline in the construction activities in the year 2017 compared to the growth rate in the previous year. This was illustrated by the growth rate of 3.1% in the year 2017 compared to the growth rate of 8.3% in the previous year. Further the report highlighted that the growth in credit extended to the private sector for construction activities by licensed commercial banks too slowed down during this year.

Demand has since improved from medium scale construction projects and the Company has been awarded several water supply projects.

While the Company improved the revenue from supplies to the National Water Supply and Drainage Board (NWS&DB) during the year, long delays in collection of dues had an adverse impact on the margins.

The increase in the range of electrical products and improved distribution channels have increased revenue. Nevertheless, the overall market situation in construction industry prevents price adjustment proportional to escalating costs, has resulted in reduced margins.

The Company recorded a consolidated Profit Before Tax of Rs. 111.5 million compared to Rs. 201.3 million in the previous year while Profit After Tax was Rs. 83.3 million compared to Rs. 139 million in the previous year.

Dividends

The Board recommends a first and final dividend of Rs. 2/- per share out of profits for the year ended 31st March 2018 compared to Rs. 2.75 per share in the previous year in line with the decrease in profitability. The dividend will be paid out of the taxable profits of the Company which will be subject to withholding tax of 14%. Our auditors, M/S KPMG, Chartered Accountants have confirmed that this distribution satisfies the solvency test requirement of the Companies Act No.7 of 2007 and the solvency certificate to this effect has been obtained. The dividend will be paid within seven market days of the AGM after approval by the shareholders.

Product Portfolio

The product range has been increased in line with the planned diversification in both water management and electrical accessories under the brand names of "National PVC" and "Krypton". A new range of PE water pipes were introduced to the market and supplies effected to the National Water Supply & Drainage Board and other large projects. Certification for the PE pipes has been obtained locally and internationally. "National PE" pipes are certified by SLS standards and WRAS (Water Regulations Advisory Scheme) certification from the United Kingdom. The Company hopes to introduce Polypropylene random (PPR) pipes and fittings which are suitable for hot and cold water applications.

The Company added more trading products under the "ONESTO" brand, to the electrical accessories segment over the year which has been well accepted. We are ready for the change in the standards pertaining to electrical switches and sockets which becomes operative later in the year. Our introduction of electrical cable trunking under the brand name of "Krypton" has been well received.

Our range of products are marketed under the following brand names;

- National PVC – Pipes and Fittings, Ball valves, Solvent Cement, Rainwater Management Systems, Flexible and Rigid Conduits, Garden Hoses, Waste and Drainage Pipes and Fittings.
- National PE – PE Water Tanks, Septic Tanks, Pipes.
- National SS – Stainless Steel Water Tanks
- Ciltec – A range of Conduits and fittings.
- National PVC – A range of SLAS certified Conduits

- Aquatec – A range of Water Taps and Accessories
- Greenwood – Valance Boards
- Krypton – Electrical Switches, Sockets, Light Dimmers, Fan Controllers, Bell Presses, Sunk Boxes for domestic purposes, together with a range of Switchgear, MCBs, RCCBs and Accessories.

The operation of the "Hitachi" brand power tools and accessories range was discontinued during the latter part of the year.

Human Resources

The Company implements a comprehensive performance management system in order to ensure the competency levels of employees and initiates training and development plans to enable all employees to perform their job roles in an effective manner.

The Company whilst adopting the best Human Resource Practices, ensures that the remuneration, performance-based incentive schemes and other benefits are adopted in a manner to attract and retain experienced and qualified employees. The compensation and benefit plans of the Company are in compliance with regulations.

The Employee Welfare Society of the Company organized various recreational activities which brought together employees and their families. A health and safety insurance scheme covering all employees is in place. The Company also trains its employees on industry standards to ensure 100% compliance.

Marketing and Promotion

The advertising campaigns carried through the media, including industry related magazines and dealer based promotions by way of in-store branding helped to improve visibility in the market and we expect to benefits from same in the future.

The Company's IT Department developed a process automation system which enables the field staff to manage orders through mobile devices. We expect this new technology to help us in responding more efficiently to market needs.

Corporate Social Responsibility

During the year under review the Company carried out several community service projects including the provision of water supply schemes to schools and assistance for community events in under privileged areas of the country.

Future Prospects

The Central Bank expects the economy to grow by 5 to 5.5 percent this year. The Company is fully geared to face the demand for PE pipes. In order to benefit from the expected growth in the construction sector, we have restructured our projects department.

We also continuously engage in research and development not only to improve our products but also to derive savings in cost.

With regards the electrical segment, we hope to introduce the Big Rocker and low voltage switch gears in the third quarter of 2018.

Acknowledgements

I wish to thank all our Customers who have placed their trust in the Company and in our products, our Distributors and Dealers for their support and commitment towards our marketing and distribution efforts. I also thank our Bankers, Auditors and Company Secretaries who provide us with valuable service and assistance. A special word of thanks to all our employees for their commitment and dedication to ensure that the Company continues to progress even in these challenging times.

On behalf of the Board, I would like to express our sincere thanks to Mr. Newton Wickremasuriya who stepped down from the position of Chief Executive Officer during the year for his invaluable contribution and I am happy that he would continue to serve the Company as a Non -Executive Director. Mr. Roderic Moses – Finance Manager retired after 30 years of service and I thank him sincerely for his valuable input over this long period. He currently serves as a consultant to the Company. I also wish to thank the Chief Executive Officer – Mr. Mayura Rupatunga for his dedication and commitment and my colleagues on the Board for their wise guidance and counsel.

Finally and most importantly, my grateful thanks to all our shareholders for the trust placed in us and wish to assure you that it is your expectations and interests that guide our decisions in the management of the Company.

(Sgd.)
G S N Peiris
Chairman

21st June 2018

Board of Directors

G. S. N. Peiris

Chairman

Shamil Peiris has served on the Board of the Company since its inception. He was appointed as Chairman on 26th July, 2013. He is also the Group Finance Director of Central Finance Company PLC, Chairman – CF Insurance Brokers (Pvt.) Ltd. and serves on the Boards of many companies within the Group. He possesses over 39 years of post-qualification management experience. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Credit Institute of Management – Sri Lanka, Certified Professional Managers – Sri Lanka, Chartered Institute of Management Accountants – UK, British Institute of Management – UK, Association of Corporate Treasurers – UK and a Chartered Global Management Accountant.

Eranjith Harendra Wijenaike

Non-Executive Director

Eranjith Wijenaike has served on the Board of the Company as a Non – Executive Director since its inception. He is the Managing Director of Central Finance Company PLC, a leading non-banking Financial Institution in the country and also a Director of several other quoted companies within and outside the Central Finance Group. He holds a Bachelor's Degree in Commerce and a Post Graduate Diploma in Finance and Banking.

Newton Wickramasuriya

Non-Executive Director

Newton Wickramasuriya retired as the CEO of the Company in October 2017 and is continuing on the Board. He joined the board in 1999. He holds a B.Sc Engineering degree from the University of Ceylon, Peradeniya and is a Chartered Engineer in UK and Sri Lanka. He is a Fellow of the Institution of Mechanical Engineers (UK) and a Fellow of the Institution of Engineers, Sri Lanka. He is a past President of the Institution of Engineers, Sri Lanka, a past Chairman of the Ceylon National Chamber of Industries, and a past Chairman of Lanka Hydraulic Institute Ltd. He has served on the Boards of several statutory bodies and counts over 45 years of experience in industry locally and internationally.

Sarath De Costa

Non-Executive Director

Sarath De Costa was the Former Counsel General for Sri Lanka in Osaka, Japan. He was appointed to the Board of Colombo Dockyard PLC in 1993 and is the Chairman and Managing Director of the Amano and Tivoli Group of Companies, President, Imperial Trading Corporation, Japan, a Director of Waters Edge Ltd and Ceylon Shipping Agency (Pvt.) Ltd., Singapore. He also serves as Vice President of the Sri Lanka – Japan Business Cooperation Committee, and is a Life Member of the Japan Sri Lanka Technical Co-operation and a Member of the Sri Lanka Japan Friendship Society.

He was a Representative – Board of Investment of Sri Lanka, Patron – Department of Neurosurgery Trust (National Hospital), Trustee – National Health Development Fund (Ministry of Health), Special Envoy /Advisor – Board of Investment of Sri Lanka, Member of the Advisory Committee – Ministry of Wild Life Resources Conservation and a Director of the Industrial Development Board.

Ravi Rambukwelle

Non-Executive Director

Ravi Rambukwelle has served on the Board of the Company since 2006. He is also the Director – Marketing & Operations of Central Finance Company PLC. He has over 31 years of management experience, both locally and internationally. He holds a Bachelor's Degree in Economics and Political Science from the University of Peradeniya, a Diploma in Marketing from the Chartered Institute of Marketing UK and a Diploma in Commerce from the Institute of Commerce UK. He serves as a Director in several companies within the Group, as well as outside.

Arjuna Gunaratne

Non-Executive Director

Arjuna Gunaratne has served on the Board of the Company since 2006. He is also Director – Group Co-ordination of Central Finance Company PLC and serves on the Boards of several Companies within the Group. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and of the Chartered Institute of Management Accounts of UK.

Ralph De Lanerolle

Independent Non-Executive Director

Ralph De Lanerolle has over 50 years of experience both in the public and private sectors, holding senior management positions. He has worked primarily in the field of Project Finance and Management, undertaking assignments in diverse sectors of the economy, especially Financial Services, Shipping & Ports, Tourism, Property and Transportation.

A Chartered Engineer, he holds a Bachelor's degree in Civil Engineering (First Class Honours) from the University of Ceylon (1965) and a Master's degree from the University of Waterloo, Ontario, Canada (1968). He is a Honorary Life Member of the Institution of Engineers, Sri Lanka.

Currently, he is the Executive Director of Mireka Capital Land (Pvt.) Ltd., and has served, and continues to serve, on the Boards of several other private and public listed companies.

Indranee Jayasinghe

Independent Non-Executive Director

Mrs. Indranee Jayasinghe is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. She holds a Masters Degree from the Harvard University, USA and a Post Graduate Diploma in State Enterprise & Economic Development from ISS, The Hague, Netherlands.

She was the Director General of the Public Enterprises Department of the Ministry of Finance and was also the CEO of Commercial Fund Management, a subsidiary of the Commercial Bank. Later she worked as senior tax advisor at KPMG, Chartered Accountants and is now a Partner of Jayasinghe & Company, Chartered Accountants.

Mrs. Jayasinghe has served on the Board of Directors of several Public & Private Sector Corporations and Companies.

Ariyawansa Hettiarachchy

Independent Non-Executive Director

Mr. Hettiarachchy was appointed to the Board as an Independent Non-Executive Director on 1st July 2017. He is a Chartered Engineer and a Member of the Institutions of Electrical Engineers and Chemical Engineers. He is consultant to Sri Lanka Institute of Nanotechnology and works as the Chief of Process and Engineering Systems. He serves on the Board of Lankem Ceylon PLC and as the Chairman on the Board of ISL Services Limited.

He has served on the Board of Hayleys PLC and functioned as Managing Director on the Boards of Haycarb PLC, Recogen Limited and Puritas Limited.

He has also served on the Boards of several other subsidiaries of Haycarb PLC and Hayleys PLC both in Sri Lanka and overseas. He was also a Board Member of the Coconut Research Institute, National Science Foundation (NSF) and the Sri Lanka Institute of Nanotechnology. A member of the National Nanotechnology Committee and a member of several advisory Boards of the NSF, Mr. Hettiarachchy possesses expertise in the fields of Process Design, Installation and Commissioning of petrochemical and other process plants, Mechanical Engineering, Thermal and Electrical Energy - Generation and Storage, and Nanotechnology.

Corporate Governance

The Board of Directors of the Company believes good corporate governance is the cornerstone of strong business performance. Corporate governance policies and practices of the Company have been designed to ensure that the Company is focused on its responsibilities to its stakeholders and on creating long term shareholder value. We continuously review and find ways to improve our Board's effectiveness in this regard.

The Board is committed to ensure that it complies with the specific requirements under the rules set out in Section 7.10 of the Colombo Stock Exchange's Listing Rules. The table on page 07 sets out the manner of compliance with these rules. The Board also recognizes the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission as useful guidance in improving corporate governance.

Board of Directors

The Board consisted of the Non-Executive Chairman, and Eight Non-Executive Directors as at 31st March 2018. The names and profiles of the directors are given on page 04.

Mr. A.Hettiarachchy, Mr. L. R. De Lanerolle, and Ms. I. S. Jayasinghe are Independent Non-Executive Directors.

Audit Committee

The audit committee comprises four non-executive directors, namely:

Mr. A. Hettiarachchy *(Chairman of the Committee)*	-	Independent Non-Executive Director
Mr. A. K. Gunaratne	-	Non-Executive Director
Mr. L. R. de Lanerolle	-	Independent Non-Executive Director
Ms. I. S. Jayasinghe	-	Independent Non-Executive Director

Mr. A. Hettiarachchy was appointed on 1st July 2017 as the member of the committee in place of Mr. N. J. Abeysekere who retired on 30th June 2017.

The Manager Internal Audit functions as the Secretary to the Committee. The Chief Executive Officer and the Manager – Finance are invitees to the meetings of the Audit Committee. The Committee is empowered to examine any matter relating to the financial affairs of the Company and its internal and external audits. Its duties include detailed reviews of the financial statements, internal control procedures, accounting policies, compliance with accounting standards, emerging accounting issues and such other related functions as the Board may require. It also recommends the appointment and fees of the external auditors. It also keeps under review the independence and objectivity of the external auditors. The detailed Audit Committee's Report including the areas reviewed during the financial year 2017/18 is given on page 09 of the Annual Report.

Remuneration Committee

The Remuneration Committee comprises five non-executive directors three of whom are independent.

Mr. G. S. N. Peiris *(Chairman of the Committee)*	-	Non-Executive Director
Mr. C. S. W. De Costa	-	Non-Executive Director
Mr. L. R. De Lanerolle	-	Independent Non-Executive Director
Mr. A. Hettiarachchy	-	Independent Non-Executive Director
Ms. I. S. Jayasinghe	-	Independent Non-Executive Director

The Chief Executive Officer of the Company, assists the Committee, except when his own remuneration package is deliberated. The Report of the Remuneration Committee is given on page 11 of the Annual Report.

Compliance with Colombo Stock Exchange Rules on Corporate Governance

The table below sets out the relevant Colombo Stock Exchange Rules on Corporate Governance and the manner in which the Company complies with them.

