



Towards a sustainable future...

ABANS ELECTRICALS PLC
ANNUAL REPORT 2016-2017

Abans

OUR VISION

ATTRACT AND RETAIN CUSTOMERS FOR LIFE

OUR MISSION

ALWAYS THERE TO SERVE YOU BETTER

Content

	Page No.
Financial Highlights	2
Chairperson's Statement	3
Board of Directors	4 - 5
Directors' Report	6 - 7
Corporate Governance	8 - 10
Audit Committee Report	11
Remuneration Committee Report	12
Related Party Transaction Review Committee Report	13
Directors' Responsibility for Financial Reporting	14
Report of the Auditors	15
Statement of Comprehensive Income	16
Statement of Financial Position	17
Statement of Changes in Equity	18
Cash Flow Statement	19
Notes to the Financial Statements	20 - 40
Enterprise Risk Management	41 - 42
Sustainability Report	43 - 44
Ten Years Summary	45
Shareholder and Investor Information	46 - 48
Notice of Meeting	49 - 50
Form of Attendance	51
Form of Proxy	52 - 53

	2017 Rs.' 000	2016 Rs.' 000
Turnover	4,028,610	3,506,809
Profit / (Loss) Before Tax	80,639	140,348
Net Profit / (Loss) After Tax	77,617	98,310
Market Capitalization	450,751	567,783
As at 31st March		
Total Assets	2,480,250	2,017,289
Shareholder's Funds	840,259	777,973
Retained Earnings	651,426	589,141
Current Ratio (Current Assets: Current Liabilities)	1.14: 1	1.23: 1
Employment (No of Employees)	1,039	988
Per Share		
Earnings/(Loss) (Rs.)	9.15	19.34
Net Assets (Rs.)	164.42	152.23
Market Value (Rs.)	88.20	111.10

Financial Calender

1 st Quarter Results 2016 / 2017	12 th August 2016
Annual Report 2015 / 2016	31 th August 2016
34 th Annual General Meeting	26 th September 2016
2 nd Quarter Results 2016 / 2017	15 th November 2016
3 rd Quarter Results 2016 / 2017	15 th February 2017
4 th Quarter Results 2016 / 2017	30 th May 2017
35 th Annual General Meeting	15 th September 2017

On behalf of the Directors, I warmly welcome Shareholders to the 35th Annual General Meeting of Abans Electricals PLC and have pleasure in presenting the Annual Report and Financial Statements of the Company for the period of 2016/2017.

Abans Electricals PLC has been committed to conduct its business over the years in an environmentally responsible manner. Accordingly we have always identified new technologies and manufacturing processes that will help the Company to produce more environmentally friendly products. We also place a significant emphasis on reducing our carbon footprint and environmental impact when undertaking manufacturing and other business activities. We live up to the expectations of a responsible organization by contributing to the improvement in the quality of life of our customers through outstanding products and services. This tribute bears the proof of the consistent growth and recognition of our drive towards the benchmark of excellence. We are encouraged by this tribute to strive towards excellence to improve the quality of life by providing comfort and convenience at fair prices. Our journey since inspection has been focused on continuous growth and innovation. It is the belief that has driven us to continually upgrade our manufacturing facilities and deploy the most innovative techniques in the production of our Refrigerators and Washing Machines.

We have risen to supplement the evolving needs and aspirations of the lives of Sri Lankans by presenting world class products. With peoples purchasing power being strengthened with the increasing per capita income together with the increasing access to credit cards, the propensity for consumers to purchase consumer durables product remains high. Further, the increase in electrification of households which is now above 90% and still growing and the initiative to increase the household coverage of water supply by the Government indicates to create a demand for the company products as the Consumers who did not have an opportunity to own such consumer durables. These factors are thereby reflecting the future growth prospects of the company which in turn would positively improve the lifestyle of Sri Lankan Customers. On the social side, the Consumers are keen to upgrade their living standards and continue to move to better and latest products. There is also a shift from living in house in suburbs to apartments in cities.

During the year 2016/2017, we focused on implementing cost efficiencies and process improvements to the manufacturing process. Our strategic investment to upgrade our manufacturing technology will be the platform that will drive the growth of the company. Further, the demand for consumer's durables especially Refrigerators and Washing Machine are on its growth levels. On the technological front, there are constant improvements and new technologies presented to consumers like Refrigerators with R600a gas. Today all our Refrigerators use this environmentally friendly material, thus ensuring that our products do not have negative impacts on global warming and ozone depletion effects. Overall use of new machinery and technology for the Company's manufacturing process allows more efficient use of raw materials. Due to the technology provided by us, the entire Refrigerator market in Sri Lanka was forced to change to sell Refrigerators with R600a gas. This saves not only millions of rupees in terms of energy and electricity cost to the Country but also helps to save the environment.

Over the year, our production has increased precipitously. In cognizance to our commitment to introduce environmentally friendly products to the market, we have introduced two models of Inverter Refrigerators to the LG range. Refrigerator after sales service was expanded and nearly fifteen Regional Centers were opened island wide to enhance the service network.



In the Washing Machine products, while overall production capacity increased and largely contributed from the Fully Automatic Washing Machine, the Semi-Automatic Washing Machine model introduced to the market and performed well as it was highly accepted by Consumers.

In the Air Conditioner range, we have introduced a new model lineup (TUNDRA SERIES) under Fixed Speed Category with R410a gas, Wi-Fi function, Turbo Cool, Strong Air Flow and Anti-Corrosion.

Being the most Innovative and Best Service Provider, we have undertaken several larger projects for Solar PV Systems. Our Engineering Team with their expert knowledge and advanced technology has experienced in handling Government, Industrial and Domestic Solar Projects to ensure reliable and high quality solar power solutions at a low cost. At the latter part of the year 2016, the Government launched a program called "Soorya Bala Sangramaya" to promote Solar Electricity in Sri Lanka. With that initiative, Abans Solar also started to promote by selling Solar PV Systems.

Further, with regard to the Service Department, although the Company experienced a slight drop in profit during the year, we were successful in off-setting our expenditure by meeting our financial requirements for rental of our premises and running costs with the prudent investments in real estate and fixed deposits. Our efforts during the year were focused on providing an enhanced quality service to our Valued Customers. During the difficult times, a greater effort needed to keep the company lifted and I wish to thank our loyal staff for their unstinting loyalty and support during the year.

I would like to express my sincere gratitude to the Board of Directors and all our staff members for their contribution and commitment to the company in its success. Further, I would like to thank for all our Shareholders for their continued support and confidence placed in the present governance.

A handwritten signature in black ink, appearing to read "Pestonjee".

Aban Pestonjee
Chairperson

Board of Directors

Mrs. Aban Pestonjee – Chairperson

A resourceful and self - taught entrepreneur, Mrs. Pestonjee has come to exemplify the Abans' creed of "finding a need and fulfilling it". Her passion, drive and courage, especially as a South Asian woman in a then male dominated business world has inspired successive generations of Sri Lankan Business women and have won her the praise of many others. She continues in the role of Chairperson of Abans Group of Companies.

Mrs. Pestonjee has been awarded;
SAARC Women's Association - Sri Lanka Chapter – "Award of Excellence for Woman Achievers for Outstanding Achievement" – Year 2000.

"The Bronze Award" for the large Business Category by Women's Chamber of Industry & Commerce at the year 2000 Women Entrepreneurs of the Year Award Ceremony.

"KOTRA Plaque of Appreciation - 2005" for forging strategic foreign economic ties between Korea & Sri Lanka.

Culminating in 2006, she received international recognition for winning the leading women entrepreneur of the world award. Mrs. Pestonjee was awarded the prize by the princess of Thailand.



Mr. Behman. Pestonjee - Director

Marine Engineer Class 1 (D.O.T. London) A total dynamo, his creed of "conceived today, implemented with phone calls" has been a key contributor to the rapid success of this company.

He heads the marketing and Sales Divisions of the Company and liaises with the key principles of important institutions.

An inspiring leader for a talented and dedicated group of marketing and sales personnel, the results of Mr. Pestonjee's expertise are evident in the rapidly increasing turnover and brand recognition of the Abans name.



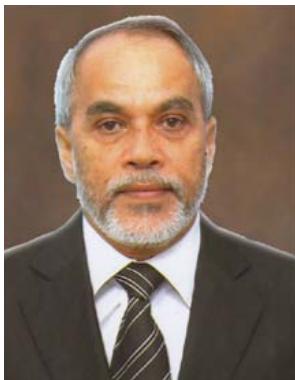
Mr. Clive. A. Fernando - Director

Holds a Master degree in Mechanical Engineering, State University of Moscow. In direct charge of the Abans Electricals, he has put his previous experience and expertise to good use in rapidly benchmarking the best business practices in the manufacturing and assembly areas, which are the main focus of this company.

The Company has, therefore, benefited by the rapid implementation of these assembly line factories, which have helped maintain competitive price advantage. He has maximised the potential of the Central Air Conditioning Division and acquired many prestigious corporate projects.



Board of Directors



Mr. Allen Raffel - Director

Working closely with the senior partners from the inception of the company, he leads the Service Department of the Company. His ability to cope with pressure has served him well in managing the very challenging area of this department. The decentralized structure and outsourcing business model of the Service and Repair Centres of Abans are two areas currently under his purview.



Prof. Lakshman R. Watawala - Independent Non Executive Director

Appointed to the board in August 2007. He is a fellow of the Institute of Chartered Accountants of Sri Lanka, a fellow of the Institute of Certified Management Accountants of Sri Lanka and a fellow of Chartered Institute of Management Accountants of U.K. He has held the position of Chairman and Managing Director of Board of Investment of Sri Lanka twice and also served as the Chairman of People's Bank, People's Merchant Bank, Pan Asia Bank Ltd and other State Corporations. He has served as an Advisor of the Ministry of Finance. He was a Past President of the Institute of Chartered Accountants of Sri Lanka, South Asian Federation of Accountants, Founder President of AAT Sri Lankan and Organization of Professional Associations of Sri Lanka. Currently, he is a committee Member of Ceylon Chamber of Commerce, President of the Institute of Certified Management Accountants of Sri Lanka, and serves on the Boards of a number of Quoted Public Companies.



Mrs. D. Priyanthi Pieris - Independent Non Executive Director

Appointed to the board in March 2009. She is an Attorney-at-Law of the Supreme Court of Sri Lanka and has over 33 years experience in Corporate and Financial Law. She is also a Solicitor of England & Wales. She is currently in Private Practice. She served on the Boards of Forbes & Walker Ltd., Forbes Ceylon Ltd., Forbes Stock Brokers Ltd, Forbes Air Services Ltd.(general sales agent for Emirates), Vanik Corporate Services Ltd., Office Network (Pvt) Ltd., Capital Reach (Holdings) Ltd. and Associated Motorway Ltd She currently serves on the Boards of Associated Electrical Corporation Ltd, Asia Asset Finance PLC, Lanka Orix Finance PLC, PW Corporate Secretarial (Pvt) Ltd., Asian Centre for Lease Education (Pvt) Ltd., MTN Corporate Consultants (Pvt) Ltd., Sithijaya Fund (Pvt) Ltd and as an Alternate Director on the Board of Asia Capital PLC. She served as the legal Adviser to the Ministry of Finance from 2002 - 2004 and as Legal Consultant to the Colombo Stock Exchange from 2004 - 2011. She is also a member of the Committees set up by the SEC to recommend amendments to the Takeovers & Mergers Code1995 (as amended) and the Rule for Corporate Governance.



Mr. Athula Siriwardane - Director

He was proposed and appointed as a Director of Abans Electricals PLC on 28th September 2016. He is a key person to attend meetings with the Ministry of Finance, Ministry of Industries and other relevant authorities with his long year experience and good relationship. He was able to expedite the clearance of imports, reduce expenses and on time delivery of final products with his experience with Abans Group, he will contribute to the company immensely as a strong leader and dedicated board member.

The Directors of Abans Electricals PLC have pleasure in presenting their Report and Audited Accounts for the year ended 31st March 2017 at the Thirty Fifth Annual General Meeting.

Financial Review

Principal Activities

The Principal activities of the Company are manufacturing and assembling of household electric and electronic appliances and providing repair and maintenance services for the same under two departments.

(a) Manufacturing Department

This Department was set up primarily for the manufacturing and assembling of household electric and electronic appliance in collaboration with internationally recognized brand names.

It engages in the assembling and manufacturing of Washing Machines, Refrigerators, Air Conditioners, Cookers & Solar PV systems Installations.

(b) Service Department

This Department handles the installation, repair, maintenance and after sales services of electrical and household appliances sold by Abans Group.

Review of Operations

The Chairperson's Statement on Page No. 3 in this Report contains a detailed review of the operations which forms an integral part of the Directors Report.

Summarised Financial Position

	2016/2017 Rs.'000	2015/2016 Rs.'000
Profit/(Loss) Before Tax	80,639	140,348
Income Tax Saving/ (Expense)	(33,879)	(41,525)
Profit/(Loss) After Tax	46,761	98,823
Profit Available for Appropriation	651,427	589,141
Ordinary Dividend Per Share	3.00	3.00

Risk Management

The Board evaluates and takes action to mitigate the foreseeable risks on essential grounds. The mitigation process concentrates on product diversification, market segmentation, bringing new innovations and productivity improvement.

A brief discussion on Enterprise Risk Management is given on Page No 41 & 42 of the Annual Report.

Capital Expenditure

The total expenditure on acquisition of Property, Plant and Equipment during the year amounted to Rs. 107,722,424/- and detail of the status and movements of Property Plant and Equipment during the year are given in Note No. 12 to the Financial Statements.

