



UNION CHEMICALS LANKA PLC

*Converting Science to Technology*

ANNUAL REPORT 2023

Union Chemicals Lanka PLC is 35 years strong because of the women and men of our great enterprises have demonstrated the unique ability to navigate unprecedented market conditions. We are distinguished in our ability to manage and develop products and solutions from complex value chains. This expertise has fortified our position as an innovative chemical Company, with low cost operating discipline as its backbone.

**UNION CHEMICALS LANKA PLC**  
 Converting Science to technology

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## Our IMS Policy

We provide high quality chemical products and innovative solutions to the industry and create opportunities for success through trusted and reliable partnerships with our customers.

Our employees are trained, developed and empowered to work professionally, they act as business owners and add value to all stakeholders of the Company.

Our business processes are oriented towards adding long term value and competitiveness through effective resource utilization and continuous improvement.

Our company shall determine the external and internal issues that are relevant to our operations and plan actions to address those issues.

We are committed to meet or surpass legal, regulatory and applicable statutory requirements. We comply with the guiding principles of Union Chemicals's responsible care program.

We conduct our business in a socially responsible manner adhering to green manufacturing practices.

## Our Philosophy

We are committed to identifying exceeding needs & expectations of our customers by providing high quality products & services in a sustainable and safe & healthy manner. We assure a pollution free environment through continual improvement of process, the quality of product, human resources and management.

## Vision

To be the most respected Chemical Company in South Asia.

## Mission

We are the most customer focused, quality conscious and preferred supplier of chemicals in our key markets. Our people are innovative, empowered, put safety first and act as the company owners.

## Values

Safety and environment excellence  
 Customer focus  
 Technology leadership  
 People excellence  
 Simplicity & focus

## Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the thirty sixth (36<sup>th</sup>) Annual General Meeting of Union Chemicals Lanka PLC will be held at Ceylon Chamber of Commerce, Ground Floor, West Wing Conference room, No 50, Nawam Mawatha, Colombo 02., on Monday, 10<sup>th</sup> June, 2024 at 10.30 a.m for the following purposes:

1. To receive and consider the Audited Financial Statements for the year ended 25<sup>th</sup> December, 2023 together with the Reports of the Auditors' thereon and the Annual Report for the said year.
2. To declare a Final Dividend of Rs.27 per Share for the Year Ended 25<sup>th</sup> December 2023, as recommended by Directors
3. Directors
  - i. To re-elect, Mr. Ukwatte Liyanage Pushpakumara, Director, who retires by rotation in terms of Article 84 of the Articles of Association of the Company.
  - ii. To re-appoint as a Director, Mr. Soma Russel Noel De Zilwa who was 77 years on 28<sup>th</sup> January, 2024 and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007 (the Companies Act).

Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Companies Act, in relation to his re-appointment.

"RESOLVED THAT Mr. Soma Russel Noel De Zilwa who is 77 years of age be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. Soma Russel Noel De Zilwa".

- iii. To re-appoint as a Director, Mr. Henadira Appuhamilage Don Upananda Gamini Gunasekera who was 71 years on 16<sup>th</sup> February, 2024 and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007 (the Companies Act).

Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Companies Act, in relation to his re-appointment.

"RESOLVED THAT Mr. Henadira Appuhamilage Don Upananda Gamini Gunasekera who is 71 years of age be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. Henadira Appuhamilage Don Upananda Gamini Gunasekera".

- iv. To re-appoint as a Director, Dr Azeez Mohamed Mubarak who was 72 years on 04<sup>th</sup> July, 2023 and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007 (the Companies Act).

Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Companies Act, in relation to his re-appointment.

## Notice of Meeting

“RESOLVED THAT the age limit of seventy (70) years stipulated in Section 210 of the Companies Act No.07 of 2007 (the “Companies Act”) shall not be applicable to Dr Azeez Mohamed Mubarak, Director, who was at the date of this resolution 72 years of age (having reached 70 years of age on 04<sup>th</sup> July, 2021), and accordingly that the re-appointment of Dr Azeez Mohamed Mubarak as a Director of Union Chemicals Lanka PLC which had been effected by a duly passed resolution of its Board of Directors on 10<sup>th</sup> May 2024, on the basis that such re-appointment will be effective from 04<sup>th</sup> July, 2021, (subject to the approval of the Shareholders being obtained therefor), be and is hereby approved and ratified in pursuance of Sections 211 and 238 of the Companies Act effective from the said date of 04<sup>th</sup> July, 2021 being the date on which he attained 70 years of age up to the date of the Annual General Meeting; and

THAT Dr Azeez Mohamed Mubarak who is 72 years of age be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Dr Azeez Mohamed Mubarak”.

4. To re-appoint the retiring Auditors Messrs. KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.
5. To authorise the Directors to determine and make donations.

(Sgd).

BY ORDER OF THE BOARD

**JACEY & COMPANY**

SECRETARIES

10<sup>th</sup> May 2024

Colombo

### NOTE:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS/HER STEAD.
2. A PROXY NEED NOT BE A MEMBER OF THE COMPANY
3. THE COMPLETED FORM OF PROXY MUST BE DEPOSITED AT THE SECRETARIES OFFICE OF THE COMPANY AT NO.9/5, THAMBIAH AVENUE, COLOMBO 07 NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.

## Chairman's Message

### Dear Shareholder

I am pleased to welcome you to the 36<sup>th</sup> Annual General Meeting of the Company and present on behalf of my fellow directors the Annual Report and the Audited Financial Statements of the Company for the financial year ended 25<sup>th</sup> December 2023.

The year 2023 had a significant impact on our business as the markets and customer requirements fluctuated continuously. Geopolitical conflicts with weak economic growth, high energy costs and interest rates continue to hinder the competitiveness of local industries. Our company responded to these challenges and devised an effective business plan to ensure that our company will come out from these difficult times, as we have always done during our 36 years of existence.

### Economy

Sri Lanka's economy decreased 2.3% in 2023, as the island nation struggled to overcome its worst economic crisis in decades. In March, the IMF approved Sri Lanka's request for a USD \$2.9 billion bailout with a four-year program to restore the island's economic condition. While in June the Central Bank announced a domestic debt-restructuring plan, and an agreement was reached with the Paris Club.

In 2023 the agriculture sector grew 2.6% from a year earlier, but industry and services sectors decreased by 9.2% and 0.2%, respectively.