Rule No	Subject	Applicable Requirement	Compliance Status	Details
7. 10.1	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors	Compliant	All nine Directors are Non-Executive Directors.
7. 10.2(a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher should be independent.	Compliant	Three of the nine Non-Executive Directors are independent.
7. 10.2(b)	Declaration of Independence	Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format.	Compliant	All Non-Executive Directors have submitted the Declaration of Independence / Non-independence.
7. 10.3(a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report.	Compliant	Disclosed on page 14.
7. 10.3(b)	Determination on Independence	Determination on criteria not met.	All independent Non-Executive Directors meet the criteria.	
7. 10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the area of expertise.	Compliant	Disclosed on page 04.
7. 10.3(d)	New appointment of Directors	Communicate to the Stock Exchange	Compliant	Published in the Stock Exchange.
7. 10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	Compliant	Disclosed on page 06.
7. 10.5(a)	Composition of the Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom can be independent	Compliant	The Committee comprises five Non-Executive Directors, three of whom are independent.
7. 10.5(b)	Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Compliant	The Committee recommends the remuneration of the Chief Executive Officer.
7. 10.5(c)	Disclosure in the Annual Report relating to the Remuneration Committee	The Annual Report should set out:		
		a) Names of Directors comprising the Remuneration Committee	Compliant	Disclosed on page 06.
		b) Statement of Remuneration Policy.	Compliant	Disclosed on page 11.
		c) Aggregate remuneration paid to Executive & Non-Executive Directors	Compliant	Disclosed on page 17.
7. 10.6	Audit Committee	The Company shall have an Audit Committee.	Compliant	Disclosed on page 06.

Corporate Governance Contd.

Rule No	Subject	Applicable Requirement	Compliance Status	Details
7.10.6(a)	Composition of the Audit Committee	Shall comprise of Non-Executive Directors a majority of whom shall be independent.	Compliant	The committee comprises four Non-Executive Directors, three of whom are independent.
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee meetings.	Compliant	The Chief Executive Officer and the Manager-Finance attend Audit Committee meetings.
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Compliant	Two members of the committee is a member of a professional accounting body.
7.10.6(b)	Audit Committee Functions	Should be as outlined in the listing rules	Compliant	Disclosed on page 06.
7.10.6(c)	Disclosure in the Annual Report relating to the Audit Committee	a) Names of Directors comprising the Audit Committee.	Compliant	Disclosed on page 06.
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Compliant	Disclosed on pages 09 and 10.
		c) The Annual Report shall contain a report of the Audit Committee setting out the manner of compliance by the Company.	Compliant	Disclosed on pages 09 and 10.

Compliance with Colombo Stock Exchange Rules on Related Party Transactions

The Related Party Transaction Review comprises the following persons;

Ms. I. S. Jayasinghe *(Chairperson of the Committee)*	-	Independent Non-Executive Director
Mr. L. R. De Lanerolle	-	Independent Non Executive Director
Mr. A. K. Gunaratne	-	Non-Executive Director
Mr. A. N. P. Wickramasuriya	-	Non-Executive Director
Mr. A. Hettiarachchy	-	Independent Non-Executive Director

The Manager - Finance functions as the Secretary to the Committee.

The Report of the Related Party Transaction Review Committee is given on page 12.

The Board of Directors declares that the Company has complied with the requirements of the Colombo Stock Exchange Rules on Related Party Transactions.

Audit Committee Report

Composition of the Audit Committee

The Audit Committee is comprised of four Non-Executive Directors of whom three are Independent Directors.

The members of the Board appointed Audit Committee are:

A. Hettiarachchy	Chairman (IND/NED)
A. K. Gunaratne	(NED)
L. R. De Lanerolle	(IND/NED)
I. S. Jayasinghe	(IND/NED)

(IND-Independent Director, NED-Non-Executive Director)

Brief Profiles of the members are given in the Annual Report under the Board of Directors. The Manager-Internal Audit functions as its Secretary.

Mr. N. J. Abeysekere retired on 30th June 2017 and Mr. A. Hettiarachchy was appointed on 1st July 2017 to the Audit Committee and also as the Chairman of the Committee since his appointment.

Meetings of the Committee

The Audit Committee met 4 times during the year. The attendance of the members at Audit Committee Meetings is as follows:

Member	Status	No. of Meetings
A. Hettiarachchy	IND/NED	3
A. K. Gunaratne	NED	4
N. J. Abeysekere	IND/NED	1
L. R. De Lanerolle	IND/NED	3
I. S. Jayasinghe	IND/NED	4

The Chairman, Chief Executive Officer and Manager Finance, also attended these meetings by invitation. On the invitation of the Audit Committee, Company's External Auditor, M/s. KPMG (Chartered Accountants) attended 2 Committee meetings during the year. Proceedings of the Audit Committee meetings are reported to the Board of Directors.

Role of the Audit Committee:

The Audit Committee assists the Board of Directors in fulfilling effectively its responsibilities relating to financial and other related affairs of the Company. The Committee has been empowered to:

- Examine internally any matter relating to the financial affairs of the Company.
- To review and monitor the work carried out both Internal and External Auditors, and also follow findings arising from thereon.
- Analyse and review risks and examine the adequacy, efficiency and effectiveness of the Internal Control System and procedures in place to avoid or mitigate such risks.
- Review Accounting Policies, emerging accounting issues and disclosures relating to Sri Lanka Accounting Standards (LKAS)/ Sri Lanka Financial Reporting Standards (SLFRS).
- Review the compliance of financial reporting obligations under the Colombo Stock Exchange (CSE) listing rules, rules and regulations of Securities and Exchange Commission (SEC) and the Companies Act No.7 of 2007.
- Review and recommend Interim and Annual Financial Statements prepared for approval of the Board and submission to shareholders.
- Review the policy on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines.

Financial Reporting

The Committee assists the Board of Directors to discharge their responsibility for the preparation of the quarterly and annual Financial Statements that portray a true and fair view of the affairs of the Company in accordance with the Company's accounting records and in conformity with the Sri Lanka Accounting Standards, the Companies Act No.7 of 2007, rules and regulations of CSE and SEC.

The Committee reviewed the Company's interim and annual financial statements prior to submission to the Board and recommended their issue to shareholders.

With the introduction of the new Audit Report this year, the Audit Committee has introduced a process to discuss the areas which are identified as Key Audit Matters by Messrs. KPMG for reporting in the Audit report, at the Audit Planning and completion stage.

The Audit Committee reviewed the financial reporting system in place to ensure the reliability and integrity of information provided. The review included the extent of compliance with LKAS/SLFRS and applicable laws and regulations, review of critical accounting policies and practices and any changes thereto, alternative accounting treatments, major judgemental areas and material audit judgements.

External Audit

The Audit Committee is empowered to recommend the appointment of the External Auditor in compliance with the relevant statutes, to agree on their audit fee and recommend reappointment or change of the auditor. The Committee is satisfied that there is no conflict of interests between the Company and the

Audit Committee Report Contd.

Auditor, other than for the payment of the Auditor's fees. The Committee is thus satisfied that there is no cause to compromise on the independence and objectivity of the Auditor. The Committee reviewed the effectiveness of the audit processes in accordance with applicable standards and best practices.

The annual financial statements 2017/18 were reviewed with the External Auditor and their Engagement and Management Letter and Management's responses thereto were also reviewed.

The Committee also met with the External Auditor at a meeting without the presence of CEO and other Executive Managers to discuss whether there have been any improprieties, constraints, reservations or any other unsatisfactory matters arising from the audit which the Auditor wished to discuss with the Audit Committee. The Committee assists the Board of Directors in engaging the External Auditor for non-audit services in compliance with the statutes and ensures that engagement in non-audit services does not impair the external auditor's independence and objectivity.

Risks and Internal Controls

The Audit Committee reviewed the company operations and monitored the effectiveness of internal controls and procedures and is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that the assets of the Company are safeguarded and the financial position is monitored according to information made available.

Internal Audit

During the year, the Audit Committee reviewed the adequacy of the scope, functions and resources of the internal audit division, the results of the internal audit process and their evaluation of the company's internal control system. The Audit Committee also reviewed and approved the adequacy of coverage of the internal audit programme.

Regulatory Compliance

The Audit Committee reviewed the information requirement of Companies Act No 07 of 2007, and other reporting requirements under SEC, CSE.

(Sgd.)
A. Hettiarachchi
Chairman – Audit Committee

21st June 2018

Report of the Remuneration Committee

The Remuneration Committee comprises of five Non-Executive Directors of the Company of whom three are independent. The Chief Executive Officer of the Company, assists the Committee by providing relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed .

The Committee recommends the compensation of the Chief Executive Officer, and the fee of Non- Executive Directors. In addition, they lay down guidelines and parameters for the compensation structure of all management staff.

The primary objective of compensation packages is to attract and retain a qualified and an experienced work force. These packages are aimed at providing compensation appropriate for the industry and commensurate with each employee's level of experience and contribution, bearing in mind the Company's performance and long term shareholder returns.

The Committee reviews the Company's compensation structures from time to time to ensure alignment with strategic priorities and comparison with those offered by other similar entities.

(Sgd.)
G. S. N. Peiris
Chairman - Remuneration Committee

21st June 2018

Report of the Related Party Transaction Review Committee

The Related Party Transaction Review Committee comprises five non-executive directors.

Ms. I. S. Jayasinghe *(Chairperson of the Committee)*	-	Independent Non-Executive Director
Mr. L. R. De Lanerolle	-	Independent Non-Executive Director
Mr. A. K. Gunaratne	-	Non-Executive Director
Mr. A. N. P. Wickramasuriya	-	Non-Executive Director
Mr. A. Hettiarachchy	-	Independent Non-Executive Director

The Manager - Finance functions as the Secretary to the Committee.

The Committee met once every calendar quarter and four times during the financial year.

The Committee has implemented a process to identify and report proposed transactions with related parties. The Committee obtained all required information on such transactions, including but not limited to other unaffiliated sources of comparable products or services and the terms offered by such parties, from the CEO and senior managers of the Company. Wherever required the Committee also obtains advice from competent independent professionals in ascertaining the value of assets acquired from or disposed to related parties.

The Committee reviewed all recurrent and non-recurrent transactions and proposed transactions with related parties. During the period under review, there were no non-recurrent nor recurrent related party transactions that exceeded the threshold referred to in the Listing Rules of the Colombo Stock Exchange. Details of other Related Party Transactions entered into by the Company during the above period are disclosed in Note 31 to the financial statements on page 51 to 53.

The Committee made recommendations to the Board wherever approval of the Board was required to proceed with such related party transactions and also set guidelines for the senior management to follow on on-going dealings with related parties.

(Sgd.)
I. S. Jayasinghe
Chairperson - Related Party Transactions Review Committee

21st June 2018

Annual Report of the Board of Directors

The Directors have pleasure in presenting to the Members their report together with the Audited Financial Statements of Central Industries PLC and the Group for the year ended 31st March 2018.

Review of the Year's Performance

The Chairman's Review describes the Company's progress and highlights important events during the year.

Principal Activity

The principal activity of the Company is the manufacture and distribution of PVC Pipes and Fittings. The Company also manufactures and distributes Electrical Switches, Sockets and Accessories, and markets other products used in the construction industry. The wholly owned subsidiary companies Central Industries Marketing (Pvt.) Ltd. and Polymer Technologies (Pvt.) Ltd. did not carry out any business activity during the year.

Parent Enterprise

The Company's parent and ultimate parent enterprise is Central Finance Company PLC.

Major Shareholders

The twenty largest shareholders of the Company as at 31st March 2018 are given on page 63 together with an analysis of the shareholdings. As at that date the Company had 1,373 shareholders.

Public Holdings

Public Holding of the Company as at 31st March 2018 was 46.72 comprising 9,236,346 shareholders and a float adjusted market capitalisation of LKR. 362,967,315. In terms of the rule 7.13.1(b) of the Listing Rules of the Colombo Stock Exchange, the Company qualifies under option five of the minimum public holding requirment.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company so that it reflects a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Financial Results

The financial statements of the Company and the Group are given on pages 23 to 61.

	Group		Company	
	2017/18 Rs.'000s	2016/17 Rs.'000s	2017/18 Rs.'000s	2016/17 Rs.'000s
Revenue	2,274,260	2,354,154	2,274,260	2,354,154
Profit before tax for the year after providing for bad debts, depreciation of property, plant and equipment and all known liabilities	111,582	201,320	111,158	201,268
Provision for taxation	(28,280)	(62,291)	(28,174)	(62,207)
Profit for the year after taxation	83,302	139,029	82,984	139,061

Dividends

The Directors recommend the payment of a first and final dividend of Rs. 2/- per share for the year ended 31st March 2018. This will be paid out of the taxable profit of the Company and will be subject to a withholding tax of 14%. As required by section 56(2) of the Companies Act No.7 of 2007, the Directors confirm that the Company satisfies the solvency test in terms of section 57 of the Act and that the Company has obtained a certificate from the Auditors to this effect.

Taxation

The rate of corporate tax applicable to Central Industries PLC and its subsidiaries is 28%.

Property Plant and Equipment

The Group invested Rs. 113,824,481 in property, plant & equipment during the year. The movement in property plant and equipment during the year is given in Note 13 to the Financial Statements. The movement in intangible assets during the year is given in Note 14 to the Financial Statements.

Accounting Policies

The consolidated financial statements have been prepared in accordance with the requirements of the Company's Act No.07 of 2007 and Sri Lanka Accounting Standards applicable for the current accounting period and are consistent with the accounting policies adopted in the previous year.

Annual Report of the Board of Directors Contd.

Events after the Reporting Period

There have been no material post balance sheet events which would require adjustment to, or disclosure other than as stated in Note 30 to the Financial Statements.

Donations

During the year, donations to charities of Rs. 350,738/- were made by the Company.

Stated Capital

The Stated Capital of the Company as at 31st March 2018 was Rs. 121,320,000/- and is represented by 19,768,428 ordinary shares.

Going Concern

The Directors continue to adopt the going concern basis in preparing the Financial Statements. The Directors, after making enquiries and following a review of the Company's budget for 2018/19, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

Board of Directors

The Directors of the Company as at 31st March 2018 were:

Non-Executive Directors

Mr. G. S. N. Peiris - Chairman
Mr. E. H. Wijenaike
Mr. A. N. P. Wickramasuriya
Mr. C. S. W. De Costa
Mr. R. E. Rambukwelle
Mr. A. K. Gunaratne

Independent Non-Executive Directors

Mr. L. R. De Lanerolle
Ms. I. S. Jayasinghe
Mr. A. Hettiarachchy

Re-elections to the Board

Mr. A. N. P. Wickramasuriya has passed the age limit referred to in section 210 of the Companies Act No.07 of 2007. His appointment as a Director of the Company requires the approval of a resolution of the Company in general meeting. A notice is duly given by the Company that in terms of section 211 of the Companies Act No.07 of 2007, a resolution will be proposed that the age limit referred to in section 210 of the Companies Act No.07 of 2007, shall not apply to Mr. A. N. P. Wickramasuriya who has reached the age of 76 years.

Mr. L. R. de Lanerolle has passed the age limit referred to in section 210 of the Companies Act No.07 of 2007. His appointment as a Director of the Company requires the approval of a resolution of the Company in general meeting. A notice is duly given by the Company that in terms of section 211 of the Companies Act No.07 of 2007, a resolution will be proposed that the age limit referred to in section 210 of the Companies Act No.07 of 2007, shall not apply to Mr. L. R. de Lanerolle who has reached the age of 75 years.

In terms of Article 85 of the Articles of Association, Directors Mr. A. K. Gunarathne and Mr. C. S. De Costa are due to retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-election.

Auditors

The Financial Statements for the year have been audited by KPMG Chartered Accountants, who offer themselves for re-appointment.