Land and Buildings

Location, extent, no of buildings and present market values of the land and buildings.

Land Location	No. of Building	Perches	Market Value Rs.
Wellawatte	1	80.00	169,807,337
Ratmalana	3	97.21	63,962,000
Panadura	-	36.50	38,916,675
Kandy	1	18.70	59,923,369
Boralesgamuwa	-	33.00	45,429,300
Negombo	1	31.00	27,104,175
Galle	1	13.24	70,694,133

Donations

Donations made during the year is Rs.675,988/- (Rs. 405,207/- , 2015/2016)

Employees

As at the Balance Sheet date 1039 persons were employed by the Company (988 persons - 2016). The total cost of employee benefits for the year was Rs. 557.01 Million. (Rs. 454.58 Million - 2015/2016). There were no employee related issues to be disclosed, other than Note No. 34 to the Financial Statements.

Events Subsequent to the Balance Sheet Date

There had not been any circumstances since the Balance Sheet date, which would require adjustments to or disclosure in the Accounts other than those disclosed in Note No. 33 to the Financial Statements.

Statutory Payments

The Directors, to the best of their knowledge are satisfied that all statutory payments due to employees and the Government have been made up to date.

Dividends

The Directors recommend a final dividend of Rs. 3.00 per share for the Financial Year ended 31st March 2017.

Directorate and Shareholdings

The Board of Directors Comprising of Mrs. Aban Pestonjee (Chairperson), Mr. Behman Pestonjee, Mr. Allen Raffel, Mr. Clive Fernando, Prof. Lakshman R. Watawala & Mrs. Dayangani Priyanthi Peiris held office throughout the year ended 31st March 2017.

Mr. Athula Siriwardane has been appointed with effect from 28th September 2016 and held office from that date.

The Directors retiring in rotation in terms of the Articles of Association are Mr. Clive Fernando, Mr. Allen Raffel and Mr. Athula Siriwardane being eligible, they offer themselves for re-election and the Directors have much pleasure in recommending their re-election.

Name	Beginning of the Year No.of Shares	End of the Year No.of Shares
Mrs. A. Pestonjee	293,438	293,438
Mr. B. Pestonjee	144,703	30
Frist Capital Markets Ltd/Mr. B Pestonjee	90	90
Dr. (Mrs.) S. Dubash*	295,820	295,820
Mr. A. Raffel	5,040	5,040
Mr. C. A. Fernando	1,223	1,223
Prof. Lakshman R. Watawala	-	-
Mrs. Dayangani Priyanthi Peiris	-	-
Mr. Athula Siriwardane	-	-

* Dr. (Mrs.) S. Dubash has resigned with effect from 28th September 2016.

Directors' Interests

The Directors' Interest in Contracts of the Company are included in Note No. 33 to the Financial Statements. The Directors have made self-declarations for the purpose of identifying parties related to them. The Directors have no direct or indirect interest in any other contract or proposed contract of the Company. The Company is in compliance with Rule.09 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions, during the financial year.

Auditors

To appoint M/s. SJMS Associates, Chartered Accountants as the Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting.

Reports to the Public

The Company publishes its quarterly Financial Statements and Annual Report, enabling Stakeholders and public to make a fair appraisal of performance.

By Order of the Board,

Sgd

Varners International (Private) Limited

Secretaries

Colombo

The Board

* **Composition and Balance**

The Board consists of seven Directors including two independent Non - Executive Directors. The brief profiles of the Board members are given in Page No. 4 and 5 to the Annual Report.

* **Responsibility**

The Members of the Board are collectively and individually responsible to comply with laws of the Democratic Socialist Republic of Sri Lanka and to implement business strategies, internal controls, risk management, corporate decisions, financial reporting and other imperative issues as necessary.

Directors brings individual and collective judgments and also consider internal and external professional consultancy for matters relating to corporate issues, strategies, performance, setting up standards, managing and safeguarding resources.

* **Chairperson and the Chief Executive Officer (CEO)**

The Chairperson is responsible for leading the Board and the ultimate point of contact for Shareholders, particularly on matters relating to Corporate Governance.

The responsibilities of the CEO are assigned to two individual Directors who do not hold the position of Chairperson. They control and separately report to the Board under two divisions, Manufacturing and Services.

* **Appointments / Re-Election**

The Board as a whole represents the Nomination committee and decides on the selection criteria and appointments to the Board. Evaluation criteria are set based on the goals and objectives of the company and suitable and capable persons who can contribute to the Company are selected.

Procedure in the Articles of Association is mandatory for the retirement and re-election of Directors.

* **Directors' Remuneration**

With the recommendations of the Remuneration Committee, the Company has established a formal and transparent policy to determine remuneration packages for each Director to attract motivate and retain.

The remuneration and other benefits of the Board of Directors are set out in Note No. 31.1 to the Financial Statements.

* **Appraisal of Board**

The Board itself headed by the Chairperson evaluates performance giving due regard to the external and internal environment to measure the degree of success or the failures of achieving goals and objectives set upon Board members, individually and collectively.

* **Financial Acumen**

A Member representing a recognized professional accounting body served on the Board as an Independent Non-Executive Director and was involved in matters relating to finance. External consultants were retained whenever necessary.

* **Audit Committee**

The Audit Committee has written terms of reference which are established for the purpose of assisting the Board in fulfilling their responsibilities connected to the integrity of the Financial Statements, risk management, internal control, compliance with legal and regulatory requirements, review of External Auditor's performance and internal Audit functions Report of the Audit Committee is given on Page No.11.

* **Remuneration Committee**

The objective of the Committee is to bring recommendations to the frame-work of the remuneration packages of the Directors in a formal and transparent manner. Report of the Remuneration Committee is given on Page No. 12.

* **Related Party Transactions Review Committee**

The objective of the committee is to assist the Board in reviewing all related party transactions by adopting policies and procedures in accordance with requirements of the code of best practice on Related Party Transactions issued by the Colombo Stock Exchange.

* **Secretaries**

Varners International (Pvt) Ltd., act as the Company Secretaries, ensure the adherence to rules and regulations and handle Board proceedings minutes, agenda and papers required for the meetings.

* **Relation with Shareholders / Investors**

Directors have continuously recognized the importance of the role played by the Shareholders of the Company in assisting the Board of Directors for good Corporate Governance. In this regard, the Board of Directors ensures that the Shareholders have equal access to information and ensured the adequate disclosure of all material information of the Company.

* **Major Transactions**

There were no major transactions of material effect other than those which are disclosed in the Annual Report.

* **Financial Reporting**

The Company adhered to the financial reporting regulations under the Companies Act, listing rules of the Colombo Stock Exchange and the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.

The Audit Committee assists the Board in overseeing the financial reporting, system review and implementation of proper internal control systems.

The Board abides by the onus of responsibility of setting up an effective internal control system to safeguard the assets of the Company and to disseminate timely corporate information.

* **Business Conduct and Ethics**

The Company adheres to the code of business conduct and ethics jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka for Corporate Governance. The business conduct ethics and Company Policies are set within the said governing rules and regulations to the best of the knowledge of the Directors.

* **Going Concern Concept**

The Board of Directors have continued to use the going concern concept in the Preparation of the Financial Statements and are of the view that the Company has adequate resources to continue its operations in the foreseeable future.

* **Meetings**

Name of the Director	Position	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Related Party Transactions Review Committee Meetings
Mrs. Aban Pestonjee	Director / Chairperson	-	N/A	N/A	N/A
Mr. Behman Pestonjee	Executive Director	3	N/A	N/A	3
Mr. C. Fernando	Executive Director	3	N/A	2	3
Mrs. Saroshi Dubash **	Executive Director	1	N/A	N/A	N/A
Mr. Allen Raffel	Executive Director	4	N/A	2	3
Prof. L.R. Watawala	Independent Non-Executive Director	4	4	2	4
Mrs. Priyanthi Pieris	Independent Non-Executive Director	3	3	N/A	4
Mr. Athula Siriwardane *	Executive Director	1	N/A	N/A	N/A

* Mr. Athula Siriwardane has been appointed w.e.f 28th September 2016

** Mrs Saroshi Dubash has resigned w.e.f. 28th September 2016.

Compliance with Corporate Governance

The Board of Directors comply with the rules of Corporate Governance

Rule	Subject	Compliance
7.10.1	Non-Executive Directors	
	a. No of Non-Executive Directors	Two Non-Executive Directors out of seven Directors
7.10.2	Independent Directors	
	a. No of Independent Non-Executive Directors	Two Independent Directors out of seven total Directors
	b. Declaration of Independency	Complied
7.10.3	Directors Disclosure	
	a. Determination of independency of Non-Executive Directors	Complied
	b. Names of Independent Non-Executive Directors	Refer Page No. 5
	c. Brief resume of each Director	Refer Page No. 4 - 5
7.10.4	d. Disseminate resume of new Directors	Complied
	Independency of Non-Executive Directors	Complied
7.10.5	Remuneration Committee	
	a. Composition	Refer Page No. 12
	b. Functions	Complied
	c. Members name of the Remuneration Committee	Refer Page No. 12
	Statement of Remuneration Policy	Refer Page No. 12
	Remuneration paid to Executive and Non-Executive Directors	Refer Note No. 31.1
7.10.6	Audit Committee	
	a. Composition	Refer Page No. 11
	b. Functions	Complied
	c. Name of committee members	Refer Page No. 11
	Determining of Independency of Auditors	Complied
7.10.7	Audit Committee Report	Refer Page No. 11
	Intercompany Transactions Review Committee	
	a. Composition	Refer Page No. 13
	b. Functions	Complied
	c. Name of the committee members	Refer Page No. 13
	d. Related Party Transactions Review Committee Report	Refer Page No. 13

Role of the Committee

The primary function of the Committee is to assist the board in fulfilling its oversight responsibilities, primarily through overseeing Management's conduct of the Company's financial reporting process and systems of internal accounting and financial controls. Monitoring the independence and performance of the Company's External Auditors and providing avenue of communication among the External Auditors, Management and the Board.

The Audit Committee is empowered, amongst other functions to examine any matters relating to the financial affairs of the Company and to review the adequacy of the internal control procedures, audit programs, disclosures of accounting policies compliance with statutory and Corporate Governance requirements etc. The Audit Committee is also empowered to review and monitor the financial reporting process of the Company, so as to provide additional assurance on the reliability of the Financial Statements through a process of independent and objective reviews. As such, the Audit Committee acts as an effective forum in assisting the Board of Directors in discharging their responsibilities of ensuring the quality of financial reporting and related communications to the Shareholders and the public.

Composition of the Committee and meetings

The Audit Committee comprised of two Independent Non - Executive Directors namely Prof. Lakshman R. Watawala - Chairman and Mrs. D. Priyanthi Pieris. Messrs. Varners International (Pvt) Ltd served as the secretary to the Audit Committee.

The Audit Committee held four meetings during the financial year. Chief Internal Auditor coordinate the matters arise at the meetings. Other Directors, Managers, Compliance Officers, External Auditors Consultants attend the meetings by invitation.

The activities and views of the Committee have been communicated to the Board of Directors quarterly through verbal briefings, and by tabling the minutes of the Committee's Meetings.

Financial Reporting

The Audit Committee has reviewed and discussed the Company's quarterly and Annual Financial Statements prior to publication with management including the extent of compliance with Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, Securities Exchange Commission regulatory and other statutory requirements.

The Financial Statements have been presented in compliance with the new Sri Lanka Accounting Standards (SLFRS/LKAS) for the financial period. Considerable effort and planning has gone into ensuring that this transition has taken place smoothly and accordingly the comparative financial Statements were re-stated.

The ultimate objective of the Committee is to ensure the safeguard of the best interest of the stakeholders on to financial reporting.

Internal Controls

During its meetings the Committee reviewed the adequacy and effectiveness of the internal control systems and the Company's approach to its exposure to the business and financial risks. Processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in the preparation and presentation of Financial Statements.

The Company's exposure to business risk, in the areas of product diversification, Market share, Tariff changes and exchange rate and interest rate fluctuations is reviewed by the Committee and advise the board and Management to mitigate the risk factors associate there with.

Under the financial risk, Committee scrutinizes the credit policies of the creditors and debtors and liquidity of current assets. The cash flow and the working capital adequacy also reviewed in addition.

Internal Audit, Risks Management

The Internal Audit Programme was reviewed by the Committee to ensure that it covered the major business units of the Company. The Chief Internal Auditor was invited to be presented at all Audit Committee deliberations. He presents a summary of the Audit Reports of all internal audit investigations carried out by his department for the period.

External Auditors

The committee evaluates the independency of the External Auditor and recommends to the board in selecting and appointing External Auditor. In addition, other major criteria for evaluating external auditor includes capacity, fee, past performances and Non-Audit Services provided by the External Auditor.

The Audit opinion and the management letter issued by the external auditor are reviewed and assessed to ensure the material impact to the true and fair view of the Financial Statements.

The audit committee has recommended to the Board of Directors that Messers SJMS Associates be re-appointed as Auditor for the financial year ending 31st March 2017 subject to approval of the Shareholders at the Annual General Meeting.

Conclusion

The evaluation of reports, and based on the independent judgment, the Committee is satisfied about the operation of the business activities, control procedures, reporting requirements, actions in place of safe guarding the Company Assets and financial reporting of the Company.

Prof. Lakshman R. Watawala
Chairman - Audit Committee

Composition

The Remuneration Committee appointed responsible to the Board of Directors, comprise of two Independent Non-Executive Directors. The Committee is headed by the Chairman Prof. L. R. Wattawala. Mrs. Priyanthi Pieris serve as a Committee member.