On the positive side, a stronger currency, higher remittances from the expatriates, and increased revenue from tourism during the second half of 2023 contributed to positive economic sentiment. However, implementing reforms such as higher taxes and hike in electricity tariffs reduced the disposable income of the people, affecting the local semi-luxury market, in which Union Chemicals deals.

### Company Performance

Union Chemicals supplies products to approximately 600 customers in the coating industry sector in almost all the provinces of the country. In the year under review, our manufactured products aimed at the Adhesives and Coatings sector were unable to maintain the volumes of sales at the anticipated levels.

Similarly, trading business in chemicals and plastic ingredients was significantly below average. Record earnings from finance and other income partly offset the below par results from our business operations.

While modifying our production structures, among other measures, to reduce our expenses, we are also investing in low-hanging areas to sustain our business in the current economic situation.

The Company's performance is analyzed in detail in the Management Discussion and Analysis on page 4. The revenue of the Company decreased by 4% to Rs.1.61 billion compared to last year. The figures show that our cost base was managed effectively during the year to minimize the overheads. Our inventory levels and receivables were also maintained low, which enabled us to achieve a strong cash flow from operating activities.

### Future Outlook

Sri Lanka's economy is expected to rebound in 2024, albeit below norm, following two consecutive years of contraction. With the Country's economy showing signs of stability in terms of macroeconomic and financial policies, a more favorable business environment is anticipated. While acknowledging that higher electricity tariff and income tax regime will have an impact on the consumer market, we are confident in our ability to overcome them through focused strategies and unwavering determination to emerge stronger in the coming years. In this regard, we are focusing on research and innovation to enhance our product portfolio with new and improved coating ingredients. We also plan to maintain a well-recognized management system to produce high quality products in an environmentally friendly manner.

### Dividends

To demonstrate our commitment to our shareholders, we are proposing a final dividend of 27/- per share at the Annual General Meeting. This will be on top of Rs. 18/ per share that was paid as interim dividend in November 2023. The total dividend payment for the year under review will be Rs. 67.5 million.

### Acknowledgement

I thank my fellow Directors on the Board for their excellent advice and support during the year. I wish to express my gratitude to the Managing Director for his visionary leadership and astute management skills that helped the company to remain afloat at a steady pace and the hardworking women and men of Union Chemicals Lanka PLC for their extraordinary efforts and commitment during a difficult and challenging year.

I would like to express my thanks to all our stakeholders, including our suppliers, particularly Dow Chemicals, our valued customers, state institutions and banks and most importantly our shareholders. Your continued support and trust in our capabilities have provided immense strength to us to overcome the challenges during the difficult period.

We are confident in our ability to cope with the challenges ahead and become a leading polymer manufacturing company for the coating industry in the country.

(Sdg).

**Dr. Azeez M Mubarak**

Chairman

10<sup>th</sup> May 2024

## Management Discussion and Analysis

Union Chemical Lanka PLC, is manufacturing and trading of waterborne polymer, adhesive, coating and industrial chemicals to deliver excellent performance.

Majority of the key factors influencing our business are global and regional economic conditions, oil and gas exploration, shipping freights charges currency fluctuations. and international and local regulation on chemical manufacturing.

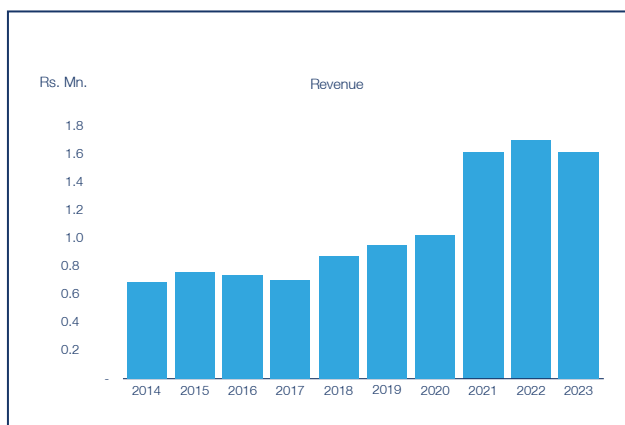
As the Company's operations involve providing a range of products a broad spectrum of customers in mainly western province, no one factor opinion, determines the Companies' financial condition or the profitability of the Company's operations.

Sri Lanka's economy displayed tentative signs of stabilisation in 2023 after the worst economic and political crisis since its independence in 1948. An severe balance of payments crisis caused lower- and middle-income Sri Lankans to pre-emptively default on foreign debt, which exceeded US\$50 billion in April 2022. A crippling economic contraction, spiraling inflation, shortages of food and fuel and financial uncertainty followed. Government implemented stabilisation measures to overcome the situation.

### Revenue

Rs. 1,612.8 Mn.

2022 – Rs. 1,667.7 Mn.

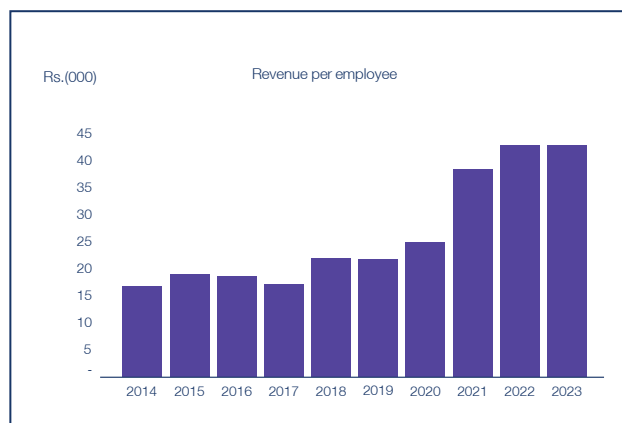


The revenue of the Company decreased by 4% to Rs. 1,612.8 Mn. from Rs. 1,667.7 Mn. The revenue from latex segment increases by 3% and chemicals & plastic segment decreased by 24% comparative to last year.

Revenue of coatings, paint and adhesive increase by 18%, 2% and 3% respectively comparative to last year. Revenue of textiles, decreased by 77% respectively comparative to last year.

The performance of chemicals & plastic segment recorded a significant decrease in sales volumes comparative to last year

Company revenue includes the Company's core activity of manufacturing of latex products and trading of chemical & plastic. The major revenue contributor for the Company has become manufacturing of latex 80.7% from total revenue compared to 75.6% recorded last year.