The remuneration of the Auditors is disclosed in Note 9 to the consolidated financial statements. In addition the auditors were paid Rs. 119,907/- for work not directly related with the audit of the financial statements, and consisted mainly of opinion expressed in relation to the solvency certificate required in the distribution of dividends of the Company.

As far as the Directors are aware the auditors do not have any other relationship with the Company other than as disclosed above.

The retiring auditors have expressed their willingness to continue in office. A resolution to re-appoint them as auditors and authorizing the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee reviewed the appointment of the auditors, their effectiveness and relationship with the Group including the level of audit and non-audit fees paid to the Auditor.

Compliance with Laws and Regulations

The Company has not engaged in any activities contravening laws and regulations. All officers responsible for ensuring compliance with the provisions of various laws and regulations confirm their compliance to the Board on a monthly basis.

Directors' Interests in Transactions

The Directors' interests in transactions with the Company are disclosed in the Interests Register and in Note 31 to the Financial Statements. The Company carried out transactions during the year in the ordinary course of its business at commercial rates with the following related entities.

Name of the Company and Relationship	Name of Directors	Position	Nature of Transactions
Central Finance Co. PLC (Parent Company)	Mr. E. H. Wijenaike	Managing Director	Charges for hire of vehicles – Rs. 182,299/- (2016/17 – Rs. 37,932/-) Interest earned from short term deposits – Rs. 1,037/- (2016/17 – Rs. 962/-) Short term deposits as at 31st March 2018– Rs. 19,364/- (2016/17 – Rs. 18,431/-)
	Mr. G. S. N. Peiris	Director	
	Mr. A. K. Gunaratne	Director	
	Mr. R. E. Rambukwelle	Director	
CF Insurance Brokers (Pvt) Ltd. (Fellow Subsidiary)	Mr. G. S. N. Peiris	Chairman	The Company has paid total premia of Rs. 2.4 million (2016/17-Rs. 2 million) to insurers during the year. CF Insurance Brokers (Pvt) Ltd is entitled to an agency/ brokerage commission on such premia paid by the Company.
	Mr. A. K. Gunaratne	Director	
	Mr. R. E. Rambukwelle	Director	
Tivoli Plastics (Pvt.) Ltd. (An Enterprise owned by a Director)	Mr. C. S. W. De Costa	Director	Manufacture of PVC Fittings under agreement with the company. The cost of services obtained during the year was Rs. 35.4million (2016/17-Rs. 38.5 million.)
Amano Construction (Pvt.) Ltd.(An Enterprise owned by a Director)	Mr. C. S. W. De Costa	Director	Contract for Rs. 20.5. million was entered into in 2016/17 to construct a factory building for the Company. The final payment of Rs. 11.4 million was paid during the year ended 31st March 2018. Purchase of products from the Company – Rs. 131,891/- (2016/17 - Rs. 592,751/-) Amount due to the Company on products purchased - Rs. 16,857/- (2016/17 – Rs. 56,700/-)
Central Industries Marketing (Pvt.) Ltd. (A wholly owned subsidiary)	Mr. A. N. P. Wickramasuriya	Director	Funds advanced by the subsidiary to Central Industries PLC, repayable on demand. Amount due to the subsidiary – Rs. 4.9 million. (2016/17 – Rs. 4.6 million) Rs. 434,233/- has been paid as interest on the above funds during the year. (2016/17 – Rs. 355,746/-)
	Mr. R. E. Rambukwelle	Director	

Annual Report of the Board of Directors Contd.

Name of the Company and Relationship	Name of Directors	Position	Nature of Transactions
Polymer Technologies(Pvt) Ltd. (A wholly owned subsidiary)	Mr. A. N. P. Wickramasuriya	Director	Funds advanced by the subsidiary to Central Industries PLC, repayable on demand. Amount due to the subsidiary – Rs. 1.33 million (2016/17 – Rs. 1.36 million) Rs. 121,762 has been paid as interest on the above funds during the year. (2016/17 – Rs. 104,391/-)
	Mr. G. S. N. Peiris	Director	
	Mr. R. E. Rambukwelle	Director	

The directors had no direct or indirect interests in any other contract or proposed contract in relation to the business of the company.

Interests Register

The Interests Register is maintained by the Company as per the Companies Act No.07 of 2007.

Shareholdings of Directors

	No.of shares held as at	
	31st March 2018	1st April 2017
Mr. E. H. Wijenaike	36,012	36,012
Mr. G. S. N. Peiris	6	6
Mr. A. N. P. Wickramasuriya	-	-
Mr. C. S. W. De Costa	-	-
Mr. R. E. Rambukwelle	1,014	1014
Mr. A. K. Gunaratne	-	-
Mr. N. J. Abeysekere (Retired with effect from 30th June 2017)	-	-
Mr. L. R. De Lanerolle	-	-
Ms. I. S. Jayasinghe	-	-
Mr. A. Hettiarachchy (Appointed with effect from 1st July 2017)	-	-

The shareholdings of entities in which the Directors have controlling interest:

	No.of shares held as at	
	31st March 2018	1st April 2017
Central Finance Company PLC	8,709,000	8,709,000
CF Insurance Brokers (Pvt.) Ltd.	1,129,200	1,129,200
CF Growth Fund Ltd.	36,000	36,000
Expanded Plastic Products Ltd.	6,450	6,450
Tivoli Lanka (Pvt) Ltd.	614,400	614,400

During the year ended 31st March 2018;

Mr. E. H. Wijenaike, Mr. G. S. N. Peiris, Mr. R. E. Rambukwelle and Mr. A. K. Gunaratne were Directors of Central Finance Company PLC.

Mr. G. S. N. Peiris, Mr. R. E. Rambukwelle and Mr. A. K. Gunaratne were Directors of CF Insurance Brokers (Pvt.) Ltd. Mr. E. H. Wijenaike exercised significant control over CF Insurance Brokers (Pvt.) Ltd. through direct/indirect voting power.

Mr. G. S. N. Peiris and Mr. R. E. Rambukwelle were Directors of CF Growth Fund Ltd. Mr. E. H. Wijenaike exercised significant control over CF Growth Fund Ltd through direct / indirect voting power.

Mr. G. S. N. Peiris and Mr. R. E. Rambukwelle were Directors of Expanded Plastic Products Ltd.

Mr. C. S. W. De Costa was a Director of Tivoli Lanka (Pvt.) Ltd.

Remuneration of Directors

Remuneration of the Directors is disclosed in Note 9 to the consolidated financial statements.

The aggregate remuneration received by the Directors during the year under review was:

	2017/18	2016/17
	Rs.	Rs.
Executive Directors	5,828,681	13,173,651
Non-Executive Directors	576,000	414,000

For and on behalf of the Board,

(Sgd.)
G. S. N. Peiris
Chairman

(Sgd.)
A. N. P. Wickramasuriya
Director

(Sgd.)
Director
Corporate Services (Pvt.) Ltd.
Secretaries - Central Industries PLC

Colombo
21st June 2018

Financial Report

Financial Reports

Supplementary Information

Statement of Directors' Responsibilities

The following statement sets out the responsibilities of the Directors of the Company in the preparation of the Financial Statements of the Company. These differ from the responsibilities of the Auditors which are set out in their report appearing on page 20. The Companies Act No. 07 of 2007 requires the Directors to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the Profit or Loss of the Company for that financial year.

In preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgements and estimates have been made and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act. They are also responsible for taking reasonable measures to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevent and detect fraud and other irregularities.

By Order of the Board

(Sgd.)
Director
Corporate Services (Pvt.) Limited
Secretaries - Central Industries PLC

Colombo
21st June 2018

Independent Auditors' Report

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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

To the shareholders of Central Industries PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Central Industries PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2018, 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 set out on pages 28 to 61 of this annual report.

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

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. 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 financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of Inventory	
Risk Description	**Our responses**
Refer to note 16 in the financial statements. The Group has recognized a total impairment provision of Rs. 18,042,812 (2016/17- Rs. 13,916,678) in the total inventory valued at Rs. 580,621,204 (2016/17: Rs. 602,195,372). Assessing carrying value is an area of significant judgment, particularly with regards to the estimation of provisions for slow-moving and non-moving inventory in order to ensure that inventory is carried at lower of cost or NRV.	Our audit procedures included; • Inquiring of the management with regard to the calculation methodology, the basis for provision and the processes with respect to impairment provision. • Assessing the adequacy of, and movements in, inventory provisions held, by recalculating the total provision including Raw materials and Machinery spares within the provision to ensure appropriate basis of valuation. • Assessing the realizations of inventories during the period and after the period end, in particular of clearance categories, and compare these to the Group's expected recoveries for inventory categorized as obsolete and/or slow moving at the period end date to assess whether the provision for obsolete and slow moving stock is appropriate

Recoverable amount of Trade receivable	
Risk Description	**Our responses**
Refer to note 17 in the financial statements. The Group has recognized a total impairment provision for bad debtors amount in to Rs. 36,428,376 (2016/17- Rs. 36,037,985) in the total trade receivable balance valued at Rs. 643,132,834 (2016/17: Rs. 607,669,715). Recoverability of the trade receivable balance is an area of significant judgment, particularly with regards to the estimation of specific impairment provision for bad debts.	Our audit procedures included ; • Inquiring with regard to the calculation methodology, the basis for provision and the processes with respect to the provision for bad debts. • Verifying the accuracy of the trade receivable aging and re-computing the provision for receivables.

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. 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditors' Report Contd.

KPMG

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3272.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

21st June 2018

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March (In Thousands of Rupees)	Note	Group 2018	Group 2017	Company 2018	Company 2017
Revenue	6	2,274,260	2,354,154	2,274,260	2,354,154
Cost of Sales		(1,884,664)	(1,899,724)	(1,884,664)	(1,899,724)
Gross Profit		389,596	454,430	389,596	454,430
Other Income	7	3,638	1,803	3,538	1,709
Selling and Distribution Expenses		(151,332)	(145,372)	(151,332)	(145,372)
Administrative Expenses		(105,272)	(107,466)	(105,040)	(106,964)
Operating Profit		136,630	203,395	136,762	203,803
Finance Income		1,323	3,922	1,323	3,922
Finance Costs		(26,371)	(5,997)	(26,927)	(6,457)
Net Finance Cost	8	(25,048)	(2,075)	(25,604)	(2,535)
Profit Before Taxation	9	111,582	201,320	111,158	201,268
Income Tax Expenses	10	(28,280)	(62,291)	(28,174)	(62,207)
Profit for the Year		83,302	139,029	82,984	139,061
Other Comprehensive Income					
Actuarial Loss on Defined Benefit Obligations		(1,505)	(5,739)	(1,505)	(5,739)
Deferred Tax on Actuarial Loss on Defined Benefit Obligations		421	1,607	421	1,607
Deferred Tax on Other Comprehensive Income on Land		(45,676)	-	(45,676)	-
Other Comprehensive Loss for the Period		(46,760)	(4,132)	(46,760)	(4,132)
Total Comprehensive Income for the Period		36,542	134,897	36,224	134,929
Profit attributable to					
Owners of the Company		83,302	139,029	82,984	139,061
Non-Controlling Interests		-	-	-	-
Total Comprehensive Income attributable to					
Owners of the Company		36,542	134,897	36,224	134,929
Non-Controlling Interests		-	-	-	-
Basic Earnings per Share (Rs.)	11	4.21	7.03	4.20	7.03
Dividend per Share	12	2.00	2.75	2.00	2.75

The annexed Notes to the Financial Statements from pages 28 to 61 form an integral part of these Financial Statements.
Figures in brackets indicate deductions

Statement of Financial Position

As at 31st March (In Thousands of Rupees)	Note	Group 2018	Group 2017	Company 2018	Company 2017
ASSETS					
Property, Plant and Equipment	13	615,226	541,106	615,226	541,106
Capital Work- In- Progress	13.1	16,148	2,575	16,148	2,575
Intangible Assets	14	176	289	176	289
Investments in Subsidiaries	15	-	-	2,000	2,000
Non-Current Assets		631,550	543,970	633,550	545,970
Inventories	16	562,578	588,279	562,578	588,279
Trade & Other Receivables	17	622,325	597,065	622,325	597,065
Investments Held for Trading	18	468	408	156	136
Current Tax Assets	27.1	-	33	-	-
Cash and Cash Equivalents	19	20,109	20,189	20,033	20,109
Current Assets		1,205,480	1,205,974	1,205,092	1,205,589
Total Assets		1,837,030	1,749,944	1,838,642	1,751,559
EQUITY AND LIABILITIES					
EQUITY					
Stated Capital	20	121,320	121,320	121,320	121,320
Revaluation Reserve	21	136,718	183,147	136,718	183,147
General Reserve	22	100,814	100,814	100,814	100,814
Retained Earnings		956,197	927,487	952,858	924,466
Equity Attributable to Owners of the Company		1,315,049	1,332,768	1,311,710	1,329,747
Non-Controlling Interests		-	-	-	-
Total Equity		1,315,049	1,332,768	1,311,710	1,329,747
LIABILITIES					
Employee Benefits	23	49,908	61,989	49,908	61,989
Deferred Tax Liabilities	24	97,776	43,402	97,776	43,402
Non-Current Liabilities		147,684	105,391	147,684	105,391
Trade and Other Payables	25	171,997	138,078	170,695	136,733
Loans and Borrowings	26	196,067	146,156	196,067	146,156
Current Tax Liabilities	27.2	3,403	21,915	3,383	21,901
Amounts due to Related Parties	28	2,128	5,156	2,128	5,156
Amounts due to Subsidiaries	29	-	-	6,273	5,995
Bank Overdraft	19	702	480	702	480
Current Liabilities		374,297	311,785	379,248	316,421
Total Liabilities		521,981	417,176	526,932	421,812
Total Equity and Liabilities		1,837,030	1,749,944	1,838,642	1,751,559
Net Assets per Ordinary Share		66.52	67.42	66.35	67.27

The annexed Notes to the Financial Statements from pages 28 to 61 form an integral part of these Financial Statements.
These Financial Statements are in compliance with the requirements of the Companies Act No.7 of 2007

(sgd.)
Dimuthu Nandirathne
Manager-Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
For and on behalf of the Board,