Policy

The remuneration policy of the Abans Electricals PLC is designed to attract, motivate and retain staff with appropriate professional, managerial and operational expertise to achieve the goals and objectives of the Company.

Scope

The principal responsibility of the Remuneration Committee is to recommend to the Board a competitive remuneration and reward structure for the organization which includes performance based incentives. The Committee will specifically focus on the remuneration packages for Executive Staff and Senior Management. Such a system is based upon every member of the staff, being informed of the key result areas on which he/she will be judged together with an objective performance evaluation system.

Meetings

During the financial year under review, the Committee held two meetings. At these meetings, the staff performance appraisal system and its procedures, the performance bonus and its quantum, remuneration and other benefits of Executive and Senior Management were discussed and their recommendations were submitted to the Board.

Conclusion

The Committee assessment on the present Directors remuneration is fair and reasonable.

Prof. Lakshman R. Wattawala

Chairman - Remuneration Committee

Policies and Procedures

The Company has in place a Related Party Transactions Policy whereby the categories of persons/entities who shall be considered as "Related Parties" have been identified.

Purpose of the Committee

The purpose of the Committee is to conduct an Independent review, approval and oversight of all related party transactions of Abans Electricals PLC and to ensure that the Company complies with the Listing Rules pertaining to related party transactions. Its primary objectives are to ensure that the interest of the shareholders as a whole are taken in to account when entering in to related party transactions, and to prevent Directors, Key Management Personal or Substantial Shareholders from taking advantage of their positions.

Compositions of the Committee

During the year under review, the Related Party Transactions Review Committee comprised of the following Directors:

Mrs. Priyanthi Pieris - Independent Non - Executive Director / Chairperson

Mr. L. Watawala - Independent Non-Executive Director

Mr. Clive Fernando –Executive Director

Varners International (Private) Limited the Company Secretaries functioned as the Secretaries to the Committee.

Meetings

The related party transactions Committee Meetings were held four (04) times during the year under review.

The attendance by the members at the meetings of the Related Party Transactions Review Committee were as follows;

Mrs. Priyanthi Pieris	-	4/4
Mr. L Watawala	-	4/4
Mr. Clive Fernando	-	3/4

Review of Related Party Transactions

The Committee at their meetings, reviewed possible related party transactions for the year 2016/2017.

It was observed that related party transactions entered during the year which were of a recurrent, nature and necessary for the day-to-day operations of the Company, were in the opinion of the Committee, not on terms more favourable to the related party than those generally available to the public.

With respect to the sale of 100% of the items manufactured and assembled by the Company to Abans Retail (Pvt) Ltd, during the year, which were of a recurrent nature, and necessary for the day-to-day operations of the Company, it was noted that the whole sale price offered was adjusted, based on the negotiations between the two parties, taking in to account the arrangement between the parties whereby Abans Retail (Pvt) Ltd have guaranteed the purchase of 100% of the products

manufactured and assembled by the Company, and the deposit of Abans Retail (Pvt) Ltd held by the Company.

Based on professional advice, the Company is currently in discussion with Abans Retail (Pvt) Ltd, to negotiate the whole sale price at which the sales are to be made in the current financial year.

The Minutes of the Committee Meetings were documented and tabled at Board Meetings, for review by the Board.

Scope of the Committee Includes:

- To manage relationships with related parties to uphold good governance and the best interests of the Company.
- To provide an independent review, approval and oversight of Related Party Transactions (except these expressly exempted by the Rules)
- To determine whether Related Party Transactions that are to be entered in to by the Company require the approval of the Board or Shareholders of the Company.
- To establish guidelines in respect of Recurrent Related Party Transactions, for senior management to follow in its ongoing dealings with the relevant related party.
- To ensure that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee.
- To ensure that immediate market, disclosure and disclosure in the Annual report as required by the Rules are made in a timely and detailed manner.

Declaration

A declaration by the Board of Directors on compliance with the Rules pertaining to related party transactions appears on this report of the Board of Directors on page no. 08 of this Annual report.

Mrs. Priyanthi Pieris

Chairperson – Related Party Transactions Review Committee

Directors' Responsibility for Financial Reporting

The responsibility of the Directors in relation to the Financial Statements is setout in the following statement.

The Directors are responsible, under Sections 150 (1), 151 (1), 166[1], 167 [1] and168 [1] of the Companies Act No. 7 of 2007 to prepare Financial Statements and the Annual Report for each financial year and place before the Annual General Meeting of the Members.

Financial Statements for the year ended 31st March 2017 presented in this report are in conformity with Sri Lanka Accounting Standards (SLFRS / LKAS), Companies Act No.7 of 2007 and listing rules of the Colombo Stock Exchange.

Directors are also of the view that in preparing these Financial Statements, appropriate Accounting Policies have been selected and applied consistently, where necessary reasonable and prudent judgment and estimates have been made in line with Accounting Standards.

Directors are also responsible, under Section 148 to keep proper records and to take reasonable steps as far as practicable to ensure the accuracy and reliability of accounting records to enable the preparation of Financial Statements and to disclose with reasonable accuracy, the financial position of the Company.

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

Directors confirm that to the best of their knowledge all taxes and duties payable on behalf of and in respect of the employees of the Company and all other known statutory dues, as at Balance Sheet date have been paid or provided.

The Directors are of the opinion that the Company has adequate resources to continue in operation and due to this have concluded that the going concern basis in preparing the Financial Statement is appropriate.

By Order of the Board
Sgd ,
Varners International (Private) Limited.
Secretaries

Independent Auditor's Report To the Shareholders of Abans Electricals PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Abans Electricals PLC, ("the Company"), which comprise the statement of financial position as at March 31st 2017, and statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31st 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above
- b) In our opinion:
 - 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,
 - the financial statements of the Company, comply with the requirements of section 151 of the Companies Act

SJMS ASSOCIATES
Chartered Accountants
Colombo
10th July 2017

Statement of Comprehensive Income

For the Year Ended 31st March 2017

	Notes	2016/2017 Rs.	2015/2016 Rs.
Turnover	5	4,028,609,620	3,506,809,241
Cost of sales		<u>(3,594,592,900)</u>	<u>(3,027,411,655)</u>
Gross profit		434,016,720	479,397,586
Other income	6	63,610,069	40,290,408
Distribution cost		<u>(86,720,904)</u>	<u>(99,320,984)</u>
Administrative expenses		<u>(250,968,753)</u>	<u>(239,409,353)</u>
Finance and other expenses	7	<u>(79,297,777)</u>	<u>(40,609,179)</u>
Profit before taxation	8	80,639,354	140,348,478
Income tax expenses	9	<u>(33,878,821)</u>	<u>(41,525,040)</u>
Profit for the year		<u>46,760,533</u>	<u>98,823,438</u>
 Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to comprehensive income:			
Actuarial gain / (loss) on defined benefit plan	23	30,856,622	(513,706)
Other comprehensive income/(expense) net of tax		<u>30,856,622</u>	<u>(513,706)</u>
Total comprehensive income for the year		<u>77,617,155</u>	<u>98,309,732</u>
Earnings per share - Basic/ Diluted	10	9.15	19.34
Dividend per share	11	3.00	3.00

The accounting policies and notes from 01 to 36 form an integral part of these financial statements.

Statement of Financial Position

For the Year Ended 31st March 2017

17

Abans Electricals PLC
Annual Report 2016/2017

	Notes	31.03.2017 Rs.	31.03.2016 Rs.
Non Current Assets			
Property, plant and equipment	12	608,223,877	572,881,462
Intangible assets	13	7,463	12,735
Investments in subsidiary	14	11,454,000	11,454,000
Loans and receivables	15	136,124,319	119,907,426
Total Non Current Assets		<u>755,809,660</u>	<u>704,255,624</u>
Current Assets			
Inventories	16	648,856,296	435,882,587
Trade and other receivables	17	144,199,197	98,231,328
Deposits , advances and prepayments	18	38,813,976	18,402,949
Amounts due from related parties	19	861,336,261	727,634,815
Cash and cash equivalents	20	31,234,475	32,882,564
Total Current Assets		<u>1,724,440,205</u>	<u>1,313,034,244</u>
Total Assets		<u>2,480,249,865</u>	<u>2,017,289,868</u>
Capital and Reserves			
Stated capital	21	186,732,000	186,732,000
Capital reserves		2,100,000	2,100,000
Retained earnings		651,426,602	589,141,128
Total Equity		<u>840,258,602</u>	<u>777,973,128</u>
Non Current Liabilities			
Borrowings	22.1	10,500,000	28,056,000
Retirement benefit obligation	23	79,241,652	101,890,133
Revenue grant	24	-	2,153,651
Deferred tax liability	25	42,323,497	40,455,796
Total Non Current Liabilities		<u>132,065,149</u>	<u>172,555,580</u>
Current Liabilities			
Trade and other payables	26	652,943,599	448,488,462
Income tax payable	27	5,270,077	24,528,197
Deferred service income	28	51,651,364	37,380,094
Amounts due to related parties	29	85,332,858	24,424,887
Borrowings	22.2	712,728,215	531,939,521
Total Current Liabilities		<u>1,507,926,113</u>	<u>1,066,761,161</u>
Total Liabilities		<u>1,639,991,262</u>	<u>1,239,316,741</u>
Total Equity and Liabilities		<u>2,480,249,865</u>	<u>2,017,289,868</u>

I certify that these financial statements comply with the requirements of the Companies Act no. 07 of 2007.

Head of Finance - (Manufacturing Department)

Head of Finance - (Service Department)

The Board of Directors are responsible for the preparation and presentation of these financial statements.
Signed for and on behalf of the Board of Directors by the following.

Date : 10.07.2017
Colombo

Director

Director

The accounting policies and notes from 01 to 36 form an integral part of these Financial Statements.

Statement of Changes In Equity

For the Year Ended 31st March 2017

	Stated Capital Rs.	Capital Reserves Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1 st April 2015	186,732,000	2,100,000	503,607,795	692,439,795
Net profit for the year	-	-	98,823,438	98,823,438
Other comprehensive income	-	-	(513,706)	(513,706)
Final dividend 2014/2015	-	-	(12,776,400)	(12,776,400)
Balance as at 31 st March 2016	<u>186,732,000</u>	<u>2,100,000</u>	<u>589,141,128</u>	<u>777,973,128</u>
Net profit for the year	-	-	46,760,533	46,760,533
Other comprehensive income	-	-	30,856,622	30,856,622
Final dividend 2015/2016	-	-	(15,331,680)	(15,331,680)
Balance as at 31 st March 2017	<u>186,732,000</u>	<u>2,100,000</u>	<u>651,426,602</u>	<u>840,258,602</u>

The accounting policies and notes from 01 to 36 form an integral part of these financial statements.

Cash Flow Statement

For the Year Ended 31st March 2017

19
Abans Electricals PLC
Annual Report 2016/2017

	2016/2017 Rs.	2015/2016 Rs.
Net profit before interest and taxation	159,937,131	180,957,657
Adjusted for:		
Actuarial gain/(loss) on defined benefit plan	30,856,622	(513,706)
Profit from sale of property, plant & equipment	(1,811,084)	(2,880,170)
Depreciation and amortisation	72,383,181	65,597,953
Defined benefit plan costs (Gratuity)	(9,598,611)	22,345,447
Interest income	(13,110,777)	(7,095,730)
Bad debts provision	2,165,465	1,702,057
Provision for obsolete stock	4,388,244	-
Asset grant income	(2,153,651)	(3,230,475)
Deferred income	(57,320,250)	(17,468,705)
Cash flow from operating activities before working capital changes	185,736,269	239,414,329
(Increase)/decrease in trade and other receivables	(48,126,908)	(27,985,642)
(Increase)/decrease in deposits, advances and prepayments	(20,506,342)	9,177,914
(Increase)/decrease in inventories	(217,361,949)	(139,310,877)
(Increase)/decrease in amounts due from/to related companies (Net)	(72,793,474)	(242,431,689)
Increase/(decrease) in trade and other payables	274,667,138	388,296,246
	101,614,734	227,160,281
Tax paid	(51,180,348)	(1,000,000)
Interest paid	(74,585,054)	(39,229,666)
Gratuity paid	(13,049,871)	(7,207,842)
Net cash flow (used in) /from operating activities	(37,200,538)	179,722,773
Investing activities		
Interest income received	13,110,777	7,095,730
Purchase of property, plant and equipment	(107,722,424)	(100,522,535)
Proceeds from disposal of property, plant & equipment	1,813,184	6,039,542
Net investment in fixed deposits	(16,216,893)	(46,867,562)
Net cash flow utilised in investing activities	(109,015,355)	(134,254,825)
Financing activities		
Dividend paid	(15,331,680)	(12,776,400)
Repayment of loans (Net)	134,206,628	(18,456,000)
Net cash flow utilised in financing activities	118,874,948	(31,232,400)
Net increase /(decrease) in cash and cash equivalents	(27,340,945)	14,235,548
Cash and cash equivalents at the beginning of the year	31,066,925	16,831,377
Cash and cash equivalents at the end of the year	3,725,980	31,066,925
Cash and cash equivalents at the beginning of the year		
Cash in hand and cash at bank (Note No. 20)	32,882,564	77,266,311
Bank Overdraft	(1,815,639)	(60,434,934)
	31,066,925	16,831,377
Cash and cash equivalents at the end of the year		
Cash in hand and cash at bank	31,234,475	32,882,564
Bank overdraft (Note No. 22.4)	(27,508,494)	(1,815,639)
	3,725,980	31,066,925

The accounting policies and notes from 01 to 36 form an integral part of these Financial Statements.