Our employees make a significant contribution to Union Chemical's success. We want to attract and retain talented people for our Company and support them in their development. To do so, we cultivate a working environment that inspires and connects people. It is founded on inclusive leadership based on mutual trust, respect and dedication to excellent performance.

### Gross Profit

Rs. 429.4 Mn.

2022 - Rs. 502.3 Mn.

The gross profit for the period is Rs. 429.4 Mn. against Rs. 502.3 Mn. in 2022. Gross margin of latex segment decreased marginally to 25% from 26 % comparative to last year. Marginal decrease in CIF prices in term of USD per Kg in key raw material of Butyl Acrylate and 2-Ethyl Hexyl Acrylate in Latex segment comparative to last year were reason to reduce the gross margin.

### Other income

Rs. 13.0 Mn.

2022 - Rs. 5.2 Mn.

Other Income of the Company excluding interest income has increased to Rs. 13.0 Mn during the year from Rs. 5.2 Mn. recorded for last year. Increasing in scraps sales and rent income comparative to last year were reasons to increase the other income.

### Finance Cost

Rs. 6.3 Mn.

2022 - Rs. 205.6 Mn.

Finance cost of the Company decreased by 97% to Rs. 6.3 Mn. from Rs. 205.6 Mn. recorded for last year. Significant decrease in borrowing levels of trade finance was the key factors to significant decrease in cost of finance during the year under review.

## Management Discussion and Analysis (Contd.)

### Exchange rates (LKR Vs UDS)

Rs. 307.99

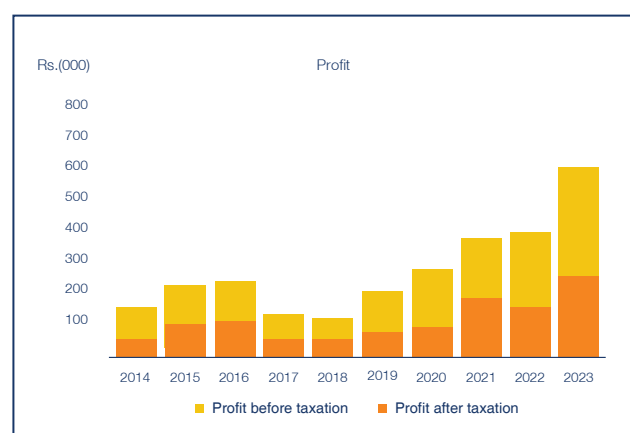
2021 – Rs. 371.78

During the year 2023, Sri Lankan rupee has appreciated against the US dollar by 17.16% during the year up to date reflecting a devaluation of LKR by the central bank by floating the exchange rate determine policy. Sri Lankan rupee has also depreciated against other major currencies during this period reflecting cross-currency movements. Appreciation of LKR resulted exchange gain of Rs 13.3 Mn. in the year under review.

### Profit before tax

Rs. 356.9 Mn.

2022 - 222.0 Mn.



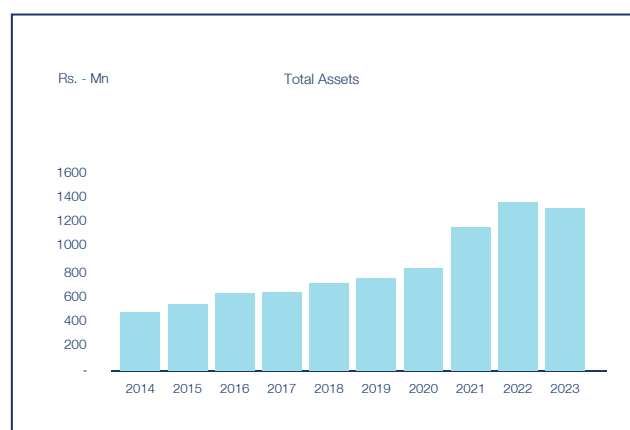
The profit before tax increased to Rs. 356.9 Mn. from Rs. 222.0 Mn. it is 61% increased comparatively to the previous period. Decreasing in finance cost and increasing in finance income by 81% were the main key factors to increase profit before tax to the prior-year figure.

## FINANCIAL POSITION

### Total Assets

Rs. 1,314.9 Mn.

2022 – Rs. 1,345.2 Mn.



The Company's total assets as at 25<sup>th</sup> December 2023 were Rs. 1,314.9 Mn and shows a marginal decrease of 2.29% from Rs. 1,345.2 Mn recorded for 2022 This is mainly due to decrease and current assets by 920.4 Mn. (5.47%) comparative to last year.

### Current Assets

Rs. 920.4 Mn

2022 – Rs. 973.7

Current assets of the Company have decrease to Rs. 920.4 Mn. in 2023 compared to Rs. 973.7 Mn in 2022. Significant increase in inventories by 26.5% and trade and other receivables by 5.45% comparative to last year were the key factors.

### Working capital

Rs. 754.1 Mn.

2022 – Rs. 567.8 Mn.

The net working capital of the Company shows an increase of 32.8% during the year to stand at Rs. 754.1 Mn. year under review as against previous year value of Rs. 567.8 Mn. Decreasing in loans & borrowings (100%) and trade and other payables (53.4%) significantly impacted in decreasing in working capital comparative to last year.

### Net Cash flow from operating activities

Rs. 437.5 Mn.

2022 - Rs. 76.8 Mn.

Cash flows from operating activities amounted to Rs. 437.5 million, compared with Rs. 76.8 Mn. in the previous year. The increase in cash flows from operating activities was largely due to the cash received in receivables 16.0 Mn., especially in decreasing in inventory by Rs. 182.8 Mn. and payments in trade and other payable by Rs. - 120.0 Mn. decreasing in raw material cost impacted significant decreasing in inventory. Payment in advance for raw material and settlement of debts in foreign currency brought forward from previous year decrease the trade payable.

Further, the main causes of increasing in earnings significantly improve by 61% comparative to the last year resulted the cash flows from operating activities to Rs. 437.5 Mn. at adverse economic condition.

Cash flows from investing activities amounted to Rs. - 144.0Mn. in year under review, meaning that was mainly attributable to investing in treasury bills of Rs. - 125.1 Mn. and interest receive on deposits in 2023 was 24.8 Mn. It is 40.3% higher than in the previous year.

Cash flows from financing activities amounted to Rs. - 105.6 Mn., compared with Rs. - 57.7 Mn. in the previous year. particular to the net cash outflow from the change in financial and similar liabilities by Rs.-54.6 Mn. and dividend payments of Rs.- 50.9 Mn.