(sgd.)
G. S. N. Peiris
Chairman

(sgd.)
A. N. P. Wickramasuriya
Director

Colombo.
21st June 2018

Statement of Cash Flows

For the year ended 31st March (In Thousands of Rupees)	Note	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Cash Flows from Operating Activities					
Profit before taxation		111,582	201,320	111,158	201,268
Adjustments for :					
Depreciation of Property,Plant & Equipment	13	39,579	38,792	39,579	38,792
Amortisation of Intangible Assets	14	131	134	131	134
Impairment loss of Property,Plant & Equipment		105	88	105	88
Fair Value Gain on investments held for trading		(61)	(106)	(20)	(35)
Gain on Disposal of Property, Plant & Equipment		(36)	(297)	(36)	(297)
Provision for Employee Benefits	23	12,161	10,457	12,161	10,457
Provision/(Reversal of) for Impairment of Trade Debtors	17.1	1,347	(45)	1,407	(25)
Write-off of Inventories		63	1,042	63	1,042
Provision for Slow moving inventories	16.2	4,126	3,908	4,126	3,908
Unclaimed Dividends forfeited		102	159	102	159
Interest Expenses	8	26,371	5,997	26,927	6,457
Interest Received	8	(1,323)	(3,922)	(1,323)	(3,922)
Dividend Income		(7)	(5)	(7)	(2)
Operating Profit before Working Capital changes		194,140	257,522	194,373	258,024
Decrease/(Increase) in Inventories		21,511	(120,432)	21,511	(120,432)
Increase in Trade and Other Receivables		(26,607)	(73,408)	(26,667)	(73,428)
Decrease in Amounts due to Related Parties		(3,028)	(279)	(3,028)	(279)
Increase/(Decrease) in Amounts due to Subsidiaries		-	-	279	(2,756)
Increase/(Decrease) in Trade and Other Payables		33,919	(5,283)	33,962	(2,678)
Cash generated from Operating activities		219,935	58,120	220,430	58,451
Gratuity Paid	23	(25,747)	(2,429)	(25,747)	(2,429)
Interest Paid	8	(26,371)	(5,997)	(26,927)	(6,457)
Tax Paid		(37,640)	(84,562)	(37,575)	(84,458)
Net Cash (used in)/ generated from Operating Activities		130,177	(34,868)	130,181	(34,893)
Cash Flow from Investing Activities					
Acquisition of Property, Plant and Equipment and Intangible Assets	13/14	(92,681)	(61,998)	(95,681)	(61,998)
Transfer from Inventory to PPE	13	(104)	-	(104)	-
Capital Work-in-Progress	13.1	(34,630)	(6,773)	(34,630)	(6,773)
Proceeds from Sale of Property, Plant & Equipment		58	297	58	297
Interest Received	8	1,323	3,922	1,323	3,922
Dividend Received		7	5	7	2
Net Cash Used in Investing Activities		(126,027)	(64,547)	(126,027)	(64,550)
Cash Flows from Financing Activities					
Short Term Loans obtained		924,208	366,598	924,208	366,598
Repayment of Short Term Loans		(874,297)	(220,442)	(874,297)	(220,442)
Dividends paid		(54,363)	(54,363)	(54,363)	(54,363)
Net Cash generated from Financing Activities		(4,452)	91,793	(4,452)	91,793
Net Increase/(Decrease) in Cash and Cash Equivalents		(302)	(7,622)	(298)	(7,650)
Cash and Cash Equivalents at the beginning of the year		19,709	27,331	19,629	27,279
Cash and Cash Equivalents at the end of the year	19	19,407	19,709	19,331	19,629

The annexed Notes to the Financial Statements from pages 28 to 61 attached hereto form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity

GROUP

(In Thousands of Rupees)	Stated Capital	Revaluation Reserve	General Reserve	Retained Earnings	Total Equity
Balance as at 1st April 2016	121,320	183,900	100,814	846,041	1,252,075
Comprehensive Income for the year					
Profit for the Year	-	-	-	139,029	139,029
Other Comprehensive Income for the year					
Actuarial Loss on Defined Benefit Obligations (Note 23)	-	-	-	(5,739)	(5,739)
Deferred tax on Other Comprehensive Income	-	-	-	1,607	1,607
Total Comprehensive Income for the year	-	-	-	134,897	134,897
Depreciation on Revaluation Surplus	-	(1,097)	-	1,097	-
Deferred Tax on Revaluation Surplus	-	344	-	(344)	-
Transactions with Owners of the Company					
Unclaimed Dividends Forfeited	-	-	-	159	159
Final Dividend, 2015/16 - paid	-	-	-	(54,363)	(54,363)
Balance as at 31st March 2017	**121,320**	**183,147**	**100,814**	**927,487**	**1,332,768**
Balance as at 1st April 2017	121,320	183,147	100,814	927,487	1,332,768
Comprehensive Income for the year					
Profit for the Year	-	-	-	83,302	83,302
Other Comprehensive Income for the year					
Actuarial Loss on Defined Benefit Obligations (Note 23)	-	-	-	(1,505)	(1,505)
Deferred tax on Other Comprehensive Income	-	-	-	421	421
Deferred tax on Other Comprehensive Income on Land	-	(45,676)	-	-	(45,676)
Total Comprehensive Income for the year	-	(45,676)	-	82,218	36,542
Depreciation on Revaluation Surplus	-	(1,097)	-	1,097	-
Deferred Tax on Revaluation Surplus	-	344	-	(344)	-
Transactions with Owners of the Company					
Unclaimed Dividends Forfeited	-	-	-	102	102
Final Dividend, 2016/17 - paid (Note 12.1)	-	-	-	(54,363)	(54,363)
Balance as at 31st March 2018	**121,320**	**136,718**	**100,814**	**956,197**	**1,315,049**

The annexed Notes to the Financial Statements from pages 28 to 61 form an integral part of these Financial Statements.
Figures in brackets indicate deductions

Statement of Changes in Equity

COMPANY

(In Thousands of Rupees)	Stated Capital	Revaluation Reserve	General Reserve	Retained Earnings	Total Equity
Balance as at 1st April 2016	121,320	183,900	100,814	842,988	1,249,022
Comprehensive Income for the year					
Profit for the Year	-	-	-	139,061	139,061
Other Comprehensive Income for the year					
Actuarial Loss on Defined Benefit Obligations (Note 23)	-	-	-	(5,739)	(5,739)
Deferred tax on Other Comprehensive Income	-	-	-	1,607	1,607
Total Comprehensive Income for the year	-	-	-	134,929	134,929
Depreciation on Revaluation Surplus	-	(1,097)	-	1,097	-
Deferred Tax on Revaluation Surplus	-	344	-	(344)	-
Transactions with Owners of the Company					
Unclaimed Dividends Forfeited	-	-	-	159	159
Final Dividend, 2015/16 - paid	-	-	-	(54,363)	(54,363)
Balance as at 31st March 2017	**121,320**	**183,147**	**100,814**	**924,466**	**1,329,747**
Balance as at 1st April 2017	121,320	183,147	100,814	924,466	1,329,747
Comprehensive Income for the year					
Profit for the Year	-	-	-	82,984	82,984
Other Comprehensive Income for the year					
Actuarial Loss on Defined Benefit Obligations (Note 23)	-	-	-	(1,505)	(1,505)
Deferred tax on Other Comprehensive Income	-	-	-	421	421
Deferred tax on Other Comprehensive Income on Land	-	(45,676)	-	-	(45,676)
Total Comprehensive Income for the year	-	(45,676)	-	81,900	36,224
Depreciation on Revaluation Surplus	-	(1,097)	-	1,097	-
Deferred Tax on Revaluation Surplus	-	344	-	(344)	-
Transactions with Owners of the Company					
Unclaimed Dividends Forfeited	-	-	-	102	102
Final Dividend, 2016/17 - paid (Note 12.1)	-	-	-	(54,363)	(54,363)
Balance as at 31st March 2018	**121,320**	**136,718**	**100,814**	**952,858**	**1,311,710**

The annexed Notes to the Financial Statements from pages 28 to 61 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

Central Industries PLC ("the Company") is a public limited liability company incorporated on 18th September 1984 and domiciled in Sri Lanka.

The registered office of the Company and the principal place of business is situated at No. 312, Nawala Road, Rajagiriya. The ordinary shares of the Company are listed on the Colombo Stock Exchange.

The Consolidated Financial Statements of the Company for the year ended 31st March 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Company has two fully owned subsidiaries, Central Industries Marketing (Pvt.) Limited (Incorporated on 22nd October 2001) and Polymer Technologies (Pvt.) Limited (incorporated on 2nd March 1993).

Financial statements of the Company and the subsidiaries are prepared to a common financial year which ends on 31st March.

1.2. Principal Activities and Nature of Operations

The principal activities of the Company are the manufacture and distribution of PVC pipes and fittings. The Company and the Group also manufacture and market other products for the construction and building industry.

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

1.3. Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking as at 31st March 2018 is Central Finance Company PLC. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is Central Finance Company PLC.

1.4. Number of Employees

The numbers of employees of the Group and Company as at 31st March 2018 are as follows:

Group 338 (2017-332)
Company 338 (2017-332)

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 Group for the year ended 31st March 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 21st June 2018.

2. Basis of Preparation

2.1. Statement of Compliance

The Consolidated Financial Statements of the Group and 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.

2.2. Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following,

- Freehold land and buildings which have been revalued to fair values.
- Defined Benefit Obligations are actuarially valued and recognized at the present value.
- Investments Held for Trading are measured at market value.

No adjustments have been made for inflationary factors in the Financial Statements.

2.3. Functional and Presentation Currency

The consolidated financial statements are presented in Sri Lankan Rupees, which is the functional and presentation currency of all Group entities. There was no change in the Group's presentation and functional currency during the year under review. All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousands, unless stated otherwise.

2.4. Use of Estimates and Judgements

The preparation of consolidated financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, 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 recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes;

Note 3.5. - Impairment of assets
Note 3.12. - Employee Benefits
Note 3.10.1. - Provisions
Note 3.14. - Capital Commitments and Contingencies
Note 4.3.b. - Deferred Taxation

2.5. Measurement of Fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non- financial assets and liabilities.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, the Group assesses evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

I. Level 1:

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

II. Level 2:

Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i. e. as prices) or indirectly (i. e. derived from prices).

III. Level 3:

Inputs for the asset or liability that are not based on observable market data. (Unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumption made in measuring fair value is included in note 38.1.

2.6. Materiality and Aggregation

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

2.7. Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future, and they do not intend either to liquidate or cease trading.

2.8. Comparative Information

The comparative information has been reclassified/ restated where necessary to conform to the current year's classification in order to provide a better presentation.

3. Summary of Significant Accounting Polices

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

3.1. Basis of Consolidation

3.1.1. Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the profit or loss.

3.1.2. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control

Notes to the Financial Statements Contd.

commences until the date on which control ceases.

Adjustments required to the accounting policies of subsidiaries are changed wherever necessary to align them with the policies adopted by the Group.

The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition. Subsequent to the acquisition, the company continues to recognize the investment in the subsidiary at cost.

Name of subsidiary	Controlling interest
Central Industries Marketing (Pvt.) Ltd	100%
Polymer Technologies (Pvt.) Ltd	100%

3.1.3. Non-Controlling Interest

Non-controlling interests are measured at their appropriate share of acquired identifiable net assets at the date of acquisition.

Changes in the Group's interest in a Subsidiary that do not result in a loss of control are accounted for as equity transactions.

As the Company owns 100% of the equity of its subsidiaries no non-controlling interest is applicable.

3.1.4. Loss of Control

When the group losses its control over its subsidiaries, it de-recognizes the assets and liabilities of the subsidiaries, any related Non-Controlling Interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in former subsidiaries is measured at fair value when control is lost.

3.1.5. Intra-Group Transactions

Intra-group balances, intra-group transactions and resulting unrealized profits are eliminated in full in the Consolidated Financial Statements. Unrealized losses resulting from intra-group transactions are eliminated unless the cost cannot be recovered.

3.2. Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates as at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate as at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognized in profit or loss.

3.3. Financial Instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

(i) Non-derivative Financial Assets and Liabilities- Recognition and Derecognition

The Group initially recognizes loans and receivables and debt securities issued on the date when they originate. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, (or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset). Any residual interest in such derecognized financial asset that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

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

(ii) Non-derivative Financial Assets – Measurement

Investments Held for Trading

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred.

Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

Fair value through profit or loss comprises Equity Investments in Quoted Public Companies.

Loans and Receivables

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

Loans and receivables comprise of cash and cash equivalents, trade receivables and other receivables.

(iii) Non-derivative Financial Liabilities- Measurement

The Company and the Group classifies non-derivative financial liabilities into the Other Financial Liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other Financial Liabilities comprise Trade and Other Payables, Loans and Borrowings, Amounts Due to Related Parties and Bank Overdrafts.

3.4. Stated Capital

Ordinary Shares

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

3.5. Impairment

i) Non-derivative Financial Assets

A financial asset not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company and the Group on terms that the Company and the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties;
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

Financial Assets measured at amortized cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the

Notes to the Financial Statements Contd.

previously recognized impairment loss is reversed through profit or loss.

The Company and the Group considers evidence of impairment for financial assets measured at amortized cost (loans and receivables) at specific asset level.

ii) Non-financial assets

The carrying amount of the Group's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets 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 or CGUs. . An impairment loss is recognized if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU 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 or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

Impairment losses are recognized in Profit or Loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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 amortization, if no impairment loss had been recognized.

3.6. Property, Plant and Equipment

3.6.1. Recognition & Measurement

Items of Property, Plant & Equipment are measured at cost less accumulated depreciation and accumulated impairment losses, except for Land and buildings. Land and buildings are stated at revalued amounts.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that asset.

When parts of an item of Property, Plant and Equipment (major components) have different useful lives, they are accounted for as separate items of property, plant and equipment.

A revaluation of land and building is done when there is a substantial difference between the fair value and the carrying amount of the land, and is undertaken by professionally qualified valuers once in every 3-5 years.

Increases in the carrying amount on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same individual asset are charged against revaluation reserve directly in equity. All other decreases are recognized in profit and loss.

3.6.2. Subsequent Costs

Subsequent expenditure is capitalized only if is probable that the future economic benefits associated with the expenditure will flow to the Group. The costs of day-to-day servicing of Property, Plant and Equipment is recognized in profit or loss as incurred.

3.6.3. 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, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful life-time unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful life-time for the current and comparative years of significant items of property, plant and equipment are as follows;

Category of Asset	Useful Economic life time (Years)
Buildings	40
Plant and Machinery (Excluding the Processing Unit of the Extrusion Lines)	5-25
Tools and Equipment	10
Furniture and Fittings	10
Motor Vehicles	5
Computer Equipment	5
Processing units of Extrusion Lines	10,000-15,000 operating hours.

Depreciation of an asset begins when it is available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.6.4. De-recognition

An item of Property, Plant and Equipment is derecognized upon disposal or when no future economic benefits are expected from its use. The gains or losses arising on derecognition (disposal or retirement) of an item of Property, Plant and Equipment are determined by comparing the proceeds from disposal with the carrying amount of the assets are recognized net within 'Other Income' in the Statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

3.6.5. 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.

3.7. Intangible Assets

a. Recognition and Measurement

All computer software costs incurred, licensed for use by the Group, which are not integrally related to associate hardware, and can be clearly identified, reliably measured and is probable will lead to future economic benefits are included in the Statement of Financial Position under the category, Intangible Assets, and carried at cost less accumulated amortization and accumulated impairment losses if any.

b. Subsequent Expenditure

Subsequent expenditure is capitalized only when it increase the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, are recognized in profit or loss as incurred.

c. Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Goodwill is not amortized.

The estimated useful life-time in five years for all computer software for the current and comparative years.

Amortization methods, useful life-time and residual values are reviewed at each reporting date and adjusted if appropriate.

d. De-recognition

Gains or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss when the asset is derecognized.

3.8. Investments

Investments in subsidiaries of the Group are classified as non- current investments, which are stated in the Statement of Financial Position at cost less accumulated impairment losses, if any.

3.9. Inventories

Inventories are valued at the lower of cost or net realizable value under the weighted average method, after making due provision for slow moving items and obsolescence.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of raw materials are determined at purchase price including all expenses incurred in sourcing. The cost of Work-in-Progress is the value of raw material and direct inputs transferred to production. The cost of finished goods includes raw material cost, direct labor costs and a systematic allocation of fixed and variable production overheads.