1. CORPORATE INFORMATION

1.1. General

Abans Electricals PLC is a public limited liability company incorporated and domiciled in Sri Lanka and is listed in the Colombo Stock Exchange. The registered office of the company is located at No. 498, Galle Road, Colombo 3 and the principal places of business are situated at No. 126, Airport Road, Ratmalana, and No. 506/B, Galle Road, Colombo 06.

1.2. Principal activities and nature of operations

The principal activities of the company are manufacturing and assembling household electrical and electronic appliances and providing repairs, maintenance and technical services of similar type of appliances.

1.3. Parent entity

The company's parent entity is Abans PLC.

1.4. Date of authorization for issue

The financial statements of the company for the year ended 31st March 2017 were authorized for issue under a resolution of the Board of Directors on 10th July 2017.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements of the company (statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows together with accounting policies and notes) are prepared in accordance with Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No.07 of 2007.

2.2. Basis of measurement

The financial statements have been prepared on historical cost basis, except the defined benefit obligation, which is recognized at its present value.

2.3. Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the company's functional currency and presentation currency. All financial information presented in Sri Lankan Rupees is rounded to the nearest rupee unless otherwise stated.

2.4. Comparative information

The accounting policies have been consistently applied by the company with those of the previous financial year in accordance with LKAS 01 - presentation of financial statements, except those which had to be changed as a result of application of the new SLFRS. Further, comparative information is reclassified wherever necessary to comply with the current presentation.

Notes to Financial Statements

For the Year Ended 31st March 2017

2.5. Materiality & aggregation

In compliance with LKAS 01 on presentation of financial statements, each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions too are presented separately, if they are material.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not off-set in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the application of certain critical accounting assumptions relating to the future. Further, it requires the management of the company to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods. Hence, actual experience and results may differ from these judgments and estimates.

In the process of applying the company's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognized in the financial statements:

a) Taxation

The company is subject to income taxes and other taxes including value added taxation, Excise duty and Nation Building tax. Significant judgment was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the financial statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The company recognized assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and, deferred tax amounts in the period in which the determination is made.

Notes to Financial Statements

For the Year Ended 31st March 2017

21

Abans Electricals PLC
Annual Report 2016/2017

b) Useful life-time of the property, plant and equipment

The company reviews the residual values, useful lives and methods of depreciation of assets as at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

c) Going concern

The Directors have made an assessment of the company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the company. Therefore, the financial statements continue to be prepared on the going concern basis.

d) Impairment losses on financial assets

The company assesses at each reporting date or more frequently to determine whether there is any objective evidence whether an impairment loss should be recorded in the statement of comprehensive income.

e) Deferred tax liability

Deferred tax liability are recognized for all deductible temporary differences. Significant management judgments are required to determine the amount of deferred tax liability that can be recognized, based on the likely timing and level of future taxable profits together with future tax planning strategies.

f) Defined benefit plans

The cost of defined benefit plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future.

These include the determination of the discount rate, future salary increases, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and their long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the yield of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the company in preparation of its financial statements are included below.

4.1. Revenue recognition

4.1.1. Sale of goods

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company 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.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The company has transferred significant risks and rewards of ownership of the goods to the buyer.
- b) The company retaining, neither a continuing managerial involvement to the degree usually associated with ownership nor an effective control over the goods sold.
- c) The amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity; and
- d) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

4.1.2 Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the end of the reporting period.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied;

- (a) The amount of revenue can be measured reliably.
- (b) It is probable that the economic benefits associated with the transaction will flow to the entity.
- (c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- (d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

4.1.3 Interest income

Interest income is recognized using the Effective Interest Rate (EIR) method.

4.1.4 Dividend income

Dividend income is recognised in the statement of comprehensive income on an accrual basis when the company's right to receive the dividend is established.

4.1.5 Deferred income

The service income of the company is recognized over the warranty period since the company is obliged to provide service for the agreed warranty period.

4.1.6 Other income

Other income is recognized on an accrual basis.

4.2 Expenditure recognition

Expenses are recognized in the statement of comprehensive income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in running the business and in maintaining property, plant and equipment in a state of efficiency has been charged to the statement of comprehensive income.

For the purpose of presentation of the statement of comprehensive income, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the company's performance.

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income.

4.3 Taxation

4.3.1 Current tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date.

4.3.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose.

Deferred tax assets are recognised for all deductible differences. The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Un-recognised deferred tax assets are re-assessed at each date of the Statement of Financial Position and are recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Notes to Financial Statements

For the Year Ended 31st March 2017

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at the reporting date.

4.4 Non-financial asset

4.4.1 Property, plant and equipment

Recognition and measurement

Property, plant & equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 - property, plant & equipment. Initially property, plant and equipment are measured at cost.

Cost model

Company's Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Subsequent cost

Subsequent expenditure incurred for the purpose of acquiring, extending, or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business is treated as capital expenditure and such expenses are recognized in the carrying amount of an asset. The costs associated with day-to-day servicing of property, plant and equipment is recognized in the statement of comprehensive income as incurred.

Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Depreciation is charged from the date of purchase to the date of disposal on pro-rata basis. Land is not depreciated. The rates of depreciations based on the estimated useful lives.

Categories of assets	Useful life
Building and installation	Over 40 years
Plant and Machinery	Over 10 years
Furniture and Fittings	Over 10 years
Fixtures and Fittings	Over 10 years
Office equipment	Over 10 years
On loan assets	Over 5 years
Motor vehicles	Over 4 years
Computer equipment	Over 4 years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Notes to Financial Statements

For the Year Ended 31st March 2017

23

Abans Electricals PLC
Annual Report 2015/2016

De-recognition

Property, plant and equipment are de-recognised on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'other operating income' in the statement of comprehensive income in the year the asset is de-recognised.

4.4.2 Intangible assets – Computer software

Basis of recognition

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

All computer software cost incurred, licensed to be used by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the balance sheet under the category intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

De-recognition

An Intangible Asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from the de-recognition of such intangible assets is included in profit or loss when the item is derecognised.

4.4.3 Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount.

4.5 Leasehold property

Assets held under finance leases are initially recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in statement of comprehensive income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs.

4.6 Deferred service income

Deferred Service Income consists of the income received in-advance for under - warranty items and will be releasing to income statement as revenue, when jobs are completed.

4.7 Inventories

Inventories are valued at the lower of cost and net realisable value (NRV). NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. Costs incurred in bringing inventories to their present conditions and locations are accounted using the following cost formula;

Raw materials:	At actual cost on FIFO (first-in first-out) basis
Work-in –progress:	At actual cost of direct materials (excluding packing materials) and an appropriate proportion of direct labour
Manufactured finished goods:	At actual cost of direct material, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity
Purchased finished goods:	At actual cost on first-in first-out basis
Consumables and spares:	At actual cost on first-in first-out basis
Goods in transit:	At actual cost

4.8 Financial assets – recognition and measurement

4.8.1 Initial recognition

All financial assets are initially recognized on the trade date, i.e., the date that the company becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time-frame generally established by regulation or convention in the market place.

4.8.2 Initial measurement

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value including transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

4.8.3 Subsequent measurement

The company subsequently measures non-derivative financial assets categorising them into the categories of financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets.

i. Financial assets at Fair Value Through Profit or Loss (FVTPL)

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated at fair value through profit or loss.

ii. Held-to-maturity financial investments

Held - to - maturity financial investments are non - derivative financial assets with fixed or determinable payments and fixed maturities, which the company has the intention and ability to hold to maturity. Subsequent to initial measurement, held to maturity financial investments are measured at amortised cost using the Effective Interest Rate (EIR), less impairment.

iii. Loans and receivables

Loans and receivables include non- derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the company intends to sell immediately or in the near term and those that the company, upon initial recognition, designates as at fair value through profit or loss
- Those that the company, upon initial recognition, designates as available for sale
- Those for which the company may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, loans and receivables are subsequently measured at amortised cost using the EIR method less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest income' in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in 'impairment gain/ (loss) on loans and receivables'.

Notes to Financial Statements

For the Year Ended 31st March 2017

iv. Available-for-sale financial assets

Available for sale financial assets are those which are neither classified as held for trading nor designated at fair value through profit or loss. The company has not designated any financial asset as available-for-sale.

After initial measurement, available - for - sale financial investments are measured at fair value. Unrealised gains and losses are recognised directly in equity (other comprehensive income) in the "available-for-sale reserve". When the asset is disposed of, the cumulative gain or loss previously recognized in equity is recognised in the statement of comprehensive income in other operating income.

4.8.4 Reclassification of financial assets

The company may re - classify non - derivative financial assets other than those designated at FVTPL upon initial recognition, in certain circumstances:

- out of the held-for-trading category and into the available for sale, loans and receivables, or held-to-maturity categories.
- out of the 'available-for-sale' category and into the 'loans and receivables', 'held for trading category' or 'held - to - maturity'. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. For a financial asset re - classified out of the 'available - for - sale' category, any previous gain or loss on that asset that has been recognized in equity is amortised to statement of comprehensive income over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the statement of comprehensive income.
- out of the 'held - for - trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is re - classified, and if the company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase are recognized as an adjustment to the EIR from the date of the change in estimate.

Re - classification is at the election of the management, and is determined on an instrument by instrument basis.

Notes to Financial Statements

For the Year Ended 31st March 2017

25

Abans Electricals PLC
Annual Report 2016/2017

4.8.5 De-recognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- the rights to receive cash flows from the asset have expired.
- the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:
 - the company has transferred substantially all the risks and rewards of the asset or
 - the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass – through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

4.8.6 Identification, measurement and assessment of impairment

At each reporting date the company assesses whether there is objective evidence that financial assets are not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

The company writes off loans and receivables when they are determined to be unrecoverable.

4.9 Cash and bank balances

Cash and bank balances are defined as cash-in-hand and balances with banks.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and at 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.

4.10 Stated capital

Ordinary shares are classified as equity. The equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

4.11 Retirement benefit obligations

4.11.1 Defined benefit plan – gratuity

The company is liable to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983, according to which an obligation to pay gratuity arises only on completion of 5 years of continued service. The company's obligations under the said Act is determined based on an actuarial valuation, using the projected unit credit method, carried out by a professional actuary. Actuarial gains and losses recognized in the other comprehensive income. The liability is not externally funded.

4.11.2 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statement of comprehensive income as in the periods during which services are rendered by employees.

a. Employees' Provident Fund

The company and employees contribute 12% and 8% respectively on the salary of each employee to the approved Provident Fund.

b. Employees' Trust Fund

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

4.12 Financial liabilities

4.12.1 Initial recognition and measurement

The company classifies financial liabilities in to financial liabilities at Fair Value through Profit or loss (FVTPL) or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities.

The company do not have any financial liabilities which carried at fair value.

The company recognizes financial liabilities in the statement of financial position when the company becomes a party to the contractual provisions of the financial liability.

i. Financial liability at FVTPL

Financial liabilities at FVTPL include financial liabilities held-for-trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognized in statement of comprehensive income.

Upon initial recognition, transaction costs are directly attributable to the acquisition are recognized in statement of comprehensive income as incurred. The criteria for designation of financial liabilities at FVTPL upon initial recognition are the same as those of financial assets at FVTPL.

ii. Other financial liabilities

Other financial liabilities including deposits, debt issued by the company and the other borrowed funds are initially measured at fair value less transaction cost that are directly attributable to the acquisition and subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

4.12.2 De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in statement of comprehensive income.

4.13 Grant receipt

Grants received from Principle Supplier whose's primary condition is that to display their Logo in the company's service bus for first five years of period and that are recognized as deferred revenue in the statement of financial position and transferred to statement of comprehensive income on a systematic and rational basis over the useful lives of the related assets.

4.14 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

4.15 Cash flow statement

The cash flow statement has been prepared using the indirect method, as stipulated in LKAS 7- statement of cash flows. Cash and cash equivalents comprise of cash in hand, cash at bank and bank overdrafts.

Notes to Financial Statements

For the Year Ended 31st March 2017

4.16 Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary is included in the consolidated financial statement from the date on which control commences until the date on which control ceases. The investment in subsidiary is under winding up process.

4.17 Segmental information

For management purposes, the company has organized two operating segments based on products and services, as follows:

- Manufacturing
- Services

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the financial statements. Income taxes are managed on a company basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

4.17 Effect of the accounting standard issued but not yet effective:

Standards bissued but not yet effective up to the date of issuance of the company financial statements are listed below. This listing is of standards and interpretations issued, which the company reasonably expects to be applicable at a future date. The company intends to adopt those standards when they become effective

(i) SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

This standard was originally effective for annual periods commencing on or after 01st January 2018.

(ii) SLFRS 15 -Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive frame work 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 Programmes. This standard is effective for the annual periods beginning on or after 01st January 2018.

Pending the detailed review of such standards and interpretations, the extent of the impact has not been determined by the management.