Free cash flow, financial resources remaining after investments increased to Rs. 326.6 Mn. compared with Rs. 23.3 Mn. in the previous year. Increase in interest income to Rs 24.8 Mn compared with Rs. 17.7 Mn. in the previous year and incasing in cash outflows from investing activities in property, plant and equipment. by Rs. - 43.8 Mn. offset such an increase in free cash during the reporting period.

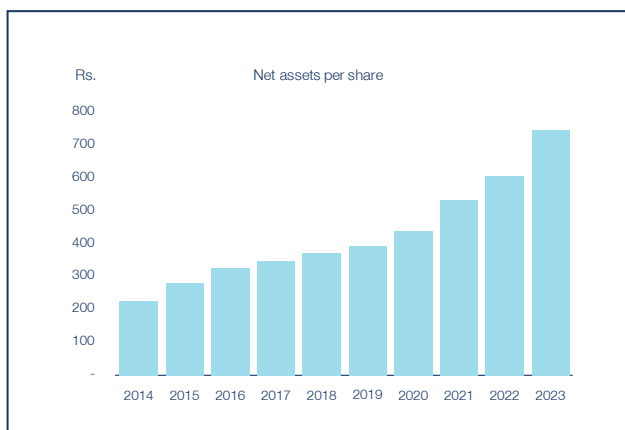
## Management Discussion and Analysis (Contd.)

### Net assets value per share

Rs. 740.38

2022 – Rs. 605.70

The net assets value per share of the Company increased to Rs. 740.38 as at the reporting date compared to Rs. 605.70 recorded for last year. Positive operational performance during the year under review increased the net asset value of the share by Rs. 134.64 per share.



### Capital structure

Rs. 1,110.6 Mn.

2022 – Rs.908.6 Mn.

Net assets of the Company stand at Rs. 1,110.6 Mn. as at the reporting date. No significant changes in value compared with in the previous year.

Total assets of the Company stand at Rs. 1,314.5 Mn. as at the reporting date. No significant changes in value compared with in the previous year. Assets were funded by shareholders by 84.5%, non-current liabilities by 2.8% and current liabilities by 12.6%.

We stand by our dividend policy to increase the dividend per share each year. In 2023, we again generated a strong free cash flow. We pay Rs. 67.5 Mn. as dividend year under review.

### Net Debt

Rs. 116.4 Mn.

2022 – Rs. 365.2 Mn.

Company's total net debt was Rs. 116.4 Mn as at balance sheet date, a 68.1% decreased against previous reporting period. This was primarily due to 59.0% decreasing in current liabilities during the year. The Company gearing level decreased to 10% from 40% level points in 2023.

### Operational Efficiency

We are pleased to report that our lost time accident rate and accident severity rate remained at zero year under review in consistent with the previous year.

### Risk Management

Volatility in the global economies and challenging market conditions coupled with uncertainties in the domestic environment, we acknowledge the potential impact on our operations in the year ahead.

However, our strategic plans are designed to mitigate risks and address challenges effectively. Risk management remains integral to our processes, with thorough reviews conducted to identify and analyse potential risks to the business. Furthermore, we have aligned our systems and policies to comply with evolving regulatory requirements and have implemented effective mechanisms to ensure compliance.

### Economic Environment in 2024

The year 2024 will also bring significant challenges. The high level of uncertainty will continue. The World Bank expects Sri Lanka's GDP to grow at 1.7 per cent in 2024 up from negative 3.8 per cent in 2023 and negative 7.8 per cent in 2022. But previous poverty reduction gains over past decades have been reversed, because of growth going backwards and job losses. The percentage of people living beneath the US\$3.65 a day poverty line has doubled to 25% during the last two years was a significant challenge in upcoming periods.



## Board of Directors Profile

### Dr. Azeez M Mubarak - Chairman

Appointed to the Board on 5<sup>th</sup> August 2013. Dr. Mubarak currently serves as a Director of the Office for Reparations (OR) and Council Member of the University of Sri Jayewardenepura and the Sri Lanka Standards Institute (SLSI). Dr. Mubarak, a Commonwealth Scholar, graduated from the University of Colombo and has a doctorate from the University of Cambridge, U.K.

Dr. Mubarak has held the posts of Director/CEO-Industrial Technology Institute (ITI), Chairman-National Science Foundation (NSF) and Chief of Research and Innovation-Sri Lanka Institute of Nanotechnology (SLINTEC). He also served on the Boards of the National Engineering Research & Development Centre (NERDC) and the Sri Lanka Accreditation Board (SLAB). Dr. Mubarak has had the distinction of functioning as the President of three apex scientific bodies in the country namely, the National Academy of Sciences, Sri Lanka (NASSL), the Sri Lanka Association for the Advancement of Science (SLAAS) and the Institute of Chemistry, Ceylon.

Dr. Mubarak also functions as a Non-Executive, Independent Director on the Boards of E. B. Creasy & Co PLC and Lankem Ceylon PLC.

### Mr. H. A. D. U. G. Gunasekera - Managing Director

Appointed as the Managing Director on 01<sup>st</sup> April 2000. Holds a Master of Business Administration, Postgraduate Institute of Management, University of Sri Jayewardenepura. He is an Attorney-at-Law, LL.B (OUSL), LL.M(Col), a Fellow of Incorporated Engineers, Sri Lanka and a Fellow of Institute of Management Services (U.K). He serves as Chairman of National Cleaner Production Center, Member of the Board of Governors of Sri Lanka National Arbitration Centre, Past Chairman of Ceylon National Chamber of Industries and a Director of Lan Management Development Services (Pvt) Ltd.

### Mr. R. De Zilwa

Appointed to the Board on 26<sup>th</sup> March 2008. He holds a Degree in Mechanical Engineering from the University of Ceylon, is a Fellow of the Institution of Engineers, Sri Lanka and a Fellow of the Institution of Mechanical Engineers, UK. He has been extensively involved in the research, design and development of Industrial processing equipment in Sri Lanka and overseas. He has played a major role in Sri Lanka getting international recognition for engineering academic programs and professional engineering qualifications.