Notes to the Financial Statements Contd.

Non-moving and Slow-moving Inventories

The management carries out an annual review of the inventories and makes provisions as follows:

Non-moving Inventories

80% provision is made on the value of items which have not moved for more than 12 months.

Slow-moving Inventories

50% provision is made on the value of slow-moving items which are in excess of 12 months average requirements.

Machinery Spares

Provision is made in full for machinery spares which have been carried in stocks for more than 10 years.

3.10. Liabilities and Provisions

Liabilities classified as current liabilities in the Statement of Financial Position are those, which fall due for payment on demand or within one year from the date of the Statement of Financial Position.

Non-current liabilities are those balances that fall due for payment after one year from the end of the reporting date. All known liabilities have been accounted for in preparing the Financial Statements.

3.10.1. Provisions

A provision is recognized 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.

3.11. Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash-in-hand, deposits held at call with banks net of bank overdraft.

3.12. Employee Benefits

a. Defined Contribution Plans -(Employees Provident Fund and Employees Trust Fund)

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognized as expenses in the profit and loss in the period during which related services are rendered by employees.

Employees' Provident Fund

The Company and employees' contribute 12% and 8% respectively on the salary of each employee. The fund is managed by the Central Bank of Sri Lanka.

Employee Trust Fund

The company contributes 3% of the salary of each employee to the Employees' Trust Fund.

Contributions to defined contribution plans are recognized as an expense in the Statement of Comprehensive Income as incurred.

b. 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 24 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.

The Company recognizes all actuarial gains and losses arising from defined benefit plans in Other Comprehensive Income and expenses related to defined benefit plans in staff expenses in the Statement of Profit or Loss and Other Comprehensive Income.

Current service cost and the interest cost related to defined benefit plan in employee benefits are recognized in the Statement of Profit & Loss..

3.13. Trade and Other Payables

Trade and Other Payables are stated at cost.

3.14. Capital Commitments and Contingencies

Contingent Liabilities are disclosed if there is a possible future obligation as a result of a past event but either a payment is not certain or the amount cannot be reliably estimated.

Capital commitments and contingent liabilities of the Group are disclosed in note 34 and 35 to the Financial Statements.

3.15. Events after the end of the Reporting Period

All material and important events which occur after the Reporting date have been considered and disclosed in notes to the financial statements.

4. Statement of Profit or Loss and Other Comprehensive Income

4.1. Revenue Recognition

Revenue is comprised of the invoiced value of goods sold to customers after deduction of trade discounts, but before charging taxes thereon.

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

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

Revenue from the sale of goods is recognized in the Statement of Profit or Loss when the significant risks and rewards of ownership have been transferred to the buyer. 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. Interest income is recognized on an accrual basis.

Dividend income is recognized when the shareholders' right to receive the payment is established.

Profit or loss of a revenue nature on the disposal of Property, Plant and Equipment and other non-current assets have been accounted in the Statement of Profit or Loss having deducted from the proceeds on disposal, the carrying amount of the asset and the related selling expenses.

4.2. Expenditure

i. Operating Expenditure

All expenditure incurred in running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to the Statement Profit or 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 presents 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 is treated as capital expenditure.

Repairs and renewals are recognized in Profit or Loss in the year in which the expenditure is incurred.

ii. Finance Cost

Finance expenses consist of cost relating to financing activities. Interest expenses are recognized on an accrual basis

iii. Borrowing Cost

The Group 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.

4.3. Income Tax Expenses

Income Tax Expense comprise current and deferred tax. It is recognized in Profit or Loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

a. Current Taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax payable also includes any tax liability arising from the declaration of dividends.

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. Deffered tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary

Notes to the Financial Statements Contd.

differences and it is probable that they will not reverse in the foreseeable future;

- taxable temporary differences arising on the initial recognition of goodwill.

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 for individual subsidiaries in the Group. Deffered 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 Group 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.

4.4. Basic Earnings per Share

The Group presents basic 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.

4.5. Dividend Distribution

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders.

4.6. Statement of Cash Flows

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

The Statement of Cash Flows has been prepared using the "indirect method". Interest paid is classified as an operating cash flow, interest and dividends received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presenting the Statement of Cash Flow.

4.7. Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment information reflects Water Management Products and Electrical Products. Inter segment transfers are based on fair market prices.

The Group's business activities are located in Sri Lanka. Consequently, assets and liabilities by geographic regions are considered not material to be segmented. Expenses that cannot be directly identified to a particular segment are allocated on the basis decided by the management and applied consistently throughout the year.

5. New Accounting Standards not effective at the Reporting Date

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly, these standards have not been applied in preparing these financial statements. The group will be adopting these standards when they become effective.

SLFRS 9 - Financial Instruments

Summary of the requirements

SLFRS 9, published in July 2014, replaces the existing guidance in LKAS 39 financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.

Possible impact on consolidated financial statements

Company had completed its initial assessment but not yet completed its detailed assessment.

Based on the initial assessment, the management does not believe that there will be significant implications relating to classification and impairment of its financial instruments.

SLFRS 15 Revenue from Contracts with Customers

Summary of the requirements
SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.

Possible impact on consolidated financial statements

Company had completed its initial assessment but not yet completed its detailed assessment. Based on the initial assessment the management does not believe that there will be significant implications relating to recognition of revenue.

SLFRS 16 – 'Leases'

Summary of the requirements

SLFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though the lessor's accounting remains similar to current practice. This supersedes: Sri Lanka Accounting Standard LKAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement Contains a Lease", SIC 15 "Operating Leases - Incentives"; and SIC 27 "Evaluating the substance of Transactions Involving the Legal form of a Lease".

SLFRS 16 is effective for annual Reporting periods beginning on or after January 01, 2019. Earlier application is permitted for entities that apply SLFRS 15 "Revenue from Contracts with Customers".

Possible impact on consolidated financial statements

The Group is in the process of assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

Notes to the Financial Statements Contd.

6. Revenue

For the year ended 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Gross Revenue	2,318,696	2,400,635	2,318,696	2,400,635
Nation Building Tax	(44,436)	(46,481)	(44,436)	(46,481)
	2,274,260	2,354,154	2,274,260	2,354,154

Segmental Information is given in Note 32 to these Financial Statements.

7. Other Income

For the year ended 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Gain on sale of Property, Plant and Equipment	36	297	36	297
Dividend Income	7	5	7	2
Sale of Scrap and Obsolete items	3,476	1,311	3,476	1,311
Net Foreign Exchange (Loss) / Gain	(1)	39	(1)	39
Bad debts recovered during the year	60	45	-	25
Fair value gain on Investments held for trading	60	106	20	35
	3,638	1,803	3,538	1,709

8. Net Finance Costs

For the year ended 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Interest Income	1,323	3,922	1,323	3,922
Finance Income	1,323	3,922	1,323	3,922
Interest Expense on Financial Liabilities	23,986	4,255	24,542	4,715
Interest Expense on Distributor Security Deposits	2,125	1,546	2,125	1,546
Stamp Duty	260	196	260	196
Finance Cost	26,371	5,997	26,927	6,457
Net Finance Cost	(25,048)	(2,075)	(25,604)	(2,535)

9. Profit Before Taxation

The profit before taxation for the year is stated after charging all expenses including the following :

For the year ended 31st March, *(In Thousands of Rupees)*	Group 2018	Group 2017	Company 2018	Company 2017
Directors' Emoluments	6,405	13,587	6,405	13,587
Auditors' Remuneration - Statutory Audit	475	467	375	367
- Non Audit Services	120	65	120	65
Depreciation on Property Plant & Equipment	39,579	38,792	39,579	38,792
Amortization of Intangible Assets	131	134	131	134
Donations	351	207	351	207
Bad Debts - Increase/(decrease) in Specific Provision	1,407	(45)	1,407	(25)
Staff Cost				
Remuneration	134,259	119,915	134,259	119,915
EPF	16,810	15,968	16,810	15,968
ETF	4,205	3,948	4,205	3,948
Employee Retiring Benefits	12,161	10,457	12,161	10,457

10. Income Taxes

For the year ended 31st March, *(In Thousands of Rupees)*	Group 2018	Group 2017	Company 2018	Company 2017
Amounts recognized in profit or loss				
Income Tax on Current Year's Profits (Note 10.2)	20,208	59,432	20,102	59,348
Income Tax Over Provision-Prior Years	(1,047)	-	(1,047)	-
	19,161	59,432	19,055	59,348
Deferred Tax				
Origination of Deferred Tax Assets (Note 24(b))	(1,250)	(2,247)	(1,250)	(2,247)
Origination of Deferred Tax Liability (Note 24(a))	10,369	5,106	10,369	5,106
Deferred Taxation Charge	9,119	2,859	9,119	2,859
Income Tax Expense	28,280	62,291	28,174	62,207

Notes to the Financial Statements Contd.

10.1. Income Tax Amounts recognized in Other Comprehensive Income

For the year ended 31st March,	2018			2017		
(In Thousands of Rupees)	Value Before Tax	Tax (Expenses) / Benefit	Net of Tax	Value Before Tax	Tax (Expenses) / Benefit	Net of Tax
Group						
Acturial Loss on Defined Benefit Obligations	(1,505)	421	(1,084)	(5,739)	1,607	(4,132)
Deferred Tax on Other Comprehensive Income on Land	-	(45,676)	(45,676)	-	-	-
	(1,505)	(45,255)	(46,760)	(5,739)	1,607	(4,132)
Company						
Acturial Loss on Defined Benefit Obligations	(1,505)	421	(1,084)	(5,739)	1,607	(4,132)
Deferred Tax on Other Comprehensive Income on Land	-	(45,676)	(45,676)	-	-	-
	(1,505)	(45,255)	(46,760)	(5,739)	1,607	(4,132)

10.2. Reconciliation of Accounting Profits and Taxable Income

	Group		Company	
For the year ended 31st March, *(In Thousands of Rupees)*	2018	2017	2018	2017
Profit Before Taxation	111,582	201,320	111,158	201,268
Aggregate Disallowed Expenses	61,768	68,498	61,768	68,497
Aggregate Allowed Expenses	(103,079)	(60,672)	(102,456)	(60,459)
Taxable Income	70,271	209,146	70,470	209,306
Other Statutory Income	1,900	4,382	1,323	3,922
Total Statutory Income	72,171	213,528	71,793	213,228
Qualifying Payments	-	(1,272)	-	(1,272)
Taxable Income	72,171	212,256	71,793	211,956
Current Tax on Profits for the Year at 28%	20,208	59,432	20,102	59,348

10.3. Reconciliation of effective tax rate

	Group				Company			
For the year ended 31st March, *(In Thousands of Rupees)*	2018		2017		2018		2017	
Profit Before Taxation	111,582		201,320		111,158		201,268	
Income Tax Using the Domestic Tax Rate	31,243	28%	56,370	28%	31,124	28%	56,355	28%
Aggregate Disallowed Expenses	17,295	15%	19,179	10%	17,295	16%	19,179	9%
Aggregate Allowed Expenses	(28,862)	-25%	(16,988)	-9%	(28,687)	-26%	(16,929)	-8%
	19,676	18%	58,561	29%	19,732	18%	58,605	29%
Other Statutory Income	532	0%	1,227	1%	370	0%	1,099	0%
Qualifying Payments	-	0%	(356)	0%	-	0%	(356)	0%
Current Tax on Profit for the Year	20,208	18%	59,432	30%	20,102	18%	59,348	29%
Adjustment for Prior Years	-	0%	-	0%	-	0%	-	0%
	20,208	18%	59,432	30%	20,102	18%	59,348	29%

10.3.1. Applicability at Tax Rates

Central Industries PLC is liable to income tax at the rate of 28%. In terms of Inland Revenue Act No. 10 of 2006 and amendments thereto, as at the balance sheet date. As per the new Inland Revenue Act No. 24 of 2017 effective from 1st April 2018, the Company will be liable to pay income tax at the same rate. Accordingly, differed tax has been computed using the tax rate of 28%.

11. Basic Earnings Per Share

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent entity by the weighted average number of ordinary shares in issue during the year.

The following reflect the profit and share data used in the Basic Earnings Per Share computation:

	Group		Company	
For the year ended 31st March,	2018	2017	2018	2017
Profit attributable to Ordinary Shareholders (Rs. '000)	83,302	139,029	82,984	139,061
Weighted Average Number of Ordinary Shares	19,768,428	19,768,428	19,768,428	19,768,428
Basic Earnings Per Share (Rs.)	4.21	7.03	4.20	7.03

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted Earnings Per Share is the same as Basic Earnings Per Share shown above.

12. Dividends per Share

12.1. Dividend Declared and Paid during the Year

The final dividend declared for the year ended 31st March 2017 of Rs. 2.75 per share amounting to Rs. 54,363,177/- was paid during the year.

12.2. Proposed Dividends for approval at AGM

The Board of Directors has recommended a first and final dividend of Rs. 2/- per share amounting to Rs. 39,536,856/- for the year ended 31st March 2018, which is to be approved by the shareholders at the Annual General Meeting to be held on 25th July 2018. As stipulated by Sri Lanka Accounting Standard (LKAS 10), Events After the Reporting period", the proposed dividend is not recognized as a liability as at 31st March 2018 in the Financial Statements.

Dividend per share is calculated by dividing the dividend declared out of profits for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Under the Inland Revenue Act No. 24 of 2017 withholding tax of 14% is imposed on dividends declared out of the taxable profit of the Company.

12.3. Compliance with Section 56 and 57 of the Companies Act No. 7 of 2007

As required by Section 56 of the Companies Act, No. 7 of 2007, the Board of Directors of the Company has certified that the Company satisfies the Solvency Test in accordance with the Section 57, prior to recommending the first and final dividend for the year ended 31st March 2018. A statement of solvency completed and duly signed by the Directors has been audited by M/S KPMG, Chartered Accountants.

Notes to the Financial Statements Contd.