Notes to Financial Statements
For the Year Ended 31st March 2017

27
Abans Electricals PLC
Annual Report 2016/2017

	2016/2017 Rs.	2015/2016 Rs.
5. Turnover		
Manufacturing Department	3,164,197,615	2,685,804,168
Services Department	864,412,005	821,005,073
	<u>4,028,609,620</u>	<u>3,506,809,241</u>
6. Other Income		
Scrap and sundry parts sales	4,188,509	7,372,703
Transport and warehouse reimbursement	20,408,400	16,920,528
Interest income	13,110,777	7,095,730
Insurance claim	1,376,238	452,120
Interest on employee loan	492,844	218,598
Profit on disposal of motor vehicle	1,811,084	2,880,170
Exchange gain	18,955,393	1,018,355
Revenue grant	2,153,651	3,230,475
Registration fees income	32,000	-
Interest on over due payment	1,172	1,729
Rent income	1,080,000	900,000
Income from mobile bus service	<u>-</u>	<u>200,000</u>
	<u>63,610,069</u>	<u>40,290,408</u>
7. Finance and Other Expenses		
Term loan interest	4,929,411	5,233,800
Bank charges and commission	1,330,573	915,565
Overdraft interest	965,758	1,300,584
Interest on import loan	71,893,160	32,992,305
Stamp duty	178,875	166,925
	<u>79,297,777</u>	<u>40,609,179</u>
8. Profit Before Tax		
Profit from operations is stated after charging all expenses including the followings :		
Directors remuneration	6,436,090	6,578,772
Depreciation and amortisation	72,383,181	65,593,121
Provision for bad and doubtful debts	2,166,966	1,702,057
Staff costs (excluding defined contribution plan and defined benefit plan)	410,940,568	401,766,109
Defined contribution plan cost	53,718,189	52,814,960
Defined benefit plan cost	21,258,011	21,831,741
Donations	675,988	405,207
Auditor's remuneration	864,803	582,434
Legal fees	<u>95,514</u>	<u>1,599,999</u>

Notes to Financial StatementsFor the Year Ended 31st March 2017

	2016/2017 Rs.	2015/2016 Rs.
9. Income tax Expenses		
Income tax /Note 9.1/	31,224,081	33,874,008
Under provision of last year income tax	787,039	-
Deferred tax /Note 25/	<u>1,867,701</u>	<u>7,651,032</u>
	<u>33,878,821</u>	<u>41,525,040</u>

9.1 Reconciliation between current tax expense/ (income) and the accounting profit.

A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

Profit from operation	80,639,354	140,348,478
Disallowable expenses	113,507,046	99,744,072
Profit on disposal of fixed assets	1,064,500	1,620,313
Allowable expenses	(152,252,460)	(134,941,430)
Deferred income	71,449,805	42,158,732
Revenue grant	<u>(2,153,651)</u>	<u>(3,230,475)</u>
	<u>112,254,594</u>	<u>145,699,690</u>
Qualifying payment	(740,021)	(24,721,092)
Taxable income	<u>111,514,573</u>	<u>120,978,598</u>
Income tax @ 28%	31,224,081	33,874,008
	<u>31,224,081</u>	<u>33,874,008</u>

10. Earnings Per Share - Basic/Diluted

Basic Earnings Per Share is calculated based on the profit after taxation attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

	As at 31.03.2017	As at 31.03.2016
Amount used as the Numerator		
Profit attributable to ordinary shareholders	46,760,533	98,823,438
Amount used as the Denominator		
Weighted average number of shares	5,110,560	5,110,560
Earnings Per Share - Basic	<u>9.15</u>	<u>19.34</u>
11. Dividend Per share		
Dividend paid	-	3.00
Dividend proposed	3.00	3.00

Notes to Financial Statements

For the Year Ended 31st March 2017

29

Abans Electricals PLC
Annual Report 2016/2017

	31.03.2017	31.03.2016		
	Rs.	Rs.		
12. Property, Plant and Equipment				
Net book value of freehold assets <i>(Note 12.1)</i>	<u>608,223,877</u>	<u>572,881,462</u>		
	<u>608,223,877</u>	<u>572,881,462</u>		
12.1 Freehold Assets				
	Balance as at 31.03.2016	Additions during the year	Disposals during the year	Balance as at 31.03.2017
	Rs.	Rs.	Rs.	Rs.
Cost				
Land and land development	187,482,980	26,850,185	-	214,333,165
Building	169,002,780	39,906,457	-	208,909,237
Plant and machinery	285,649,012	4,608,028	-	290,257,040
Furniture and fittings	17,042,596	1,037,841	-	18,080,437
Fixtures and fittings	13,833,106	1,115,368	-	14,948,475
Office equipment	19,718,341	345,735	(3,600)	20,060,475
Tools	39,826,231	4,997,684	-	44,823,915
Computer equipment	58,037,053	3,807,466	-	61,844,519
Motor vehicles	164,227,567	24,697,560	(3,462,973)	185,462,153
On loan asset	<u>1,601,477</u>	<u>356,100</u>	-	<u>1,957,577</u>
	<u>956,421,142</u>	<u>107,722,424</u>	<u>(3,466,573)</u>	<u>1,060,676,993</u>
Depreciation				
Building	46,378,567	4,273,671	-	50,652,239
Plant and machinery	154,267,789	22,018,108	-	176,285,898
Furniture and fittings	8,843,999	1,221,334	-	10,065,333
Fixtures and fittings	5,367,212	1,223,652	-	6,590,865
Office equipment	11,774,974	1,579,178	(1,500)	13,352,652
Tools	16,799,284	3,803,654	-	20,602,938
Computer equipment	48,322,418	4,571,189	-	52,893,607
Motor vehicles	91,614,024	33,296,679	(3,462,973)	121,447,730
On loan asset	<u>171,411</u>	<u>390,443</u>	-	<u>561,855</u>
	<u>383,539,680</u>	<u>72,377,909</u>	<u>(3,464,473)</u>	<u>452,453,116</u>
Net book value on freehold assets		<u>572,881,462</u>		<u>608,223,877</u>

13. Intangible Assets

	As at 31.03.2016	Additions during the year	Disposals during the year	As at 31.03.2017
	Rs.	Rs.	Rs.	Rs.
Cost				
Computer Software	14,360,433	-	-	14,360,433
	<u>14,360,433</u>	<u>-</u>	<u>-</u>	<u>14,360,433</u>
Depreciation				
Computer Software	14,347,698	5,272	-	14,352,970
	<u>14,347,698</u>	<u>5,272</u>	<u>-</u>	<u>14,352,970</u>
Net book value on Intangible assets	<u><u>12,735</u></u>			<u><u>7,463</u></u>

14. Investment in subsidiary

Abans Jung Poong (Pvt) Ltd.
114,540 Shares of Rs.100/- each

31.03.2017	31.03.2016
Rs.	Rs.
<u>11,454,000</u>	<u>11,454,000</u>

Abans Jung Poong (Pvt) Ltd has ceased its business in 1996/1997 . The board has taken the initiatives to wind up the company under the creditors voluntary winding up.

Abans Electricals PLC owns 49.2% of Jung Poong (Pvt) Ltd, which represent Rs. 14.58 Mn of the total market value (Rs.35.65 Mn) of Land and building. Consequently the company is certain that the full investment of Rs 11.454 Mn and the dues receivable, can be recovered.

15. Loans and receivables**Investments in Fixed Deposits**

	31.03.2017	31.03.2016
	Rs.	Rs.
Peoples Bank	5,000,000	5,000,000
Bank of Ceylon	50,760,644	77,736,476
Seylan Bank	592,503	549,499
Abans Finance PLC	47,958,867	36,621,452
Sampath Bank	<u>31,812,305</u>	<u>-</u>
	<u><u>136,124,319</u></u>	<u><u>119,907,426</u></u>

Notes to Financial Statements

For the Year Ended 31st March 2017

31

Abans Electricals PLC
Annual Report 2016/2017

	31.03.2017	31.03.2016
	Rs.	Rs.
16. Inventories		
Raw material	577,526,691	361,373,964
Work-in-progress	28,455,860	24,255,758
Finished goods		
- Manufactured	19,535,045	17,473,559
- Imported	917,669	775,188
Goods in transit	<u>36,271,265</u>	<u>46,978,690</u>
	<u>662,706,531</u>	<u>450,857,159</u>
Less: Provision for damaged and obsolete stock	<u>(13,850,236)</u>	<u>(14,974,569)</u>
	<u><u>648,856,296</u></u>	<u><u>435,882,588</u></u>
17. Trade and Other Receivables		
<u>Financial assets</u>		
Trade debtors	145,604,521	105,035,779
Less: Allowance for impairment of debtors	<u>(18,329,576)</u>	<u>(16,164,111)</u>
	<u>127,274,944</u>	<u>88,871,668</u>
Loans to employees	<u>3,192,277</u>	<u>4,026,025</u>
	<u><u>130,467,221</u></u>	<u><u>92,897,693</u></u>
<u>Non financial assets</u>		
Other receivables	<u>13,731,976</u>	<u>5,333,634</u>
	<u><u>144,199,197</u></u>	<u><u>98,231,328</u></u>
18. Deposits, Advances and Prepayments		
Advances	11,074,882	6,709,558
Deposits	5,637,379	4,822,392
Prepayments	<u>22,101,715</u>	<u>6,870,999</u>
	<u><u>38,813,976</u></u>	<u><u>18,402,949</u></u>
19. Amounts Due From Related Parties		
Abans PLC	834,666,920	84,563,484
Abans Restaurant (Pvt) Ltd	46,179	43,859
Abans Environmental Services (Pvt) Ltd	26,031	24,992
Abans Jung poong (Pvt) Ltd	591,501	591,501
Abans Marketing (Pvt) Ltd	17,611,512	12,838,463
Abans Auto (Pvt) Ltd	7,205,489	-
Abans Retail (Pvt) Ltd	-	628,851,336
Abans Tourist Hotel (Pvt) Ltd	1,848	43,743
Abans Automation (Pvt) Ltd	593,158	453,559
ABS Courier (Pvt) Ltd	350,510	223,878
Abans Resort (Pvt) Ltd	183,395	-
Abans Information Systems (Pvt) Ltd	<u>59,717</u>	<u>-</u>
	<u><u>861,336,261</u></u>	<u><u>727,634,815</u></u>
20. Cash at bank and in hand		
Cash in hand	1,845,236	2,964,587
Cash in bank	<u>29,389,238</u>	<u>29,917,977</u>
	<u><u>31,234,475</u></u>	<u><u>32,882,564</u></u>

		Number of shares	Value of Shares (Rs.)
21.	Stated Capital		
	At 31 st March 2017	5,110,560	186,732,000
	At 31 st March 2016	5,110,560	186,732,000
22	Borrowings	31.03.2017 Rs.	31.03.2016 Rs.
22.1	Long Term Borrowings	<u>10,500,000</u>	<u>28,056,000</u>
	Term loan - long term portion /Note 22.3/		
22.2	Short Term Borrowings		
	Term loan - short term portion /Note 22.3/	17,556,000	18,456,000
	Import loans	662,950,998	510,288,369
	Provision for interest	4,712,723	1,379,513
	Bank overdraft (Note 22.4)	<u>27,508,494</u>	<u>1,815,639</u>
		<u>712,728,215</u>	<u>531,939,521</u>
22.3	Loans from Bank		
	Term loan Samapth Bank	46,512,000	64,968,000
	Payment made during the year	<u>(18,456,000)</u>	<u>(18,456,000)</u>
		<u>28,056,000</u>	<u>46,512,000</u>
	Less : Repayable within one year	<u>(17,556,000)</u>	<u>(18,456,000)</u>
	Repayable after one year	<u>10,500,000</u>	<u>28,056,000</u>
22.4	Bank Overdrafts		
	Union Bank	5,205,639	-
	Hatton National Bank	-	63,368
	Sampath Bank	<u>22,302,855</u>	<u>1,752,271</u>
		<u>27,508,494</u>	<u>1,815,639</u>
22.5	Terms and conditions of borrowing facilities		
	Facility	Security	
	<u>Import & Hypothecation loans</u>		
	Peoples Bank	- Primary floating mortgage bond of Rs. 250 Mn over stock and book debts	
	HNB Bank	- Primary floating mortgage bond Rs.400 Mn. Over Stock of refrigerator cabinets & components .	
	Bank of Ceylon	- Hypothecation Bond of Rs. 80 Mn over Stock and Book Debts	
	Sampath Bank	- Primary floating mortgage bond of Rs. 350 Mn over stock and book debts.	
	<u>Term Loan Facility</u>		
	Lender: Sampath Bank	- Primary mortgage for Rs. 65 Mn over the moulds imported for washing machine assembly line	
	Lender: Sampath Bank	- Primary mortgage for Rs.21.5 Mn over the machinery parts imported for the AC Assembly line	
	<u>Overdraft Facilities</u>		
	HNB	- Primary floating mortgage bond for Rs. 60 Mn over land & building situated at No. 126, Airport Road, Ratmalana.	
	Sampath Bank	- Hypothecation bond of over stock and book debts	
	Bank of Ceylon	- Hypothecation bond of over stock and book debts	
	Peoples Bank	- Hypothecation bond of over stock and book debts	
	Union Bank	- Concurrent mortgage bong Rs 75 Mn over the company stock in trade & assignment of book debts	

Notes to Financial Statements

For the Year Ended 31st March 2017

33

Abans Electricals PLC
Annual Report 2016/2017

	31.03.2017 Rs.	31.03.2016 Rs.
23. Retirement Benefit Obligation		
Balance at the beginning of the year	101,890,133	86,752,528
Interest cost	10,698,464	8,675,253
Current service cost	10,559,548	13,156,488
Actuarial (gain) /loss	(30,856,622)	513,706
	<u>92,291,522</u>	<u>109,097,975</u>
Less : payments made during the year	(13,049,871)	(7,207,842)
Balance at the end of the year	<u>79,241,652</u>	<u>101,890,133</u>

The retirement benefit liability of the Company is based on the actuarial valuation carried out by Actuarial & Management Consultant (Pvt) Ltd. The valuation method used by the actuary was "Projected Unit Credit Method". The principal assumptions used in determining the cost of retirement benefits were:

Discount rate	13.00%	10.50%
Expected rate of salary increase	12.00%	12.00%
The amounts recognised in the comprehensive income are as follows:		
Current service cost	10,559,548	13,156,488
Interest cost	10,698,464	8,675,253
The amount recognised in the other comprehensive income is as follows:		
Actuarial (Gain)/loss	(30,856,622)	513,706

Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant would have affected the

+1% point increase on discount rate	7,655,578
-1% point increase on discount rate	9,032,602
+1% point increase on salary increment rate	9,392,313
-1% point increase on salary increment rate	8,074,681

	31.03.2017 Rs.	31.03.2016 Rs.
24. Revenue grant		
Balance at the beginning of the year	2,153,651	5,384,126
Grant recognised as income for the year	(2,153,651)	(3,230,475)
Balance at the end of the year	<u>-</u>	<u>2,153,651</u>

Company received a revenue grant of Rs.12,921,900 (Net of VAT and NBT) in December 2012 from LG Korea to display LG Logo in service bus for five years period. Grant has been recognised in the income statement, over the contractual period of five years.