### Mr. U. L. Pushpakumara

Appointed to the Board on 10<sup>th</sup> July 2012. Holds a Master of Science in Operational Research from University of Moratuwa. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA). He has held Financial and Management positions in Public Listed Companies in Sri Lanka and the Middle East. UL Pushpakumara has over 20 years working experience in Financial Management having worked in world largest international Companies. Presently, Mr. U. L. Pushpakumara is the investors relation officer of the Company.

### Mr. K. M. Dissanayake

Appointed to the Board on 1<sup>st</sup> April 2016 Mr. Kosala M. Dissanayake is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA), Fellow Member of the Society of Certified Management Accountants of Sri Lanka (FCMA), a Fellow Member of Institute of Certified Professional Managers (FCPM), a Member of the Sri Lankan institute of Marketing (MSLIM) and also followed the General Management Program at the National University of Singapore (NUS) in 1997. Awarded for Excellence in Business Management by ICMA of SL in 2009.

Mr. Dissanayake was the Chairman/Managing Director GlaxoSmithKline Consumer Health Care.

Mr. Kosala M. Dissanayake was the Managing Director of Delmage Forsyth Company Ltd and Group Director Administration for Asiri Group of Hospitals.

## Statement of Directors' Responsibilities

### Directors' Responsibilities for the Preparation of Financial Statements

This Statement of Directors' Responsibilities is to be read in conjunction with the Auditors' Report and is made to distinguish the respective responsibilities of the Directors and of the Auditors in relation to the Financial Statements contained in this Annual Report.

The Directors of your Company are required by the Companies Act No.7 of 2007 to prepare Financial Statements which give a true and fair view of the state of affairs of the Company as at the end of the Financial Year, and of the Profit and Loss and of the Cash flows of the Company for the Financial Year.

The Directors confirm that the Financial Statements of the Company for the Year ended 25<sup>th</sup> December, 2023 presented in the Report have been prepared in accordance with the Sri Lanka Accounting Standards, and the Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange. In preparing the Financial Statements, the Directors have selected the appropriate accounting policies and have applied them consistently. Reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis.

The Directors are of the view that adequate funds and other resources are available within the Company for the Company to continue in operation for the foreseeable future.

The Directors have taken all reasonable steps expected of them to safeguard the assets of the Company and to establish appropriate systems of internal controls in order to prevent, deter and detect any fraud, misappropriation or other irregularities. The Directors have also taken all reasonable steps to ensure that the Company maintain adequate and accurate accounting books of record which reflect the transparency of transactions and provide an accurate disclosure of the Company's financial position.

As required by Section 56 (2) of the Companies Act No.7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfied the Solvency Test, immediately after the distribution, in accordance with Section 57 of the Companies Act No.7 of 2007, and have obtained a certificate from the Auditors when declaring the Interim Dividend paid on 09<sup>th</sup> November, 2023. The prescribed provisions will be followed and a further Certificate will be obtained from the Auditors, prior to recommending the Final Dividend of Rs. 27/- per share for the Financial Year, which is to be declared by the Shareholders at the Annual General Meeting.

The Directors are required to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider appropriate for the purpose of enabling them to give their Audit Report. The Directors are of the view that they have discharged their responsibilities in this regard.

### Compliance Report

The Directors confirm that, to the best of their knowledge, all taxes and levies payable by the Company and all contributions, levies and taxes payable on behalf of the employees of the Company, and all other known statutory obligations as at the balance sheet date have been paid or provided for in the Financial Statements.

(Sgd).

By Order of the Board

**JACEY & COMPANY**

Secretaries

Colombo

10<sup>th</sup> May 2024

## Report of the Board of Directors

The Board of Directors of Union Chemicals Lanka PLC is pleased to present the Annual Report together with the Audited Financial Statements of the Company for the Year Ended 25<sup>th</sup> December, 2023.

### Principal Activities

Manufacturing and marketing of a wide range of polyvinyl/acrylic emulsions for the paint and textile industries in Sri Lanka and for industrial and domestic use as adhesives. The Company also indents, imports and markets a diverse range of products such as specialties solvents, polyolefins, coating resins, surfactants, personal care products etc., which are manufactured by the Dow Chemicals Company and its affiliates worldwide.

### Changes to the nature of Business

There were no significant changes to the principal activities of the Company during the financial year ended 25<sup>th</sup> December, 2023.

### Review of Operation

A review of the operations of the Company during the financial year ended 25<sup>th</sup> December, 2023 is described in the Chairman's Letter on page 3 and in the Review of Operations on page 4.

### Financial Statements

The Turnover of the Company during the year under review was Rs. 1.612 Mn. (2022 – Rs. 1.677 Mn.) The Profit before Taxation amounted to Rs. 356 Mn. (2022- Rs. 222 Mn.)

The Financial Statements duly signed by the Directors are provided on pages 23 to 60.

### Auditors' Report

The Auditors' Report which is an integral part of the Financial Statements prepared for the financial year ended 25<sup>th</sup> December, 2023 is set out on page 20 of the Annual Report.

### Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 27 to 36.

The Directors consider that, in preparing these Financial Statements, suitable accounting policies have been used which are applied consistently and supported by reasonable and prudent judgment and that all applicable accounting standards have been followed.

### Going Concern

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared based on the "Going Concern Concept".

### Directorate

The Board of Directors of the Company as at date is as follows and is also set out on inner cover titled "Corporate Information":

Dr. Azeez Mohamed Mubarak - Chairman  
Mr. H A D U G Gunasekera - Managing Director  
Mr. R De Zilwa  
Mr. U L Pushpakumara  
Mr. K M Dissanayake

There were no changes to the Directorate during the year under consideration.

In terms of Article 84 of the Articles of Association of the Company Mr. Ukwatte Liyanage Pushpakumara retires by rotation and being eligible is recommended by the Board of Directors for re-election by the Members at the Annual General Meeting for the year 2023.

Mr. Soma Russel Noel De Zilwa who is 77 years of age vacates his office in terms of the provisions of Section 210 of the Companies Act No.7 of 2007.

Notice is given by the Company to its Shareholders of the intention to move an Ordinary Resolution for the re-appointment of Mr. Soma Russel Noel De Zilwa as a Director of the Company, in terms of the provisions of Section 211 of the Companies Act No. 7 of 2007 and is referred to in the Notice convening the Annual General Meeting for the year 2023.

Mr. Henadira Appuhamilage Don Upananda Gamini Gunasekera who is 71 years of age vacates his office in terms of the provisions of Section 210 of the Companies Act No.7 of 2007.