13. Property, Plant and Equipment

(In Thousands of Rupees)	Freehold Land	Freehold Buildings	Plant and Machinery	Processing Units of extrusion Lines	Tools & Equipment	Furniture & Fittings	Motor Vehicles	Computer System	Total
GROUP									
Cost / Revaluation									
As at 1st April 2017	207,387	167,228	359,785	68,238	38,399	14,420	35,437	13,324	904,218
Additions during the year	-	1,191	75,757	8,842	5,881	411	-	685	92,767
Transfers from Capital Work-in-Progress	-	19,515	-	-	1,542	-	-	-	21,057
Written off during the year	-	-	(357)	(52,871)	(6,000)	(2,179)	(4)	(276)	(61,687)
Disposals during the year	-	-	-	-	(24)	-	-	-	(24)
As at 31st March 2018	207,387	187,934	435,185	24,209	39,798	12,652	35,433	13,733	956,331
Accumulated Depreciation									
As at 1st April 2017	-	16,130	216,565	62,510	25,198	12,650	22,288	7,771	363,112
Charge for the year	-	5,850	22,650	2,282	2,469	410	4,360	1,558	39,579
Deprecation on assets Written-off	-	-	(357)	(52,871)	(5,923)	(2,179)	(4)	(248)	(61,582)
Deprecation on disposals during the year	-	-	-	-	(4)	-	-	-	(4)
As at 31st March 2018	-	21,980	238,858	11,921	21,740	10,881	26,644	9,081	341,105
Carrying Amount as at 31st March 2018	**207,387**	**165,954**	**196,327**	**12,288**	**18,058**	**1,771**	**8,789**	**4,652**	**615,226**
Carrying Amount as at 31st March 2017	207,387	151,098	143,220	5,728	13,201	1,770	13,149	5,553	541,106
COMPANY									
Cost / Revaluation									
As at 1st April 2017	207,387	167,228	356,219	68,238	38,380	14,315	35,437	13,264	900,468
Additions during the year	-	1,191	75,757	8,842	5,881	411	-	685	92,767
Transfers from Capital Work-in-Progress	-	19,515	-	-	1,542	-	-	-	21,057
Written off during the year	-	-	(357)	(52,871)	(6,000)	(2,179)	(4)	(276)	(61,687)
Disposals during the year	-	-	-	-	(24)	-	-	-	(24)
As at 31st March 2018	207,387	187,934	431,619	24,209	39,779	12,547	35,433	13,673	952,581
Accumulated Depreciation									
As at 1st April 2017	-	16,130	212,999	62,509	25,179	12,545	22,288	7,712	359,362
Charge for the year	-	5,850	22,650	2,282	2,469	410	4,360	1,558	39,579
Deprecation on assets Written-off	-	-	(357)	(52,871)	(5,923)	(2,179)	(4)	(248)	(61,582)
Deprecation on disposals during the year	-	-	-	-	(4)	-	-	-	(4)
As at 31st March 2018	-	21,980	235,292	11,920	21,721	10,776	26,644	9,022	337,355
Carrying Amount as at 31st March 2018	207,387	165,954	196,327	12,289	18,058	1,771	8,789	4,651	615,226
Carrying Amount as at 31st March 2017	207,387	151,098	143,220	5,729	13,201	1,770	13,149	5,552	541,106

Property, Plant and Equipment includes fully depreciated assets which are in the use of normal business activities having a cost of Rs. 126.28 million. (2017 Rs. 93.6 million)

13.1. Capital Work-in-Progress

For the year ended 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Balance as at 1st April	2,575	18,177	2,575	18,177
Additions during the year	34,630	6,773	34,630	6,773
Transferred to Property, Plant and Equipment	(21,057)	(22,375)	(21,057)	(22,375)
Balance as at 31st March	16,148	2,575	16,148	2,575

13.2. The Company adopts The "Cost Model" to account for Property Plant and Equipment other than Freehold Land and Buildings. All Freehold Land and Buildings owned by the Company were last revalued by Mr. L. D. S. Rangedera, Incorporated Valuer and Valuer of Real Estate as at 31st March 2014. The valuation was made under the "Contractor's Method" on the assumption that the property is free from all restrictions over the title of the land. It is assumed that the land and buildings is of freehold ownership. Had the Company not revalued the Freehold Land and Building, the carrying value of the same will be as follows;

As at 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Cost as at 1st April	232,221	211,515	232,221	211,515
Accumulated Depreciation	(51,180)	(47,123)	(51,180)	(47,123)
Carrying value as at 31st March	181,041	164,392	181,041	164,392

13.3. Details of Land and Building

13.3.a. Freehold Land carried at revalued amount

Location	Last Revaluation date	Land extent	Carrying value as at 31st March 2018 (Rs.'000)
Factory- 195/4, Kerawalapitiya Road, Hendala Wattala	31-Mar-14	3A-1R-2P	130,525
Head Office-312, Nawala Road, Rajagiriya	31-Mar-14	18 Perches	40,000
Land-No 07, Elhena Junction, Warapalana, Udathuththiripitiya	31-Mar-14	8A-3R	36,862
			207,387

13.3.b. Freehold buildings carried at revalued amount

Location	Last Revaluation date	No of buildings	Carrying value as at 31st March 2018 (Rs.'000)
Factory- 195/4, Kerawalapitiya Road, Hendala Wattala	31-Mar-14	16	58,402
Head Office-312, Nawala Road, Rajagiriya	31-Mar-14	1	39,908
Factory-No 07, Elhena Junction, Warapalana,Udathuththiripitiya	31-Mar-14	2	67,644
			165,954

13.4. During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 113.8 million. Cash payments amounting to Rs. 127.4 million were made during the year for purchase of Property, Plant and Equipment of which Rs. 34.6 million was on account of Capital Work in Progress.

Notes to the Financial Statements Contd.

13.5. Facilities available from banks against a Negative Pledge over the Company's Property, Plant and Equipment

Bank	Facilities Available
Public Bank Ltd	Overdraft, Import Loan and Guarantee facilities for Rs. 80 million

14. Intangible Assets

For the Year ended 31st March *(In Thousands of Rupees)*	Group 2018	 2017	Company 2018	 2017
Cost				
Balance as at 1st April	3,738	3,535	3,738	3,535
Additions during the year	18	203	18	203
Balance at 31st March	3,756	3,738	3,756	3,738
Accumulated Amortisation				
Balance at 1st April	3,449	3,315	3,449	3,315
Charge for the year	131	134	131	134
Balance at 31st March	3,580	3,449	3,580	3,449
Carrying Value as at 31st March	176	289	176	289

Intangible assets consist of computer software acquired by the Company/Group.

15. Investments In Subsidiaries

As at 31st March. *(In Thousands of Rupees)*	2018	2017
Central Industries Marketing (Pvt.) Limited	1,000	1,000
(100,000 Ordinary Shares -100% at cost)		
Polymer Technologies (Pvt.) Limited	1,000	1,000
(100,000 Ordinary Shares -100% at cost)		
	2,000	2,000

The Subsidiaries Central Industries Marketing (Pvt.) Limited and Polymer Technologies (Pvt.) Limited did not carry out any commercial operations during the year. The Board is of the view that there is no requirement for any provision against impairment of the investments in the said subsidiaries as at the reporting date based on the assessment of the net asset values of the subsidiaries.

16. Inventories

As at 31st March, *(In Thousands of Rupees)*	Group 2018	Group 2017	Company 2018	Company 2017
Raw Materials	284,462	299,654	284,462	299,654
Work-in-Progress	16,352	12,667	16,352	12,667
Finished Goods	204,476	238,786	204,476	238,786
Machinery Spares	22,795	24,893	22,795	24,893
Consumable Stock and By products	1,791	2,275	1,791	2,275
Goods-in-Transit	50,745	23,921	50,745	23,921
Less :- Provision for non-moving and slow moving			-	-
Inventories (Note 16.2)	(18,043)	(13,917)	(18,043)	(13,917)
	562,578	588,279	562,578	588,279

	2018	2017	2018	2017
16.1. The amount of Inventories carried at net realisable value and included above are	14,724	7,040	14,724	7,040

16.2. Provision for Non moving and Slow moving Inventories.

(In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Balance as at 1st April	13,917	10,009	13,917	10,009
Increase in provision during the year	4,126	3,908	4,126	3,908
Balance as at 31st March	18,043	13,917	18,043	13,917

16.3. Facilities Available from banks against a negative pledge over the Company's Inventories and Debtors.

Bank	Facilities Available
Nations Trust Bank PLC	Short Term Loan, Overdraft, Import Loan and Guarantee facilities for Rs. 250 Million
Hatton National Bank PLC	Short Term Loan, Overdraft, Import Loan and Guarantee facilities for Rs. 200 Million
Commercial Bank of Ceylon PLC	Short Term Loan, Overdraft, Import Loan and Guarantee facilities for Rs. 142 Million
Sampath Bank PLC	Overdraft, Import Loan and Guarantee facilities for Rs. 65 million

17. Trade and Other Receivables

As at 31st March, *(In Thousands of Rupees)*	Group 2018	Group 2017	Company 2018	Company 2017
Trade Receivables	643,133	607,670	637,930	602,407
Impairment of Trade Debtors (Note 17.1)	(36,428)	(36,038)	(31,225)	(30,775)
	606,705	571,632	606,705	571,632
Deposits	4,656	3,555	4,656	3,555
Advances and Prepayments	9,138	20,590	9,138	20,590
Other Receivables	1,826	1,288	1,826	1,288
	622,325	597,065	622,325	597,065

Notes to the Financial Statements Contd.

17.1. Impairment of Trade Debtors

As at 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Balance as at 1st April	36,038	36,944	30,775	31,661
Charge / (Reversal) for Impairment	1,407	(45)	1,407	(25)
Less.Previous impairment recovered	(60)	-	-	-
Less: Write-off of previously impaired Debtors	(957)	(861)	(957)	(861)
	390	(906)	450	(886)
Balance at 31st March	36,428	36,038	31,225	30,775

18. Investments Held for Trading

As at 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Equity Investments in Quoted Public Companies				
Hemas Holdings PLC (Group-3750 Ordinary Shares/ Company 1250 Ordinary Shares)				
Market Value at the beginning of the year	408	302	136	101
Appreciation in Market Value during the year	60	106	20	35
Market Value at the end of the year.	468	408	156	136

19. Cash and Cash Equivalents

As at 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Cash in Hand	148	121	148	121
Cash at Bank	19,961	20,068	19,885	19,988
Cash and Cash Equivalents in the Statement of Financial Position	20,109	20,189	20,033	20,109
Less: Bank Overdraft	(702)	(480)	(702)	(480)
Cash and Cash Equivalents in the Statement of Cash Flows	19,407	19,709	19,331	19,629

20. Stated Capital

As at 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Issued and fully paid				
19,768,428 Ordinary Shares	121,320	121,320	121,320	121,320

21. Revaluation Reserve

For the Year ended 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Balance as at 1st April	183,147	183,900	183,147	183,900
Depreciation on Revaluation Surplus	(1,097)	(1,097)	(1,097)	(1,097)
Deferred Tax on Revaluation Surplus	344	344	344	344
Deferred Tax on Other Comprehensive Income on Land	(45,676)	-	(45,676)	-
Balance as at 31st March	136,718	183,147	136,718	183,147

22. General Reserve

The General Reserve represents the amount set aside by the Company for future expansion and contingencies.

As at 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Balance as at 31st March	100,814	100,814	100,814	100,814

23. Employee Benefits

For the Year ended 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Defined Benefit Obligation as at 1st April	61,989	48,222	61,989	48,222
Current Service Cost and Interest (Note 23.1)	12,161	10,457	12,161	10,457
Actuarial Loss (Note 23.2)	1,505	5,739	1,505	5,739
	75,655	64,418	75,655	64,418
Payments during the year	(25,747)	(2,429)	(25,747)	(2,429)
Defined benefit obligation as at 31st March	49,908	61,989	49,908	61,989

An actuarial valuation was carried out as at 31st March 2018 by Mr. Pushpakumara Gunathilaka , an Actuary/Associate of Institute of Actuaries of Australia. The following are the principle assumptions used by the valuer for the valuation as at 31st March 2018.

	2018	2017
Discount rate	10.0%	12.5%
Expected Future salary increases	9.5%	9.5%

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

The gratuity liability is not externally funded.

Notes to the Financial Statements Contd.

23.1. Expenses recognized in profit or loss

For the year ended 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Current Service cost	4,414	4,670	4,414	4,670
Interest Cost	7,747	5,787	7,747	5,787
	12,161	10,457	12,161	10,457

23.2. Actuarial Gains/(Losses) recognized in Other Comprehensive Income

For the year ended 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Actuarial Gain/(Loss)	(1,505)	(5,739)	(1,505)	(5,739)
	(1,505)	(5,739)	(1,505)	(5,739)

23.3. Sensitivity of Assumptions Employed in the Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity on the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position of the Group and the Company which result from the assumed changes in the discount rate and the salary increment rate is as follows.

	Effect on Charge to the Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31st March 2018		Effect on Employee Benefit Obligations on the Statement of Financial Position as at 31st March 2018	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Change in Discount Rate	1,148	(1,226)	(1,148)	1,226
Change in Salary Increment Rate	(1,390)	1,326	1,390	(1,326)

24. Deferred Taxation

As at 31st March, (In Thousands of rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Deferred Tax Liabilities (arising on Property, Plant and Equipment - Note 24 (a))	116,803	60,758	116,803	60,758
Deferred Tax Assets (arising from Employee Retirement Benefit Obligation- Note 24 (b))	(19,027)	(17,356)	(19,027)	(17,356)
	97,776	43,402	97,776	43,402

24. a. Deferred Tax Liabilities

For the year ended 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Balance as at the beginning of the year	60,758	55,652	60,758	55,652
Charge for the year	10,369	5,106	10,369	5,106
Deferred tax on Other Comprehensive Income on Land	45,676	-	45,676	-
Balance as at the end of the year	116,803	60,758	116,803	60,758

24. b. Deferred Tax Assets

For the year ended 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Balance at the beginning of the year	17,356	13,502	17,356	13,502
Deferred tax on Other Comprehensive Income	421	1,607	421	1,607
Deferred tax asset recognized during the year	1,250	2,247	1,250	2,247
Origination for the year	1,671	3,854	1,671	3,854
Balance as at the end of the year	19,027	17,356	19,027	17,356

24. c. Deferred tax on Other Comprehensive Income on Land

As per the newly enacted Inland Revenue Act. No.24 of 2017, business income includes gains from realisation of Land owned by the Company. Accordingly, the gains from the realisation of Land shall be the amount by which the sum of the consideration received for Land exceeds the acquiring cost of the Asset at the time of realisation. The Company has recognised a Revaluation Reserve on freehold Land (Capital Assets of the Company) amounting to Rs. 163,130,069/- , as at 31st March 2018 which is the amount by which the carrying value of the Freehold Land exceeds the acquiring and improvement cost of the Land based on the revaluation previously carried out on 31st March 2014 and accounted for as the Reporting Date. Hence, the Company has recognised a Differed tax liability of Rs. 45,676,419/- pertaining to Revaluation Reserve of Freehold Lands which is computed at the Corporate Tax rate of 28%.

25. Trade and Other Payables

As at 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Trade Creditors	23,638	14,425	23,638	14,425
Accrued Expenses	79,957	84,663	79,858	84,521
Distributor Security Deposits	29,022	27,173	29,022	27,173
Other Liabilities	39,380	11,817	38,177	10,614
Balance as at 31st March	171,997	138,078	170,695	136,733

Notes to the Financial Statements Contd.

26. Loans and Borrowings

For the year ended 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Balance as at 1st April	146,156	-	146,156	-
Loans obtained during the Year	924,208	366,598	924,208	366,598
	1,070,364	366,598	1,070,364	366,598
Repayments during the Year	(874,297)	(220,442)	(874,297)	(220,442)
Balance as at 31st March	196,067	146,156	196,067	146,156

Loans and Borrowings have been obtained for working capital financing from commercial banks and are repayable within periods ranging from 2 months to 5 months. All working capital facilities have been obtained under negative pledge on the Company's assets.