Notes to Financial StatementsFor the Year Ended 31st March 2017**25. Deferred Tax Liability**

Balance as at the beginning of the year
 Provision/ (reversal) made during the year (Note 9)
 Balance as at the end of the year

31.03.2017	31.03.2016
Rs.	Rs.
40,455,796	32,804,764
<u>1,867,701</u>	<u>7,651,032</u>
<u>42,323,497</u>	<u>40,455,796</u>

Reconciliation of deferred tax

	Property, Plant & Equipment	Retirement benefit obligation	Total
	Rs	Rs	Rs
Temporary differences			
Balance as at 31 st March 2016	68,985,034	(28,529,237)	40,455,796
Recognised in profit or loss	<u>(4,473,874)</u>	<u>6,341,575</u>	<u>1,867,701</u>
Balance as at 31 st March 2017	<u>64,511,160</u>	<u>(22,187,662)</u>	<u>42,323,498</u>

26. Trade and Other Payables

	31.03.2017	31.03.2016
	Rs.	Rs.
Trade creditors	149,992,216	80,284,999
DA bills payable	247,994,615	170,815,279
Accrued charges	44,118,336	82,011,410
Other payables	146,529,602	66,282,504
Provision	4,574,276	2,562,762
Rework claim	5,371,645	5,513,360
Import control	3,118,617	326,492
Advances from customers	<u>5,718,612</u>	-
	<u>607,417,918</u>	<u>407,796,809</u>

Non Financial Liability

Excise duty payable	39,165,822	34,498,841
Nations building tax	577,659	2,452,474
Value added tax	<u>5,782,201</u>	<u>3,740,339</u>
	<u>45,525,681</u>	<u>40,691,653</u>
	<u>652,943,599</u>	<u>448,488,462</u>

27. Income Tax Payable

Balance brought forward	24,528,197	(7,896,156)
Income tax for the year (Note 9.1)	31,224,081	33,874,008
Under provision adjustment	<u>787,039</u>	-
	<u>56,539,317</u>	<u>25,977,852</u>
Withholding Tax	(1,020,811)	-
Income tax paid	(34,299,321)	(1,000,000)
ESC paid	<u>(15,949,107)</u>	<u>(449,655)</u>
	<u>5,270,077</u>	<u>24,528,197</u>

28. Deferred Service Income

Deferred Service Income consists of the income received in-advance for under - warranty items and will be releasing to income statement as revenue, when jobs are completed.

Notes to Financial Statements

For the Year Ended 31st March 2017

35

Abans Electricals PLC
Annual Report 2016/2017

29. Amounts Due To Related Parties

	31.03.2017	31.03.2016
	Rs.	Rs.
AB Transport (Pvt) Ltd	21,423	1,942,078
Abans Auto (Pvt) Ltd	-	213,555
Abans Retail (Pvt) Ltd	37,127,560	-
AB Securitas (Pvt) Ltd	5,527,568	2,946,712
Crown City Developers (Pvt) Ltd	9,798,841	8,467,257
Abans Graphics (Pvt) Ltd	1,357,834	1,216,744
Sirius Technologies Services (Pvt) Ltd	133,438	133,438
Abans Engineering (Pvt) Ltd	15,557,492	9,441,094
AB Logistics (Pvt) Ltd	6,644	-
Abans Logistics (Pvt) Ltd	5,302,584	-
ABS Gardiner Dixon Hall (Pvt) Ltd	10,345,596	-
Add Outdoor Advertising (Pvt) Ltd	<u>153,879</u>	<u>64,009</u>
	<u>85,332,858</u>	<u>24,424,887</u>

30. Analysis of financial instruments by measurement basis

Loans and receivables at amortized cost

Financial assets

	31.03.2017	31.03.2016
	Rs.	Rs.
Investment in fixed deposits	136,124,319	119,907,426
Trade and other receivables	130,467,221	92,897,693
Amounts due from related parties	861,336,261	727,634,815

Other financial liabilities

Financial Liabilities

	31.03.2017	31.03.2016
	Rs.	Rs.
Borrowings	712,728,215	531,939,521
Trade and other payables	607,417,918	407,796,809
Amounts due to related parties	85,332,858	24,424,887

31. Related Party Disclosures

Company	Relationship	Nature of Transaction	2016/2017 received/ (paid) Rs.
Abans PLC	Parent	Sales of Goods/Services	1,226,551,428
		Reimbursement of Warehouse Expenses	450,000
		Wharf Expenses	(36,550,391)
		Other Purchases	(2,554,943)
Abans Retail (Pvt) Ltd	Affiliate	Sales of Goods	2,818,384,428
		Reimbursement of Warehouse Expenses	7,699,600
Abans Retail Channel -JVC	Affiliate	Sales of Goods	222,224,076
Abans Marketing (Pvt) Ltd	Affiliate	Rent Expenses	3,000,000
Crown City Developers (Pvt) Ltd	Affiliate	Logistic Expense	(49,590,717)
Abans Engineering (Pvt) Ltd	Affiliate	Purchases	(58,246,397)
		Sales of Goods/Services	2,350,694
Abans Logistics (Pvt) Ltd	Affiliate	Freight Expenses	(16,924,572)

The balance outstanding as at the reporting date disclosed under note no. 19 & 29.

31.1 Transactions with Key Management Personal (KMPs)

According to LKAS 24, KMPs are those having authority and responsibility for planning, directing and controlling the activities of the entity. Such KMPs include the board of directors of the company.

	2016/2017 Rs.	2015/2016 Rs.
Post employee benefits	481,650	1,005,796
Short term employee benefits	3,211,000	7,785,306

32. Commitments

There are no material commitments outstanding as at the financial position date other than those disclosed below:-

<u>Nature of the liability</u>	<u>Case No.</u>
Case filed by H.D.D Balasuriya (Ex-employee) against Abans Electricals PLC - Inquiry was taken up on 25 th of May 2017 and is due to be continue 10 th July 2017.	LT 13/ 40/2014
Case by Nishantha Manamperi against Abans Electricals (PLC) - This case last taken up in the court on 08 th February 2017 and trail has been fixed to be resumed on 28 th June 2017.	DC/02109/2013/(MR)

Notes to Financial Statements

For the Year Ended 31st March 2017

37

Abans Electricals PLC
Annual Report 2016/2017

33. Events after the reporting period

No circumstances have arisen since the statement of financial position date which would require adjustments to, or disclosure in the financial statements.

34. Contingent liabilities

There were no contingent liabilities as at the end of the reporting date other than guarantees given for loans amounted to Rs. 315,000/- (as at 31st March 2016 Rs.315,000/-)

35. Business segment information

The company comprises the following two business segments.

<u>Segment</u>	<u>Products & Services</u>
Manufacturing	Manufacture and sale of washing machines, refrigerators, cookers, Air-conditioners and freezers, providing AC installation and providing after sale services.
Service	Installation, repair and maintenance, including after sales services, of electrical & household appliances sold by Abans Limited.

<u>Business Segment</u> <u>Turnover & Results</u>	Manufacturing		Service		Total	
	2016/2017 Rs.	2015/2016 Rs.	2016/2017 Rs.	2015/2016 Rs.	2016/2017 Rs.	2015/2016 Rs.
Revenue	3,164,197,615	2,685,804,168	864,412,005	821,005,073	4,028,609,620	3,506,809,241
Profit/ (loss) for the year before taxation	13,084,721	33,201,640	67,554,633	107,146,838	80,639,354	140,348,478
<u>Operating Assets & Liabilities</u>						
Segmental assets	1,687,881,067	1,337,180,338	798,643,760	680,109,531	2,486,524,827	2,017,289,869
Segmental liabilities	1,316,809,866	970,764,544	316,043,618	268,552,197	1,632,853,484	1,239,316,741
<u>Other Information</u>						
Capital expenditure	33,071,099	37,696,918	74,651,325	62,825,618	107,722,424	100,522,536
Depreciation	50,233,898	45,362,864	22,144,010	20,230,257	72,377,909	65,593,121
Provision for retirement benefit obligation	(4,512,838)	385,074	(5,085,773)	21,960,373	(9,598,611)	22,345,447

Segment information is presented in respect of the company's business segments. Segment results, assets and liabilities include those items directly attributable to a segment.

36. Financial Risk Management

Financial risk comprises the potential loss to earnings and /or the capital position arising from Liquidity Risk, Currency Risk and Interest Rate Risk. So, Management is in the position to mitigate the risk by monitoring of liquidity position and assessment of future cash requirements through rolling forecast, keeping long outstanding relationships with correspondent banks and also maintaining diversified funding systems. Company has entered into a fixed term interest rate contracts for short term borrowings and there by interest rate risk can be reduced. Long term borrowings are exposed to fluctuation of interest rates due to contracted floating rates. Management continuously monitors fluctuations for proactive actions to mitigate the possible losses. The DA (Documents against Acceptance) bills shown under the trade payable are exposed to exchange rate fluctuations.

The Company's management monitors regularly and manages the financial risks relating to the operations of the Company by analyzing exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and equity price risk) credit risk and liquidity risk.

1. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

a) Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

As explained above, the company exposed to foreign currency risk mainly from DA bills.

Sensitivity Analysis of the Exchange Rate Risk on DA Bills

Foreign exchange value	Currency	31 st March 2017 exchange rate	Rupee value as at 31 st March 2017	Exchange rate increase in Rs. 1/-	Exchange rate increase in Rs. 2/-	Exchange rate increase in Rs. 3/-	Exchange rate increase in Rs. 4/-
1,529,068	Dollars	153.91	235,338,856	236,867,924	238,396,992	239,926,060	241,455,128

Potential Loss compared to 31 st March 2017	1,529,068	3,058,136	4,587,204	6,116,272
--	-----------	-----------	-----------	-----------

% of loss	0.65%	1.30%	1.95%	2.60%
-----------	-------	-------	-------	-------

76,502	Euros	165.43	12,655,759	12,732,261	12,808,763	12,885,266	12,961,768
--------	-------	--------	------------	------------	------------	------------	------------

Loss compared to 31 st March 2017	76,502	153,004	229,507	306,009
--	--------	---------	---------	---------

% of loss	0.60%	1.21%	1.81%	2.42%
-----------	-------	-------	-------	-------

Notes to Financial Statements

For the Year Ended 31st March 2017

39

Abans Electricals PLC
Annual Report 2016/2017

36. Financial Risk Management (Cont'd.....)

a) Interest rate risk

Interest rate risk is the sensitivity of the Company's financial condition to future movements in interest rates. The Company is exposed to interest rate risk as a result of mismatches or 'gaps' in the amounts of assets and liabilities that mature or reprise in a given period.

Based on the Company's financial assets and liabilities held at the year end, an assumed 50 basis points increase in interest rate, with all other variables held constant, would impact the Company's profit as follows:

Movement in basis points	Effect on profit and equity	
	2016/2017 Rs.	2015/2016 Rs.
'+- 50	(2,935,519)	(2,200,440)
'+- 50	2,935,519	2,200,440

a) Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Company is not exposed to equity risk as they do not have equity investments.

2) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Company maintains bank accounts, Deposits with highly reputed financial institutions/Banks. Also its most of the receivables are, related parties within Abans Group.

3) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its liabilities when they fall due.

To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The table below analyses the Company's non-derivative current liabilities based on the remaining period at the reporting date to the contractual maturity date.

Current liabilities as at	Less than 3 months (Rs.)	3-12 months (Rs.)	Over 1 year (Rs.)	Total (Rs.)
31 st March 2017	1,011,994,432	414,105,899	81,825,830	1,507,926,161
31 st March 2016	565,106,736	413,284,837	88,369,588	1,066,761,161

Notes to Financial Statements

For the Year Ended 31st March 2017

Detailed Notes to Note No. 20 - Cash and cash equivalent

	31.03.2017 Rs.	31.03.2016 Rs.
HSBC	288,363	941,086
Bank of Ceylon-Dividend Account (Kolpatty Branch)	624,783	37,142
Bank of Ceylon -Savings Account (Colombo 06)	1,302,021	967,384
Bank of Ceylon - Current Account (Corporate Branch)	335,044	335,544
Bank of Ceylon - Current Account (Colombo 03)	21,593	21,593
Bank of Ceylon - Current Account (Colombo 01)	506,279	849,367
Bank of Ceylon - Current Account (Corporate Branch)	589,498	608,998
Hatton National Bank - Current Account (City Office)	635,059	-
People's Bank - Current Account (Corporate Branch)	7,548,308	5,402,357
People's Bank - Current Account (Colombo 03)	204,808	204,808
People's Bank Saving Account (Corporate Branch)	14,784,049	9,582,501
Seylan Bank - Current Account (Corporate Branch)	581,895	2,444,452
Seylan Bank - Current Account (Colombo 03)	1,883,277	334,666
Cash In Hand	1,339,568	1,386,745
Abans showroom payments	505,668	1,577,842
Credit Card - HSBC	47,667	288,106
Union Bank - Current Account (Colombo 03)	-	7,841,561
Nations Trust - Current Account (Colombo 06)	241,383	58,413
	31,439,263	32,882,564
	31,439,263	32,882,564

Change is a constant that all business deal with and company has sent in place a formal process and allocated resources to identify, measure, monitor and manage risks that may impact the performance of the company in the short, medium and long term. Risk Management Process provides vital information to support strategic planning and decision making on various matters set before the Board. The Board of Directors holds the ultimate responsibility for ensuring that risks are identified and managed appropriately whilst complying with regulatory requirements and are supported by the Audit Committee in this regard. Apart from that, the internal controls are established to ensure that the company policies are properly adhered when implementing the risk management process.