Notice is given by the Company to its Shareholders of the intention to move an Ordinary Resolution for the re-appointment of Mr. Henadira Appuhamilage Don Upananda Gamini Gunasekera as a Director of the Company, in terms of the provisions of Section 211 of the Companies Act No. 7 of 2007 and is referred to in the Notice convening the Annual General Meeting for the year 2023.

Dr. Azeez Mohamed Mubarak who is 72 years of age vacates his office in terms of the provisions of Section 210 of the Companies Act No.7 of 2007.

Notice is given by the Company to its Shareholders of the intention to move an Ordinary Resolution for the re-appointment of Dr. Azeez Mohamed Mubarak as a Director of the Company, in terms of the provisions of Section 211 of the Companies Act No. 7 of 2007 and is referred to in the Notice convening the Annual General Meeting for the year 2023.

### Board Sub – Committees

The following Board Sub-Committees have been established by the Company:

#### Audit and risk Committee :

Mr. K. M. Dissanayake - Chairman  
Mr. R. De Zilwa  
Dr. Azeez Mohamed Mubarak

#### Remuneration Committee

Dr. Azeez Mohamed Mubarak - Chairman  
Mr. R. De Zilwa  
Mr. K. M. Dissanayake

## Report of the Board of Directors (Contd.)

### Related Party Transactions Committee

Mr. K. M. Dissanayake - Chairman  
 Dr. Azeez Mohamed Mubarak  
 Mr. R. De Zilwa  
 Mr. U. L. Pushpakumara

### The Directors' Interest in Contracts

The Company maintains an Interest Register in compliance with the requirements of the Companies Act No. 7 of 2007.

Directors' Interest in Contracts are disclosed under related party transactions in Note 31 to the Financial Statements.

### Directors' Shareholding

Shareholdings of the Directors of the Company are as follows. The Articles of Association of the Company do not stipulate a share qualification for Directors.

Name of the Directors	25.12.2023	25.12.2022
H. A. D. U. G. Gunasekera	638,622	638,622
People's Leasing & Finance PLC/ Mr. H. A. D. U. G. Gunasekera	155,195	151,703
Dr. Azeez Mohamed Mubarak	-	-
R De Zilwa	-	-
U. L. Pushpakumara	-	-
K. M. Dissanayake	-	-

### Appointments & resignations

Mr. R. De Zilwa have been appointed to the Board in the year 2008. He served the Board for more than nine years continuously up to current financial year.

The Board is in the opinion that Mr R. De Zilwa serve as a Non-Executive Independent Director as he is:

- Independent from the operational matters
- Free from decision making process of the Company

During the year there were no changes to the Board of Directors of the Company.

### Directors' Fees and Emoluments

Directors' fees and emoluments paid for the financial year ended 25<sup>th</sup> December, 2023 amounted to Rs. 41.8 Mn. (2022 – Rs. 35.7 Mn)

### Donations

During Rs. 0.041Mn. as charitable contributions.  
 (2022 – Rs. 0.045 Mn) .

### Property, Plant & Equipment

Details of the movement in the Property, Plant and Equipment of the Company are given in Note 13 to the Financial Statements.

### Stated Capital

There was no change in the Stated Capital of the Company during the year under review. The Company's Stated Capital as at 25<sup>th</sup> December, 2023 was Rs.15,000,000/- comprising of 1,500,000 Ordinary Shares.

### Shareholders

The total shareholder base of the Company as at 25<sup>th</sup> December, 2023 was 789 (2022 – 773). The 20 Major Shareholders of the Company are given under Investor Information on pages 62.

### Dividend

A Final Dividend of Rs.17/- per Share for the Financial Year ended 25<sup>th</sup> December, 2022 has been paid to the Shareholders of the Company on 05<sup>th</sup> July, 2023. A First Interim Dividend of Rs.18/- per Share for the Financial Year ending 25<sup>th</sup> December, 2023 has been paid to the Shareholders of the Company on 09<sup>th</sup> November, 2023. The Directors have recommended the payment of a Final Dividend of Rs. 27/-per Share for the financial year ended 25<sup>th</sup> December, 2023. The Directors have taken appropriate measures to obtain a Report in terms of Section 56 (2) of the Companies Act No.7 of 2007 from the Company's Auditors confirming that the Company will, immediately after the payment of the Dividend satisfy the solvency test.

### Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to the Government and the Employees had been made to date.

### Post Balance Sheet Events

No circumstances have arisen since the Balance Sheet date, which would require adjustment to, or disclosure in the Financial Statements other than those disclosed in the Note 30 to the Financial Statements.

### Auditors

The Financial Statements for the period under review have been audited by Messrs. KPMG, Chartered Accountants. Rs.1.118 Mn. (2022- Rs.0.995) is payable by the Company as Audit Fees for the year ended 25<sup>th</sup> December, 2023.

Messrs KPMG have expressed their willingness to continue in office and a Resolution to re-appoint them and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

### Auditors' Relationship with the Company

The Company did not have any relationship with the auditors of the Company, other than that of the auditor, during the financial year ended 25<sup>th</sup> December, 2023.

### By Order of the Board

(Sgd).  
 Mr. K. M. Dissanayake  
 Director

(Sgd).  
 Mr. H. A. D. U. G. Gunasekera  
 Director

(Sgd).  
**JACEY & COMPANY**  
 Secretaries  
 10<sup>th</sup> May 2024

## Corporate Governance

Corporate Governance defines the decision-making systems and structure through which a Company is managed in the best interest of the company and its various stakeholders. Whilst good Corporate Governance helps improve public understanding of the activities of the Company it is also a powerful tool for protecting investors. Accordingly, timely and accurate disclosure of information regarding the financial stability, performance, and ownership are important aspects of Corporate Governance.

The Company recognises that controls and procedures play an integral part in maintaining high standards and that transparency, disclosure, financial controls and accountability are pillars of any good system of Corporate Governance.

### Compliance with the Code of Best Practice

The Company currently complies with the requirements set out in the Code of Best Practice for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Rules on Corporate Governance contained in the Listing Rules of the Colombo Stock Exchange.

### Board of Directors

The Board of Directors collectively possesses a range of skills and knowledge to deal with various business issues and also have the ability to review and challenge management performance and is responsible for the management of the Company. The Board of Directors of the Company consists of five (05) members and is made up of Executive and Non - Executive Directors to maintain the independence of the Board.