27. Current Tax Liabilities

For the year ended 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Balance as at 1st April	21,882	47,012	21,901	47,011
Provision for the year	19,161	59,432	19,057	59,348
Payments made during the year	(37,640)	(84,562)	(37,575)	(84,458)
Balance as at 31st March	3,403	21,882	3,383	21,901
27.1. Paid in advance at the end of the year	-	(33)	-	-
27.2. Liability at the end of the year	3,403	21,915	3,383	21,901
	3,403	21,882	3,383	21,901

28. Due to Related Parties

As at 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Tivoli Plastics (Pvt.) Ltd.	2,128	5,156	2,128	5,156
	2,128	5,156	2,128	5,156

29. Due to Subsidiaries

As at 31st March, (In Thousands of Rupees)	Group 2018	Group 2017	Company 2018	Company 2017
Central Industries Marketing (Pvt.) Ltd.	-	-	4,933	4,634
Polymer Technologies (Pvt.) Ltd.	-	-	1,340	1,361
	-	-	6,273	5,995

The above balances represent funds advanced by the subsidiaries to the Company. Interest has been paid to the subsidiaries on these funds at average weighted deposit rates (AWDR) that prevailed during the year.

30. Events after the Reporting Period

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements, other than those disclosed in Note 12, in respect of proposed dividend for the year.

31. Related Party Transactions

31.1. Parent and Ultimate Controlling Entity

In the opinion of Directors, Central Finance is the Parent and Ultimate Parent.

31.2. Transactions with Group Entities

The Company carried out transactions in the ordinary course of its business 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. The consideration for the goods and services provided has been paid or accrued at prices offered to unrelated customers prevailing at that time.

Name of the Company *(In Thousands of Rupees)*	Nature of Relationship	Nature of Transactions	Group Transaction Value		Company Transaction Value	
			31st March 2018	31st March 2017	31st March 2018	31st March 2017
Central Finance Co. PLC	Parent Company	Hire charges on vehicles	182	38	182	38
		Interest earned from savings account	1	1	1	1
CF Insurance Brokers (Pvt.) Ltd.	Fellow Subsidiary	Entitled to Brokerage Commission on premia Paid to Insurance Companies. Value of Insurance premia Paid	2,422	2,021	2,422	2,021
Nations Trust Bank PLC.	An Associate of the Parent Company	Interest received	1,299	3,898	1,299	3,898
		Interest and Charges Paid	4,779	1,956	4,779	1,956
Central Industries Marketing (Pvt.) Ltd	A wholly owned subsidiary	Interest paid on funds advanced	434	356	434	356
Polymer Technologies (Pvt.) Ltd	A wholly owned subsidiary	Interest paid on funds advanced	122	104	122	104

Notes to the Financial Statements Contd.

31.2. a. Due to / from Group Entities

Name of the Company (In Thousands of Rupees)	Nature of Relationship	Nature of Transactions	Group Transaction Value 31st March 2018	Group Transaction Value 31st March 2017	Company Transaction Value 31st March 2018	Company Transaction Value 31st March 2017
Central Finance Co. PLC	Parent Company	Saving account balance as at 31st March	19	18	19	18
Nations Trust Bank PLC.	An Associate of the Parent Company	Banking facilities in the normal course of business.				
		Limit of Facilities	250,000	250,000	250,000	250,000
		Utilisation as at 31st March				
		Import Loans	-	23,000	-	23,000
		Overdraft	-	-	-	-

31.3. Transactions with other Related Parties

Name of the Company (In Thousands of Rupees)	Nature of Relationship	Nature of Transactions	Group Transaction Value 31st March 2018	Group Transaction Value 31st March 2017	Company Transaction Value 31st March 2018	Company Transaction Value 31st March 2017
Tivoli Plastics (Pvt.) Ltd	An entity controlled by Director - Mr. C. S. W. De Costa	Subcontract Manufacture of PVC Pipe Fittings Value of Processing Charges paid	35,480	38,474	35,480	38,474
Amano Construction (Pvt.) Ltd	An entity controlled by Director - Mr. C. S. W. De Costa	Contract for Rs. 21.3 million to construct a factory building for the Company (Entered in to in 2015/16) Payments made during the year	-	4,198	-	4,198
		Contract for Rs. 20.5 million to construct a factory building for the company (Entered in to in 2016/17) Payments made during the year	11,497	8,200	11,497	8,200
		Purchase of Products manufactured by the Company	132	593	132	593
		Amount due to the Company on Purchases	17	57	17	57

All transactions negotiated and carried out in the ordinary course of business have been reviewed and approved by the Related Party Transactions Review Committee of the Company.

31.4. Key Management Personnel

According to LKAS 24 Related Party Disclosure, Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors and Chief Executive Officer of the Company have been classified as Key Management Personnel of the Company and the Group.

As Central Finance Co. PLC (CFC) is the ultimate parent of the Company, the Board of Directors of CFC have the authority and responsibility of planning, directing and controlling the activities of the Company. Accordingly the Directors (including Executive and Non-Executive Directors)of CFC have also been classified as Key Management Personnel of the Company and the Group.

i. Loans given to Directors

No loans have been given to the directors of the Company.

ii. Key Management Personnel compensation

Compensation paid to/on behalf of Key Management Personnel of the Group and Company are as follows:

	Group		Company	
For the Year ended 31st March, *(In Thousands of Rupees)*	2018	2017	2018	2017
Short-term employee benefits	9,850	13,587	9,850	13,587
Post employment benefits - Contributions to EPF & ETF	1,364	1,469	1,364	1,469
	11,214	15,056	11,214	15,056

32. Segment Information

For the year ended 31st March *(In Thousands of Rupees)*	2018	2017
Revenue		
Water Management Products	1,944,842	2,004,214
Electrical Products	329,418	349,940
	2,274,260	2,354,154
Profit Before Taxation		
Water Management Products	97,974	156,953
Electrical Products	13,608	44,367
	111,582	201,320

As at 31st March, *(In Thousands of Rupees)*	2018	2017
Segment Assets & Liabilities		
Total Assets		
Water Management Products	1,651,473	1,507,923
Electrical Products	185,557	242,021
	1,837,030	1,749,944
Total Liabilities		
Water Management Products	510,105	405,313
Electrical Products	11,876	11,863
	521,981	417,176

Notes to the Financial Statements Contd.

33. Litigations and Claims

There are no litigations and claims against the company or Group as at the end of reporting period.

34. Contingent Liabilities

The Company and the Group had no significant contingent liabilities accruing as at 31st March 2018.

35. Capital Commitments

The Board of Directors had approved to purchase capital assets totaling Rs. 29.30 million of which Rs. 13.54 million has been paid as an advance. The Company had no other capital commitments as at the 31st March 2018.

36. Comparative Figures

Where necessary information has been rearranged to conform to the current year's presentation and classification.

37. Directors' Responsibilities

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

38. FINANCIAL INSTRUMENTS – Fair Value and Risk Management

38.1. Accounting Classification and Fair Value

Financial Instruments are measured on an ongoing basis either at Fair Value or at Amortized Cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized.

The following tables analyze financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized and a comparison of the carrying amounts and fair values of the financial assets and liabilities of the Company and Group which are not measured at fair value in the financial statements. The amounts are based on the values recognized in the statement of financial position.

The carrying values of financial assets and liabilities which have a shorter maturity period and based on normal market conditions, have been considered as a reasonable approximation to the fair value. Accordingly, the fair value hierarchy does not apply to cash and cash equivalents, trade and other receivables, loans and borrowings, trade and other payables and amounts due to related parties and subsidiaries.

Group

As at 31st March, 2018 *(In Thousand of Rupees)*	Investments Held for Trading	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair value hierarchy			
					Fair value	Level 01	Level 02	Level 03
Cash and Cash Equivalents	-	20,109	-	20,109	-	-	-	-
Trade and Other Receivables	-	622,325	-	622,325	-	-	-	-
Held for Trading	468	-	-	468	468	468	-	-
Loans and Borrowings	-	-	(196,067)	(196,067)	-	-	-	-
Trade and Other Payables	-	-	(171,997)	(171,997)	-	-	-	-
Due to Related Parties	-	-	(2,128)	(2,128)	-	-	-	-
Overdraft	-	-	(702)	(702)	-	-	-	-
Total	468	642,434	(370,894)	272,008	468	468	-	-

Company

As at 31st March, 2018 *(In Thousand of Rupees)*	Investments held for Trading	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair value hierarchy			
					Fair Value	Level 01	Level 02	Level 03
Cash and Cash Equivalents	-	20,033	-	20,033	-	-	-	-
Trade and Other Receivables	-	622,325	-	622,325	-	-	-	-
Held for Trading	156	-	-	156	156	156	-	-
Loans and Borrowings	-	-	(196,067)	(196,067)	-	-	-	-
Trade and Other Payables	-	-	(170,695)	(170,695)	-	-	-	-
Due to Related Parties	-	-	(2,128)	(2,128)	-	-	-	-
Overdraft	-	-	(702)	(702)	-	-	-	-
Total	156	642,358	(369,592)	272,922	156	156	-	-

Group

As at 31st March, 2017 *(In Thousand of Rupees)*	Investments held for Trading	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair value hierarchy			
					Fair Value	Level 01	Level 02	Level 03
Cash and Cash Equivalents	-	20,189	-	20,189	-	-	-	-
Trade and Other Receivables	-	597,065	-	597,065	-	-	-	-
Held for Trading	408	-	-	408	408	408	-	-
Loans and Borrowings	-	-	(146,156)	(146,156)	-	-	-	-
Trade and Other Payables	-	-	(138,078)	(138,078)	-	-	-	-
Due to Related Parties	-	-	(5,156)	(5,156)	-	-	-	-
Overdraft	-	-	(480)	(480)	-	-	-	-
Total	408	617,254	(289,870)	327,792	408	408	-	-

Notes to the Financial Statements Contd.

Company

As at 31st March, 2017 (In Thousand of Rupees)	Investments held for Trading	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair value hierarchy			
					Fair Value	Level 01	Level 02	Level 03
Cash and Cash Equivalents	-	20,109	-	20,109	-	-	-	-
Trade and Other Receivables	-	597,065	-	597,065	-	-	-	-
Held for Trading	136	-	-	136	136	136	-	-
Loans and Borrowings	-	-	(146,156)	(146,156)	-	-	-	-
Trade and Other Payables	-	-	(136,733)	(136,733)	-	-	-	-
Due to Related Parties	-	-	(5,156)	(5,156)	-	-	-	-
Overdraft	-	-	(480)	(480)	-	-	-	-
Total	136	617,174	(288,525)	328,785	136	136	-	-

38.2. Financial Risk Management - Overview

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Market risk
- Liquidity risk

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.

Risk Management Framework

The Group Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has delegated this function to the Chief Executive Officer who develops and monitors the Company's risk management policies and reports regularly to the Board of Directors on its activities. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee, 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.

38.2.1. Credit Risk

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

38.2.1.1. 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 31st March,	Group		Company	
(In Thousand of Rupees)	2018	2017	2018	2017
Trade and Other Receivables (Note 17)	649,616	612,513	644,413	607,250
Cash at Bank (Note 19)	19,961	20,068	19,885	19,988
Total	**669,577**	**632,581**	**664,298**	**627,238**

38.2.1.2. Management of Credit Risk

a) Trade 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 analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring further approval from the Chief Executive Officer; 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 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.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables being a specific loss component that relates to individually significant exposures.

The maximum exposure to credit risk for trade and other receivables at the end of the reporting period by type of counterparty was as follows;

As at 31st March, *(In Thousand of Rupees)*	Group		Company	
	2018	2017	2018	2017
Retail Dealer Channel Customers	388,324	376,166	388,324	376,166
Corporate Customers	137,817	159,815	137,817	159,815
State Entities	80,563	35,652	80,563	35,652
Others	15,621	25,432	15,621	25,432
Total	**622,325**	**597,065**	**622,325**	**597,065**

The Company's ten most significant customers account for Rs. 154.5 million of the trade and other receivables carrying amount as at 31st March 2018 (2017: Rs. 173.7 million).

Notes to the Financial Statements Contd.

Impairment of receivables

The aging of trade receivables at the end of the reporting period that were not impaired was as follows;

As at 31st March, (In Thousand of Rupees)	Group		Company	
	2018	2017	2018	2017
1 – 60 days	434,140	477,106	434,140	477,106
61 – 182 days	154,506	107,529	154,506	107,529
Above 182 days	33,679	12,430	33,679	12,430
Total	**622,325**	**597,065**	**622,325**	**597,065**

Allowance for impairment of Rs. 36.4 million (2017 – Rs. 36 million) has been made in respect of trade and other receivables, as at the year end. Unimpaired amounts that are past due by more than 182 days are still considered collectible in full, based on historic payment behavior and analysis of customer credit risk.

b) Cash and Cash Equivalents

Both the group and company held cash and cash equivalents of Rs. 20 million as at 31st March 2018 (2017: Rs. 20 million), which represents its maximum credit exposure on these assets. Cash and cash equivalents are held with banks and financial institutions which are rated AA (lka) to A- (lka), based on Fitch Ratings.

38.2.2. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations related to its financial liabilities through settlement by cash or financial assets. Liquidity risk is managed by the group by ensuring as much as possible, sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or tarnishing the Group's reputation.

38.2.2.1. Exposure to Liquidity Risk

Group

The contractual maturity period of financial liabilities was as follows.

As at 31st March, 2018 *(In Thousand of Rupees)*	Total Carrying Amount	2 Months or less	2-6 months	More Than 6 months
Non-derivative financial liabilities				
Loans and Borrowings	196,067	-	196,067	-
Trade Payables	23,638	23,638	-	-
Other Payables	148,359	79,957	68,402	-
Amounts due to related parties	2,128	2,128	-	-
Bank Overdraft	702	702	-	-
Total	**370,894**	**106,425**	**264,469**	**-**

As at 31st March, 2017 *(In Thousand of Rupees)*	Total Carrying Amount	2 Months or less	2-6 months	More Than 6 months
Non-derivative financial liabilities				
Loans and Borrowings	146,156	-	146,156	-
Trade Payables	14,425	14,425	-	-
Other Payables	123,653	84,663	38,990	
Amounts due to related parties	5,156	5,156	-	-
Bank Overdraft	480	480	-	-
Total	289,870	104,724	185,146	-

Company

As at 31st March, 2018 *(In Thousand of Rupees)*	Total Carrying Amount	2 Months or less	2-6 months	More Than 6 months
Non-derivative financial liabilities				
Loans and Borrowings	196,067	-	196,067	-
Trade Payables	23,638	23,638	-	-
Other Payables	147,057	79,858	67,199	-
Amounts due to related parties	2,128	2,128	-	-
Amounts due to subsidiaries	6,273	6,273	-	-
Bank Overdraft	702	702	-	-
Total	375,865	112,599	263,266	-

As at 31st March, 2017 (In Thousand of Rupees)	Total Carrying Amount	2 Months or less	2-6 months	More Than 6 months
Non-derivative financial liabilities				
Loans and Borrowings	146,156	-	146,156	-
Trade Payables	14,425	14,425	-	-
Other Payables	122,308	84,521	37,787	-
Amounts due to related parties	5,156	5,156	-	-
Amounts due to subsidiaries	5,995	5,995	-	-
Bank Overdraft	480	480	-	-
Total	294,520	110,577	183,943	-

Notes to the Financial Statements Contd.