The risk management policy is approved by the Board and is updated and reviewed regularly to reflect changes in economic and market conditions and details the processes, procedures and guidelines in place to identify and monitor and mitigate the Company's risk exposures. Regular training and awareness programs nurtures a risk culture within the organization by facilitating a clear understanding among employees of their roles and responsibilities in relation to risk management which varies from understanding of complex business risks at senior management level to an understanding of health and safety aspects at factory level.

The risks that the Company is exposed to and the mitigating actions that are in place are detailed below.

- **Economic Risk**

That means the potential loss of earnings arising from changes in macro-economic conditions including inflationary pressures, personal disposable income and exchange rate movements. We mitigate the same by regular monitoring of economic indicators and changes in consumer spending patterns which form an important input in determining the product range and Sales Plan for the year. Continuous focus on process efficiencies and productivity improvements is in place to mitigate increases in input costs.

- **Peoples Risk**

This includes the potential losses arising from human resource related aspects such as employee activity, lack of suitable human resources and noncompliance with employee related requirements. High caliber staff involved in operations ensures the smooth operations with the standards. The Disaster Recovery Plan has been properly introduced to improve from small to larger expected risk. Frequent engagement with employees, prompt responses to employee grievances as well as complaints & attractive financial and non-financial remuneration are the risk mitigating actions taken by us.

- **Reputation Risk**

Being an Electrical and Electronic Home Appliance Manufacture, the long term vision of the organization mainly focuses on the local value addition for our target markets and always serves customers at their door step to attract and retain customer for life. The maintenance of positive attitude towards our Stakeholders causes to lift the image at highest level. Proper identification of customer requirement, on time delivery, after sales services and resistant to other internal and external environmental changes help to adopt the organization to a comfortable business environment. Strict quality control measures and quality certification (ISO 9001:2008) is one of the risk mitigation actions and the comprehensive evaluation of customer feedback for further improvements. The consistent monitoring of environmental impact of our production process and end product are other risk mitigating actions that are being currently implemented. The improved production of domestic food supplies resulted in declining inflation favorably supported for the consumption on our products. As such we have reaped the utmost by way of our products and services accumulating gradual positive contributions to the customer satisfaction and loyalty. There are no apparent or foreseeable dangers to the corporate image to report during the period. The success in many different projects and expanding our products to local value addition drew much attention in this year. The positive fiscal & economic policies towards the local value addition have created potential competitive markets for our products.

- **Supplier Risk**

That means the potential losses arising from procurement related issues including disruptions to supply and procurement of inferior quality raw material for production. We have developed relationships with diverse pool of international & local suppliers thereby limiting our concentration risk in order to minimize the potential losses arising from procurement related issues including disruptions to supply and procurement of inferior quality raw material for production.

- **Asset Risk**

That consists of potential damages to the physical assets of the Company through destruction, loss, theft and / or possible technical defects. The defined procedures and highest safety standards are in place to control technical and other defects as a risk mitigating action. Frequent fire drills and fire training to staff as well as adequate provisions have been embedded for the health and safety in operations.

- **Financial Risk**

Refer Page No. 38.

- **Legal Liability and Regulatory Compliance**

- As a key factor to the corporate governance, the regulatory compliance is always being adhered. The regulatory compliances are widely spread within the organization, cross functional as well as at different levels. But, the majority lies within the operational level and proper positioning of the professionally competent and knowledgeable staff ensure its compliance. We are always proactive for potential deficiencies and setup compliance process to eliminate the possible threats. There were no major material legal liability or regulatory non compliances during the reporting period and company exposure to risk is at very low level.
- Risk of changing the fiscal policy arises mainly from the changes on tax and duty structures applicable to the manufacture / sale of products.

Sustainable growth and value creation, adequate returns corresponding to the risk undertaken and strong corporate governance are the primary needs of Shareholders. Understanding the needs of our Stakeholders are pivotal in setting our strategic directions and adding value to the Stakeholders. Thus, continuous and productive stakeholders' engagement has always been a priority for the Company. The Company maintains thoughts with all Stakeholders through formal and informal mechanisms. The Company applies a precautionary principle when determining the balance between operational expansion and social and environmental sustainability.

Pondering into internal and external environments for emerging opportunities and stable strengths is essential in our path to affirm sustainability. Vision of any organization is to achieve continuous growth while maintaining long term existence and eluded treats and weaknesses are imperative. Thus the predictions on forthcoming opportunities, strengths, treats and weaknesses are based on past, present and forecasted future events of economic, political, social and technological environment.

In order to provide better service to our Customer's whilst building relationships, we have started new Service Centers Island wide to rectify breakdowns. And also comprehensive tests are conducted during and post production in order to ensure the quality and safety of all our products. Further, user manuals are provided with all products by informing the properties of the products and their conditions of use whilst instructions for usage are also given by the Sales Representative in the retail channels warning and safety labels are displayed where applicable.

We are focusing on engaging employees and creating a dynamic, team oriented workforce. Our HR policies also cover areas related to people management from recruitment, succession planning, performance appraisal, training and development, compensation and benefits, labour relations and grievance handling. Relevant training and awareness programmes are also regularly carried out for employees to ensure that they understand all safety measures in place and use the required safety equipment. The Company also uses safe machines for our manufacturing processes and if required and where possible machines are modified to improve and ensure the safety of our employees.

Our Suppliers play a critical role in our sustainability and value creation process. The products that we manufacture require a wide range of inputs material, where quality and timely supply is crucial to ensure smooth function of operations in a very competitive market. It is imperative that we constantly engage with our Suppliers both foreign and local. The success of these efforts is evident in the number and diversity of Suppliers that we trade and the endurance of these long standing relationships. We intended to improve our value addition to our Suppliers by supporting their social and environmental sustainability.

As a responsible and environmentally conscientious manufacturer, it is our duty to reduce the energy used to manufacture these products and also ensure that our products use less energy to operate. Towards this aim, we introduced the R600a hydrocarbon based refrigerant gas in our products which allowed the reduction of energy consumption by approximately 40% and we focus on improving our environmental performance, making substantial gains in energy efficiency, waste reduction, waste management and emission control.

In the year under review, the Company focused on achieving sustainable business profitability while we also gave back to the society and environment within which we operated. Through some of our investments, we have benefited the economy by bringing new technology in to the Country such as the R600a gas technology to be used in our Refrigerators. This in turn also enhanced the technological knowledge and skills of our employees as well as our technical interns.

Abans Electricals PLC has a policy in place for the assessment, grading and performance monitoring of Suppliers. We also conduct annual audits for Suppliers products & go through a quality approval at least before being utilized in the manufacture of the company products.

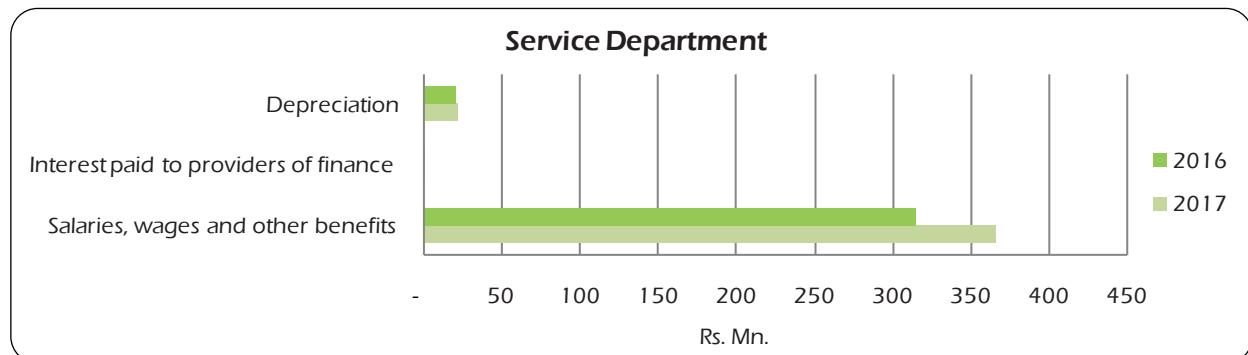
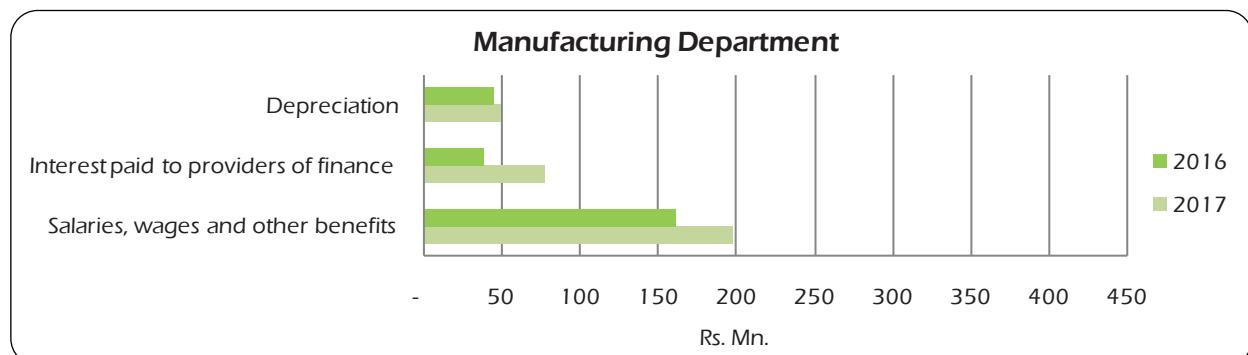
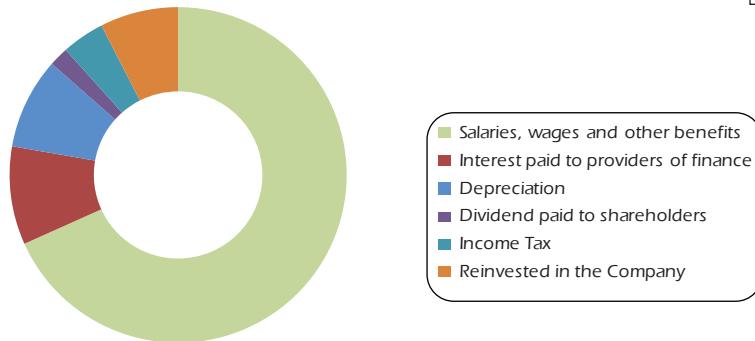
The strong relationship with Financial Institutions and our integrity in financial transactions have established stronghold in long term, when need arose for finance without deny. Further, the company financial statements present the strength of our wealth and stable financial position. In addition, strong supplier base with lengthy credit terms ease additional burdens on finance cost.

The opportunity to extend the operations thrives the Company to different future directions aligned with the vision and our continuous review to bring value addition with vertical integration will definitely assure the continuity of the Company.