Board meets once in every three (03) months to take decisions effectively and ensure the operations of the Company. Special Board Meetings will be held when the need arises.

### Appointments

At each Annual General Meeting (AGM) one third (1/3rd) of the Directors for the time being, except the Chairman and the Managing Director, retire from office. The Directors to retire at each AGM shall be those who being subject to retirement by rotation, have been longest in office since their last election. Retiring Directors shall be eligible for re-election.

### Board Sub-Committees

The Board sub-committees scrutinise and analyse the areas under their purview and ensure application of strict control over the affairs of the Company. The Sub-Committees make recommendations to the Board on necessary adjustments and modifications to the internal systems of the Company. The Board has constituted an Audit Sub-Committee and a Remuneration Sub-Committee, each of which consist of three Non-Executive Directors. Reports of the Audit Committee, the Remuneration Committee and the Related Party Transactions Committee are given on the pages 16, 17 and 18 respectively of the Annual Report.

The Composition of the Board and its Sub-Committees as at the end of the period under review is set out in the table below together with records of attendance of every Director at the respective meetings which were held during the year under review.

Name of the Director	Category	Main Board		Audit and Risk Committee		Remuneration Committee		Related Party Transactions Committee	
		No. of Meetings Held	Attended	No. of Meetings Held	Attended	No. of Meetings Held	Attended	No. of Meetings Held	Attended
Dr. A. M. Mubarak (Chairman)	Non-Executive	04	04	04	04	01	01	04	04
Mr. H. A. D. U. G. Gunsekera (Managing Director)	Executive	04	04	-	-	-	-	04	04
Mr. U. L. Pushpakumara	Executive	04	04	-	-	-	-	04	04
Mr. R. De Zilwa	Non-Executive Independent	04	02	04	02	01	01	04	02
Mr. K. M. Dissanayake	Non-Executive Independent	04	04	04	04	01	01	04	04

### Company Secretaries

Jacey & Company provides Corporate Secretarial Services to the Company. The Company Secretaries play a key role in compliance matters by ensuring that the Company complies with the requirements of the Companies Act No.07 Of 2007, the Colombo Stock Exchange and other regulatory bodies. The Secretaries also ensure that Board procedures are followed and information is provided to shareholders on a timely basis.

## Corporate Governance (Contd.)

### Corporate Governance Report Levels of compliance as per the Listing Rules of the Colombo Stock Exchange

Subject	Applicable requirement	Compliance Status
Non-Executive Directors	At least 1/3 of the total number of Directors should be Non-Executive Directors at the immediately preceding Annual General Meeting  Messrs. R De Zilwa, Mr. K M Dissanayake and Dr. A M Mubarak are the Non-Executive Directors of the Company.	Complied
Independent Directors	At least 1/3 of Non - Executive Directors should be independent. Of the Three (03) Non-Executive Directors. Mr. R De Zilwa and Mr. K M Dissanayake are Independent Directors.  Each Non-Executive Director should submit a declaration of independence/non independence in the prescribed format.	Complied
Disclosure relating to Directors	Names of independent Directors should be disclosed in the Annual Report.  The Board shall make a determination annually as to the independence or non independence of each non-executive Director based on the Declaration.  A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise.	Complied  Complied
Remuneration Committee	A listed Company shall have a Remuneration Committee and shall comprise of Non-Executive Directors a majority of whom will be independent.  The Annual Report should set out:  (a) The names of the Directors comprising the Remuneration Committee should be set out in the Annual Report  (b) The functions of the Remuneration Committee  (c) specified whether the Chairman of the Committee is a Non-Executive Director  (d) A statement of the Remuneration Committee  (e) Aggregated remuneration paid to executive and Non-executive Directors	Complied  Complied  Please refer page 17 of the Annual Report
Audit and Risk Committee	A Listed entity shall have an Audit and Risk Committee comprising of Non-Executive Directors the majority of whom shall be independent  A non Executive Director shall be appointed as the Chairman of the Audit and Risk Committee  Unless otherwise determined by the Committee the Chief Executive Officer and the Chief Financial Officer shall attend Audit and Risk Committee Meetings  The Chairman or one Member of the Committee should be a member of a recognised professional accounting body	Complied  Complied  Complied  Complied

## Corporate Governance (Contd.)

Subject	Applicable requirement	Compliance Status
Audit and Risk Committee	<p>It is confirmed that the functions of the Audit and Risk Committee were in accordance with Listing Rules of the Colombo Stock Exchange</p> <p>Annual Report should set out ;</p> <p>a) Names of Directors comprising the Audit and Risk Committee</p> <p>b) The Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination</p> <p>b) A Report of the Audit and Risk Committee setting out the manner of compliance by the Company in relation to the foregoing, during the period to which the Annual Report relates.</p>	<p>Complied</p> <p>Complied</p> <p>Please refer page 16 of the Annual Report</p>
Related Party Transactions Review Committee	<p>A listed Company shall have a Related Party Transactions Review Committee and shall comprise of a combination of Non-Executive Directors and independent non-executive directors.</p> <p>Annual Report should set out the following information:</p> <p>a) In the case of Non-Recurent Related Party Transactions, if aggregate value of the non-Recurent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements, the said information must be presented in the Annual Report as per the format prescribed in Rule 9.14.8 (1) of the Listing Rules of the Colombo Stock Exchange.</p> <p>b) In the case of Recurrent Related Party Transactions, if the aggregate value of the Recurrent Related party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of Recurrent Related Party Transactions entered into during the Financial Year in its Annual Report. The name of the Related Party and the corresponding aggregate value of the Related Party Transactions entered into with the same Related party must be presented as per the format prescribed in Rule 9.14.8 (2) of the Listing Rules of the Colombo Stock Exchange.</p> <p>c) Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following details:</p> <ul style="list-style-type: none"> <li>• Names of the Directors comprising the Committee</li> <li>• A statement to the effect that the Committee has reviewed the Related Party Transactions during the Financial Year and has communicated the comments/observations to the Board of Directors.</li> <li>• The policies and procedures adopted by the Committee for reviewing the Related Party Transactions.</li> <li>• A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related party Transactions.</li> </ul>	<p>Complied</p> <p>Please refer page 18 of the Annual Report</p>

## Risk Management

### MANAGING RISK

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company has deployed best practices in its endeavors to manage risks. The Company's system of internal controls covers all policies and procedures and facilitates the timely identification and effective management of significant areas of strategic and operational risk as may arise. Effective systems and procedures have also been designed to deal with fraud and encourage employees to promptly report any irregularity or fraud.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The management committee is promptly informed of any risks through regular reports that compare the performance of the Company in terms of predetermined performance indicators against plans, past performance and trends, enabling them to monitor risks and initiate necessary corrective action, in situations of potential risk. Internal, external and corporate audits are crucial in the risk management process. These auditors' reviews report on the Company's operational and financial systems and recommend corrective action to better manage identified risk. The audit committee reviews significant audit findings. A brief description of the areas of risk that the Company is exposed to and the risk management measures in place, are described hereunder.