38.2.2.2. Management of Liquidity Risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company 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.

The Company monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. As at 31st March 2018, the expected cash flows from trade and other receivables maturing within two months were Rs. 434 million (2017 – Rs. 477 million). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

As at 31st March 2018 the Company had approved overdraft facilities amounting to Rs. 52 million of which is Rs. 0.70 million was utilized. In addition, the Company has access to approved trade and short-term financing facilities of Rs. 737 million from commercial banks, of which Rs. 280.90 million was utilized on short-term loans and letter of credits/guarantees as at 31st March 2018.

38.2.3. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that would impact Group's income or the value of investment in financial instruments. The objective of managing market risk is to manage and control market risk exposures within acceptable parameters, while optimising returns.

38.2.3.1. Management of market Risk

All borrowing rates are linked to AWPLR. Hence, any movement will be in line with the market and have a corresponding impact.

38.2.4. Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate, due to changes in foreign exchange rates. The Company, as at the reporting date, does not hold financial instruments denominated in currencies other than its functional or reporting currency hence is not exposed to currency risk arising from translation of such balances in to the functional or reporting currency, which is Sri Lankan Rupees.

However, the Company engages in transactions associated with foreign currencies in its ordinary course of operations, hence, to that extent is exposed to currency risk. A significant part of the Company's raw material purchases are imports contracted mainly in US Dollar terms and to a lesser extent in Sterling Pounds, Singapore Dollars or Euro. A fluctuation in the exchange rates will have an impact over the amount realized in the local currency. Operations concerned with the local counterparties do not carry a currency risk exposure, on the basis that those are transacted in Sri Lanka Rupee terms.

The Company monitors fluctuations in foreign exchange rates and takes precautionary measures to revise selling prices and quotations on a regular basis.

38.2.5. Interest rate risk

The Company's interest bearing financial assets/liabilities are factored on variable rates of interest, hence the Company's exposure to interest rate risk may be considered material.

Profile

At the end of the reporting period the Company's interest-bearing financial instruments were as follows.

As at 31st March, *(In Thousand of Rupees)*	Group		Company	
	2018	2017	2018	2017
Variable rate instruments				
Financial Liabilities				
Borrowings	(196,067)	(146,156)	(196,067)	(146,156)
Overdraft	(702)	(480)	(702)	(480)
Total	(196,769)	(146,636)	(196,769)	(146,636)

38.2.5.1 Cash flow sensitivity for variable rate instruments

A change of 1% in interest rates 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 remain constant.

As at 31st March, *(In Thousand of Rupees)*	Group Profit / (Loss)		Company Profit / (Loss)	
Variable Rate Instruments	2018	2017	2018	2017
1% Increase in interest rate	(1,967)	(1,466)	(1,967)	(1,466)
1% Decrease in interest rate	1,967	1,466	1967	1,466

Share Information

1. Stock Exchange Listing

Central Industries PLC is a public Listed Company (Reg. PQ 121) the issued ordinary shares of which are listed on the Colombo Stock Exchange.

2. Stated Capital

The Stated Capital of the Company as defined by the companies Act No. 07 of 2007 was Rs. 121.3 million as at 31st March 2018.

3. Shareholders as at 31st March 2018

	Quantity	%
Issued Ordinary Shares	19,768,428	
Shares held by the Parent Enterprise, Subsidiaries, Associates, Directors, and Shareholders whose holdings exceed 10%	10,532,082	53.28
Shares held by the public	9,236,346	46.72
Number of Public Shareholders	1365	

4. Distribution of Shareholdings as at 31st March 2018

	Residents			Non- Residents			Total		
Number of Shares held	No of Share holders	No. of Shares	%	No of Share holders	No.of Shares	%	No.of Share holders	No.of Shares	%
1-1,000	785	212,700	1.08	6	2,820	0.01	791	215,520	1.09
1,001-5,000	328	799,464	4.04	5	11,724	0.06	333	811,188	4.10
5,001-10,000	88	642,364	3.25	3	24,000	0.12	91	666,364	3.37
10,001-50,000	124	2,685,997	13.59	3	78,933	0.40	127	2,764,930	13.99
50,001-100,000	19	1,416,521	7.17	0	-	0.00	19	1,416,521	7.17
100,001-500,000	5	984,988	4.98	2	476,300	2.41	7	1,461,288	7.39
500,001-1,000,000	2	1,222,301	6.18	0	-	-	2	1,222,301	6.18
Over 1,000,000	3	11,210,316	56.71	0	-	-	3	11,210,316	56.71
Total	1,354	19,174,651	97.00	19	593,777	3.00	1,373	19,768,428	100.00

5. Twenty Largest Shareholders

	Name	2018		2017	
		No. of Shares	%	No. of Shares	%
1	CENTRAL FINANCE COMPANY PLC A/C NO 03	8,709,000	44.06	8,709,000	44.06
2	SEYLAN BANK LTD/ GOVINDASAMY RAMANAN	1,372,116	6.94	1,371,916	6.94
3	CF INSURANCE BROKERS (PVT) LTD	1,129,200	5.71	1,129,200	5.71
4	TIVOLI LANKA LTD	614,400	3.11	614,400	3.11
5	SEYLAN BANK PLC/LASANTHA CHANDIKA RANAWEERA PATHIRANA	607,901	3.08	494,190	2.50
6	MRS. C.A.D.S.WOODWARD	60,000	1.82	-	-
7	DR. (MRS.) V.BANDARANAYAKE	238,109	1.20	130,157	0.66
8	AYENKA HOLDINGS PRIVATE LIMITED	212,000	1.07	207,000	1.05
9	MR. M.M.FUAD	204,621	1.04	124,730	0.63
10	ALLIANCE FINANCE COMPANY PLC	200,000	1.01	200,000	1.01
11	MR. P.P.SUBASINGHE	130,258	0.66	-	-
12	AMINA INVESTMENTS LIMITED	116,300	0.59	-	-
13	MISS. N.BANDARANAYAKE	100,000	0.51	100,000	0.51
	MRS. N.D.PALLIYA GURUGE	100,000	0.51	100,000	0.51
	TIMEX GARMENTS (PVT) LTD	100,000	0.51	100,000	0.51
14	MISS I.BANDARANAYAKE	99,632	0.50	99,632	0.50
15	CITIZENS DEVELOPMENT BUSINESS FINANCE PLC/A.P.T. AMARATUNGA	82,062	0.42	-	-
16	MR. A.M.WEERASINGHE	81,284	0.41	81,284	0.41
17	PEOPLES LEASING & FINANCE PLC/HI LINE TRADING (PVT) LTD	77,418	0.39	-	-
18	ASSETLINE LEASING COMPANY LTD/MR E.J.GUNASEKERA	76,854	0.39	-	-
19	MR. J.D.BANDARANAYAKE /N. NILUKA BANDARANAYAKE	75,500	0.38	75,500	0.38
	MR. J.D.BANDARANAYAKE / V. VASANTHA BANDARANAYAKE	75,500	0.38	75,500	0.38
20	SEYLAN BANK PLC/MOHAMED MUSHTAQ FUAD	70,292	0.36	-	-
		14,832,447	75.03	13,612,509	68.87

Share Information Contd.

6. Share Trading during the year ended 31st March 2018

Highest Price - 18th July 2017	Rs. 52.30
Lowest Price - 27th March 2018	Rs. 38.30
Last Traded Price - 31st March 2018	Rs. 39.30
No. of Trade	3,662
No. of Shares Traded	3,311,820
Value of the Shares Traded	Rs. 155,799,571
Float adjusted Market Capitalization as at 31st March 2018	Rs. 362,967,315

7. Key Financial Ratios

	2017/18	2016/17
Dividend per share (Rs.)	2.00	2.75
Dividend pay out	47.46%	39.1%
Net Assets per share (Rs.)	66.53	67.42
No of Shares in issue	19,768,428	19,768,428

Five Year Summary

Year ended 31st March, *(In Thousands of Rupees)*	2018	2017	2016	2015	2014
Income Statement					
Gross Revenue	2,318,696	2,400,635	2,278,371	2,127,305	1,668,498
Profit Before Taxation	111,582	201,320	252,881	170,746	94,326
Income Tax Expenses	(28,280)	(62,291)	(72,647)	(40,415)	(18,742)
Profit for the Year	83,302	139,029	180,234	130,331	75,584
Statement of Financial Position					
Assets					
Property ,Plant and Equipment	615,226	541,106	495,815	506,822	505,378
Capital Work- In-Progress	16,148	2,575	18,177	217	119
Intangible Assets	176	289	220	727	1,308
Total Current Assets	1,205,480	1,205,974	1,024,530	1,024,231	778,512
Total Assets	1,837,030	1,749,944	1,538,742	1,531,997	1,285,317
Equity and Liabilities					
Share Capital	121,320	121,320	121,320	121,320	121,320
Reserves	1,193,729	1,211,448	1,130,755	991,790	893,096
Total Equity	1,315,049	1,332,768	1,252,075	1,113,110	1,014,416
Deferred Taxation	97,776	43,402	42,150	43,296	43,047
Retirement Benefit Obligation	49,908	61,989	48,222	46,046	38,307
Total Current Liabilities	374,297	311,785	196,295	329,545	189,547
Total Equity and Liabilities	1,837,030	1,749,944	1,538,742	1,531,997	1,285,317
Earnings Per Share(Rs.)	4.21	7.03	9.12	6.59	3.82
Net Asset Per Share (Rs.)	66.52	67.42	63.34	56.31	51.31

Corporate Information

Name of Company
Central Industries PLC

Legal Form
A Public Limited Liability Company
Incorporated in Sri Lanka.

Date of Incorporation
18th September 1984

Company Registration Number
PQ 121

Ultimate Parent Company
Central Finance Co. PLC

Subsidiary Companies
Central Industries Marketing (Pvt.) Ltd. (Reg. No. PV 571)
Polymer Technologies (Pvt.) Ltd. (Reg. No. PV 2468)

Directors
Mr. G. S N. Peiris - Chairman
Mr. E. H. Wijenaike
Mr. A. N. P. Wickramasuriya
Mr. C. S. W. De Costa
Mr. R. E. Rambukwelle
Mr. A. K. Gunaratne
Mr. L. R. De Lanerolle
Ms. I. S. Jayasinghe
Mr. A. Hettiarachchy

Chief Executive Officer
Mr. I. M. P. Rupathunga

Head Office and Registered Office
No. 312, Nawala Road,
Rajagiriya, Sri Lanka.

Telephone: + 94 - 11 - 2806623
Fax: + 94 - 11 - 2806622
E-mail: info@nationalpvc.com
Website: www.nationalpvc.com

Secretaries
Corporate Services (Private) Limited
216, De Saram Place,
Colombo 10.

Auditors
KPMG, Chartered Accountants
32 A, Sir Mohamed Macan Markar Mawatha,
Colombo 3.

Bankers
Hatton National Bank PLC
Nations Trust Bank PLC
Commercial Bank of Ceylon PLC
Sampath Bank PLC
Public Bank Berhad

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Thirty Sixth Annual General Meeting of Central Industries PLC be held at Central Finance Company PLC, No. 270, Vauxhall Street, Colombo 02, on 25th July 2018 at 4.00 p.m., for the following purposes:

1. To receive and consider the Annual Report of the Board together with the Financial Statements of the Company for the year ended 31st March 2018 and Report of the Auditors thereon.
2. To approve a first and final dividend of Rs. 2/-per share as authorized by the Directors.
3. To propose the following resolution as an ordinary resolution for the reappointment of Mr. A N. P. Wickramasuriya who has reached the age of 76 years.

   "IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. A .N. P. Wickramasuriya who has reached the age of 76 years prior to this Annual General Meeting and that he be reappointed as a director of the Company".
4. To propose the following resolution as an ordinary resolution for the reappointment of Mr. L. R. De Lanerolle who has reached the age of 75 years.

   "IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. L. R. De Lanerolle who has reached the age of 75 years prior to this Annual General Meeting and that he be reappointed as a director of the Company".
5. To re-elect Mr. A. K. Gunaratne a director who retires by rotation in terms of Article 85 of the Articles of Association of the Company.
6. To re-elect Mr. C. S. W. De Costa a director who retires by rotation in terms of Article 85 of the Articles of Association of the Company.
7. To re-appoint M/s. KPMG, Chartered Accountants, as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be agreed with by the Board of Directors and to audit the Financial Statements of the Company for the accounting period ending 31st March 2019.
8. To authorise the Directors to determine contributions to charities for the ensuing year.

By Order of the Board,

Director
Corporate Services (Private) Limited
Secretaries - Central Industries PLC

Colombo
3rd July 2018

Note:
Any member entitled to attend and vote is entitled to appoint a proxy instead. A proxy need not be a member, instruments appointing proxies must be lodged with the Company not less than 48 hours before the meeting.

Notes

Notes

Notes

Form of Proxy

*I/We ....

of ....

being *a member/members of CENTRAL INDUSTRIES PLC do hereby appoint

1. Mr. G. S. N. Peiris	or failing him,
2. Mr. E. H. Wijenaike	or failing him,
3. Mr. A. N. P. Wickramasuriya	or failing him,
4. Mr. C. S. W. De Costa	or failing him,
5. Mr. R. E. Rambukwelle	or failing him,
6. Mr. A. K. Gunaratne	or failing him,
7. Ms. I. S. Jayasinghe	or failing her,
8. Mr. L. R. De Lanerolle	or failing him,
9. Mr. A. Hettiarachchy	or failing him,

....

of ....

as *my/our Proxy to vote/speak for me/us on *my/our behalf at the 35th Annual General Meeting of the Company to be held at, No.270, Vauxall Street, Colombo 02 on the 25th day of July 2018 at 4.00 p.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

		For	Against
1.	To receive and consider the Annual Report of the Board together with the Financial Statements of the Company		
2.	To approve a final dividend of Rs. 2/- per share as authorized by the Directors		
3.	To re-appoint as a Director Mr. A. N. P. Wickramasuriya in terms of section 210 of the Companies Act No.07 of 2007		
4.	To re-appoint as a Director Mr. L. R. D. Lanerolle in terms of section 210 of the Companies Act No.07 of 2007		
5.	To re-elect Mr. A. K. Gunaratne as a director who retires in terms of Article 85 of the Articles of Association of the Company		
6.	To re-elect Mr. C. S. W. De Costa as a director who retires in terms of Article 85 of the Articles of Association of the Company		
7.	To re-appoint M/s KPMG, Chartered Accountants, as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be agreed with by the Board of Directors and to audit the financial statements of the Company for the accounting period ending 31st March 2019.		
8.	To authorize the Directors to determine contributions to charities		

Signed this .... day of .... Two Thousand and Eighteen.

....

*Signature/s

Note:

Please delete the inappropriate words

Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend and vote instead of him.
3. In the case of a Corporate Member, the Form must be completed under its Common Seal, or signed by its attorney or by an officer on behalf of the corporation. The Company may, but shall not be bound to require evidence of the authority of any such attorney or officer.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by Articles of Association.
5. The completed Form of Proxy should be deposited at the No. 216, De Saram Place, Colombo-10, not less than forty eight (48) hours before the appointed time for the Meeting.

Concept & Designed by

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a great equation

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Central Industries PLC (Reg : PQ 121)