Value Added Statement

Rs. '000

	2017		2016		2017	2016
	Manufacturing	Service	Manufacturing	Service	Company	Company
Value Created						
Turnover	3,164,198	864,412	2,685,804	821,005	4,028,610	3,506,809
Add : Other Income	43,513	20,095	24,218	16,072	63,608	40,290
Less: Cost of Materials & Services					3,266,748	2,825,805
					825,470	721,294
Value Distributed						
Salaries, wages and other benefits	197,662	366,140	161,734	314,600	563,802	476,334
Interest paid to providers of finance	77,200	588	39,174	353	77,788	39,527
Depreciation	50,234	22,149	45,363	20,235	72,383	65,598
	325,097	388,877	246,271	335,188		
Dividend paid to shareholders					15,332	15,332
Income Tax					33,879	41,525
Reinvested in the Company					62,286	82,978
					825,470	721,294



SUMMARY OF INCOME STATEMENTS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Rs. '000
	SLAS				SLFRS						
Turnover	1,911,064	2,069,059	2,419,975	3,785,305	2,546,450	2,892,338	3,205,812	2,731,611	3,506,809	4,028,610	
Profit Before Interest & Taxation	98,676	96,747	205,643	298,995	129,490	244,865	194,703	131,116	180,957	159,937	
Interest	(83,665)	(115,242)	(106,728)	(108,271)	(40,053)	(68,477)	(87,785)	(31,116)	(40,609)	(79,298)	
Profit Before Taxation	15,011	(18,495)	98,915	190,724	89,437	176,388	106,918	100,000	140,348	80,639	
Taxation	(7,609)	(9,597)	(31,353)	(73,736)	(27,046)	(48,086)	(6,593)	(6,256)	(41,525)	(33,879)	
Other Comprehensive income					5,784	1,303	(6,053)	(5,314)	(513)	30,857	
Profit After Taxation	7,402	(28,092)	67,562	116,988	68,175	129,605	94,272	88,430	98,310	77,617	

SUMMARY OF BALANCE SHEET

	SLAS			SLFRS						
Non Current Assets	261,350	243,887	237,133	253,467	257,756	441,422	555,372	625,622	704,255	755,810
Current Assets	796,537	955,327	1,293,814	1,119,163	951,146	1,547,035	1,005,221	995,235	1,313,034	1,724,440
Total Assets	1,057,887	1,199,214	1,530,947	1,372,630	1,208,902	1,988,457	1,560,593	1,620,857	2,017,289	2,480,250
Share Holders' Funds	187,098	152,617	220,179	370,310	429,967	551,055	636,810	692,439	777,973	840,259
Non Current Liabilities	155,139	215,425	185,126	47,209	43,189	81,659	151,527	171,454	172,555	132,065
Current Liabilities	715,650	831,172	1,125,642	955,111	735,746	1,355,743	772,256	756,964	1,066,761	1,507,926
Total Equity & Liabilities	1,057,887	1,199,214	1,530,947	1,372,630	1,208,902	1,988,457	1,560,593	1,620,857	2,017,289	2,480,250
No of Shares (In' 000)	2,129.40	2,129.40	2,129.40	4,258.80	4,258.80	5,110.56	5,110.56	5,110.56	5,110.56	5,110.56

Ratios and Other Analysis	Units	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Dividend per Share	Rs.	3.00	-	3.40	2.00	2.00	2.00	2.50	2.50	3.00	3.00
Dividend Growth Rate		20.00%	-	-	(41.18%)	-	-	25.00%	-	20.00%	0.00%
Dividend Cover	Times	1.16	-	9.33	13.74	7.33	12.56	7.85	7.34	6.45	3.05
Earnings per Share	Rs.	3.48	(13.19%)	31.73	27.47	14.65	25.11	19.63	18.34	19.34	9.15
Earnings Growth Rate		(69.58%)	479.02%	340.56%	73.20%	(46.67%)	105.82%	(21.82%)	(6.57%)	(5.45%)	(52.69%)
Return on Share Holder's Funds		3.96%	(18.41%)	30.69%	31.59%	15.86%	23.52%	14.80%	12.77%	12.64%	9.24%
Net Value per Share	Rs.	87.86	71.67	103.40	86.95	100.96	107.83	124.61	135.49	152.23	164.42
Market Value per Share	Rs.	81.75	64.00	144.75	258.10	158.00	89.60	99.20	105.70	111.10	88.20
Price Earnings Ratio	Times	23.49	(485.14)	4.56	9.40	10.78	3.57	5.05	5.76	5.74	9.64
Current Ratio	Times	1.11	1.15	1.15	1.17	1.29	1.14	1.30	1.31	1.23	1.14
Interest Cover	Times	1.18	0.84	1.93	2.76	3.23	3.58	2.22	4.21	4.46	2.02

* Under SLFRS

GENERAL

Stated Capital	Rs.186,732,000
No.of Shares	5,110,560
Voting Rights	One vote per Ordinary Share

STOCK EXCHANGE LISTING

This issued shares of the Company are listed with the Colombo Stock Exchange.

MARKET VALUE

The transacted value of an Ordinary Share of Abans Electricals PLC are as follows;

	2017	2016
	Rs.	Rs.
Highest Price	139.80	143.90
Lowest Price	85.10	95.60
As at Balance Sheet Date	88.20	111.10

MARKET CAPITALISATION VALUE

The market capitalisation value of the Company as at 31st March 2017 is Rs. 450,751,392.00 (Rs. 567,783,216/-, 2016)

DISTRIBUTION OF EQUITY AS AT 31ST MARCH 2017

Holdings	No. of Holders	Total Holdings	Percentage
1-1,000 shares	1,250	199,642	3.91
1,001-10,000 shares	193	541,823	10.60
10,001-100,000 shares	38	961,531	18.81
100,001-1,000,000 shares	5	1,212,385	23.72
Over 1,000,000 shares	1	2,195,179	42.95
Grand Total	1,487	5,110,560	100.00

COMPOSITION OF SHAREHOLDINGS AS AT 31ST MARCH 2017

Category	No. of Holders	Total Holding	Percentage
Individual	1,403	2,330,013	45.59
Institutional	84	2,780,547	54.41
Total	1,487	5,110,560	100.00

ANALYSIS OF SHAREHOLDERS AS AT 31ST MARCH 2017

Category	No. of Shareholders	Total Holdings	Percentage
Resident	1,469	4,904,776	95.97
Non-Resident	18	205,784	4.03
Total	1,487	5,110,560	100.00

Public shareholding percentage as at 31st March 2017 was 47.07 %.

TWENTY MAJOR SHAREHOLDERS OF THE COMPANY

	As at 31.03.2017	Percentage
M/s. Abans PLC	2,195,179	42.95
Dr. Saroshi Dubash	295,820	5.79
Mrs. Aban Pestonjee	293,438	5.74
Mr. Rusi Pestonjee	226,872	4.44
Mr. P N Pestonjee	199,952	3.91
Bank of Ceylon No 01 Account	196,303	3.84
Mr. A J M Jinadasa	80,000	1.57
Dr. K Poologasundram	72,076	1.41
DR. S Yaddehige	50,000	0.98
Seylan Bank PLC/ Mr C N Rajahmoney	46,039	0.90
Mr. G C Goonetilleke	44,000	0.86
Mrs. B S Rasanayagam	43,680	0.85
Mr N R Selvadurai	40,000	0.78
Mr. A J Dubash	38,808	0.76
M/s. J B Cocoshell (Pvt) Ltd	34,657	0.68
Union Bank of Colombo PLC/ Mr. S Abishek	33,017	0.65
M/s.Tranz Dominion, L.L.C.	31,611	0.62
Colombo Trust Finance PLC / Mrs.F F Hanifa	30,000	0.59
People's Leasing & Finance PLC/ Hi Trading (Pvt) Ltd	30,000	0.59
Mr. T Liyanage	23,868	0.47
Others	1,105,240	21.63
Total	5,110,560	100.00

Shareholder & Investor Information Contd.



Notice is hereby given that the THIRTY FIFTH ANNUAL GENERAL MEETING of the Company will be held at Cinema Hall, BMICH, Baudhaloka Mawatha, Colombo 08 on 15th September 2017 at 3.30 p.m. for the following purposes.

1. To receive and adopt the Report of the Directors, the Audited Statement of accounts of the Company for the year ended 31st March 2017 and Report of the Auditors thereon.
2. To declare a first and final dividend of Rs.3.00 per share for the year ended 31st March 2017 as recommended by the Directors.
3. To re-elect Mr. Allen Raffel, a Director of the Company who retires by rotation in terms of Article 89 of the Articles of Association of the Company. The directors recommend the re-election of Mr. Allen Raffel, as a Director of the Company.
4. To re-elect Mr. Clive Fernando, a Director of the Company who retires by rotation in terms of Article 89 of the Articles of Association of the Company. The directors recommend the re-election of Mr. Clive Fernando as a Director of the Company.
5. To re-elect Mr. Athula Siriwardane, a Director of the Company who retires by rotation in terms of Article 96 of the Articles of Association of the Company. The directors recommend the re-election of Mr. Athula Siriwardane as a Director of the Company.
6. To re-elect Mrs. Aban Pestonjee, a Director of the company who being over seventy years of age retires in accordance with Section 210 of the Companies Act No.07 of 2007. A notice has been received from a shareholder of the intention to move a resolution in compliance with Section 211 of the Companies Act (Refer to Note No. 1 below in Page No.50). The Directors recommend the re-election of Mrs. Aban Pestonjee as a Director of the Company.
7. To re-appoint M/S SJMS Associates, auditors and to authorize the directors to determine their remuneration.

By order of the Board

Sgd.

Varners International (Private) Limited
Secretaries
Colombo.

01st August 2017

Notes:

1. A Notice was received from a shareholder of the Company giving notice of the intention to move the following as Ordinary Resolution at the forth coming Annual General Meeting of the Company with regard to the re-election of Mrs. Aban Psetonjee who retires at the Above General Meeting.

“RESOLVED that Mrs. Aban Pestonjee who is over seventy years of age be and is hereby re-elected as a Director of the Company and it is further specifically declared that the age limit of seventy years referred to in the section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Mrs. Aban Pestonjee”
2. A member entitled to attend and vote at the meeting, is entitled to appoint a proxy to attend and vote on behalf of him / her and Form of Proxy is attach (page no. 52) to this Report for this purpose. A Proxy need not to be a member of the Company.
3. The instrument appointing a proxy is required to be deposited at the Registered Office of the Company at No. 498, Galle Road, Colombo 03 or at the Office of the Secretaries at Level 14, West Tower, World Trade Centre, Echelon Square, Colombo 01 not less than forty eight hours before the time fixed for the meeting.
4. A Form of Attendance is included in this report. Shareholders are requested to complete it and hand it over when attending the meeting.
5. For reasons of security, it is essential that you bring with you, your National Identity Card.

Form of Attendance

51
Abans Electricals PLC
Annual Report 2016/2017

I/ We* hereby record my / our* presence at the THIRTY - FIFTH ANNUAL GENERAL MEETING of Abans Electricals PLC on 15th September 2017 at 3.30 p.m. at Cinema Hall, BMICH, Baudhaloka Mawatha, Colombo 08.

(1) Full Name of Shareholder				
(2) Share Certificate Number				
(3) National Identity Card Number				
(4) Address				
(5) Name of Proxy holder (if applicable)				
(6) National Identity Card Number of Proxy holder				
(7) Address of Proxy holder				
(8) Number of Shares held		CDS		Non CDS

* Please delete what is inapplicable

.....
Signature of Shareholder

.....
Date

- Note (i) Shareholders are requested to bring this Form of Attendance when attending the meeting and hand it over at the entrance to the meeting hall.
- (ii) Shareholders appointing proxies (other than Directors of the Company) to attended the Meeting are requested to indicate the National Identity Card number of the Proxy holder on the Form of Proxy and request the Proxy holder to bring along his / her National Identity Card.

I/We *

..... being a shareholder / shareholders of Abans Electricals PLC., hereby appoint;

Mrs. Aban Pestonjee of Colombo or failing her

Prof. Lakshman R. Watawala of Colombo or failing him

Mr. Behman Pestonjee of Colombo or failing him

Mr. Allen Raffel of Colombo or failing him

Mr. Clive Fernando of Colombo or failing him

Mrs. Dayangani Priyanthi Pieris of Colombo or failing her

Mr. Athula Siriwardane of Colombo or failing him

..... of.....

(National Identity Card Number.....) as my/our proxy to represent me/us on my/our behalf at the
Thirty Fifth Annual General Meeting of the Company to be held on 15th September 2017 and at any adjournment thereof
and at every poll which may be taken in consequence thereof.

Signed this day of 2017

Signature

Witness

01. If you cannot attend the Annual General Meeting and would wish one of the Directors or any other person to represent you, kindly perfect the Form of Proxy by filling in legibly your fullname and address signing in the space provided and filling in the date of signature.
02. If the Form of Proxy is signed by an attorney, the relative power of attorney should accompany the Form of Proxy for registration if such power of attorney has not already been registered with the Company.
03. A Limited Liability or Corporate Shareholder should execute this proxy under its common seal or by its authorized attorney.
04. The completed Form of Proxy should be deposited at the Company's office, No. 498, Galle Road, Colombo 03, or at the Office of the Secretaries at Level 14, West Tower, World Trade Centre, Echelon Square, Colombo 01, at least 48 hours before the time appointed for the holding of the Meeting.

Corporate Information

NAME OF THE COMPANY	Abans Electricals PLC.
LEGAL FORM	Public Quoted Company
COMPANY INCORPORATION	Incorporated in Sri Lanka under the Companies Ordinance No. 51 of 1938 (Chapter 145 of the Legislative Enactment of Sri Lanka 1956 Revised Edition) as a Private Liability Company on the 25 th of November 1981.
REGISTRATION NO	PQ 188 (Former Registration No.PVS 7974) The company was re-registered in accordance with Companies Act No. 7 of 2007 on 18 th August 2008.
STOCK EXCHANGE LISTING	Ordinary Shares of the Company were listed with Colombo Stock Exchange on 7 th March 1983.
REGISTERED OFFICE	No.498, Galle Road, Colombo 03.
WEB SITE	www.abansgroup.com
DIRECTORATE	Mrs. A. Pestonjee (Chairperson) Mr. B. Pestonjee Mr. A. Raffel Mr. C. A. Fernando Prof. Lakshman R. Watawala Mrs. D.P. Pieris Mr. Athula Siriwardane
BANKERS	Hatton National Bank PLC People's Bank Bank of Ceylon Sampath Bank PLC Hongkong and Shanghai Banking Corporation Limited Seylan Bank PLC Union Bank
LAWYERS	Varners Level 14, West Tower, World Trade Centre, Echelon Square, Colombo 01.
AUDITORS	SJMS Associates Chartered Accountants No.2, Castle Lane, Colombo 04.
SECRETARIES	Varners International (Pvt) Ltd Level 14, West Tower, World Trade Centre, Echelon Square, Colombo 01.
E-MAIL ADDRESS	fmael@abansgroup.com
TELEPHONE NO	011-2632721 / 011-4205024
FAX NO	011-2635157

ABANS ELECTRICALS PLC

No. 498, Galle Road, Colombo 03.
Tel: +94 112 632721, +94 114 205024
Fax: +94 112 635157
Web: www.abansgroup.com