### Economic Risk

Rapid changes in the economic environment can impact the performance of the Company. Similarly, macroeconomic factors and demographic changes impact the buying patterns of the consumer. There is stiff competition in the lines of products that we manufacture. In order to mitigate adverse implications of these factors, we maintain on going initiatives to design and develop products that remain constantly relevant to the consumer. At the same time, we have deployed aggressive cost management initiatives that allow us to market products of superior value at competitive prices. We continuously look for new sources of supplies and attempt to contain costs through efficient production of goods and enhanced local value addition.

### Asset Risk

This relates to risks that are liable to impact the physical assets of the Company such as destruction, loss or theft as well as technical and other defects. In order to mitigate the impact of such risks, we have insured such assets against all identifiable and insurable risks. The relevant insurance policies are subject to a comprehensive annual review, with modifications being made as deemed necessary. Procedures in place to control technical and other defects include procuring such assets as far as possible from reputable suppliers with third party certification on quality assurance.

### Investment Risk

While investing in design and development of new products is an imperative for the Company to remain competitive, it raises fresh vulnerabilities in terms of risks of failure and potential damage to the image of the Company. To mitigate this risk, the Company engages in a thorough appraisal before any such investment is made. A due diligence study ensures that projected budgets and forecasts can be met and examines the impact of technological and other factors on the investment decision.

### Financial Risk

Financial risk relates to the availability of financial resources for the smooth functioning of the Company's operations and is primarily managed utilising the strength of the Company, thereby ensuring that cost-effective funding is available at all times while minimizing the negative effects of market fluctuations on profits.

The Company's objective, policies and processes for measuring and managing risk from financial instruments and the management of capital are reported separately in Note 24.3 on page 38 in conformity with SLFRS reporting standards.

### Risks from Fiscal Changes

Arising from overall macroeconomic policies, priorities and revenue considerations, the Government changes the tax and duty structure applicable to the manufacture/sale of products, from time to time.

This may pose a risk to the Company since it has invested in infrastructure and generating employment opportunities for people. In order to mitigate this risk, we continue to work with the chambers of commerce, industrial associations and other similar organisations in order to protect local industries, raise our concerns regarding possible adverse impacts of sudden changes in tax and duty structures and to lobby for necessary incentives.

### Labour Risk

Labour issues can affect product quality, output, market shares as well as the Company's goodwill and reputation. Among other issues are the likelihood of labour-related litigation and investing in time and resources in recruitment and training. Procedures have also been laid down to promptly respond to grievances and staff complaints. Welfare and benefit schemes provide our people with additional material incentives and a sense of community, belonging and ownership.

### Supplier Risk

We procure materials from a large number of suppliers, both local and foreign, for the production of goods. In order to minimize disruptions to supplies and also to ensure the quality of the materials supplied, we have put in place certain measures that promote - overseas procurement from third party certified suppliers, maintenance of a multiple supplier base for sourcing raw materials and the maintenance of good co-ordination between suppliers and our quality assurance department. In addition, the company review, evaluate and maintain a certified list of suppliers, using a comprehensive supplier evaluation based on predetermined criteria.



## Risk Management (Contd.)

### Marketing Risk

Being a chemical manufacturer and supplier Company, we keenly assess the changes taking place in the global market regularly. Marketing department frequent visits to the customer's factories has assisted us to identify and understand ever changing client requirement and to develop our product portfolio accordingly. In addition, the Company are always vigilant with regard to the new completion and are ready to change the strategies to counter competitive.

### Reputation Risk

We are engaged in manufacturing and supplying a vast range of chemicals, where the Company is open to the elements to reputation risk. Among the specific sources of reputation risk, the environmental impact of the production process and other issues concerning the quality of products manufactured could be considered as significant. Nevertheless, the company adhere 100% to all legal and regulatory requirements to ensure EHS in all operations.

The Company is engaged in many environmentally-responsible practices such as eliminating waste generation by effective implementation of waste management programme, energy management and sustainable green product development.

Regard to reputational risk, maintaining product and process quality is crucial. Resounding determination of diminishing environmental collision and continues improved performance in environmental activities, Union Chemicals Lanka PLC carry out all business adhering to the international standards of ISO 9001: 2015 Quality Management System standard and ISO 14001: 2015 Environment Management System standard.

The company operations are guided by Sri Lanka Responsible Care council that ensures safety at work place.

### Other Risks

Apart from the specific risks identified above, the Company is exposed to a number of other risks some of which are natural disasters beyond the control of the Company while others relate to operational matters. These include fire, floods, machinery breakdowns, technical defects, electrical hazards etc. Risk management measures are in place to address these situations inter alia include insurance covers against all such perils and regular training of firefighting squads including the conduct of fire drills.

### Assessment of Going Concern

The financial statements of Union Chemicals Lanka PLC for the year ended 25th December 2023, have been prepared on the basis that the Company is a going concern.

In assessing the going concern assumption, the Company has taken in to account all available information for the foreseeable future, which should be at least, but not limited to, 12 months from the reporting date.

Further, the following indicators have been considered to conclude that the going concern assumption is valid;

### Financial indicators

- Healthy net assets and net current assets position.
- History of profitable operations and ready access to financial resources.
- Strong cash position and available borrowing facilities.

### Operating indicators

- Low turnover of key management and availability of key succession plans.
- Good track record on environment and health & safety

### Standard other indicators

- Management pro-activeness and compliance with legal and statutory requirements.
- Low likelihood that legal cases filed against the Company will have significant adverse effect on its operations.
- Robust risk management process and migratory action plans.
- Robust actions to continue business operations during pandemic, strictly in conformity with Government guidelines and directives issued from time to time.
- Based on the above, Directors of the Company are confident that Union Chemicals is a going concern and is able to pay debts as they fall due.

### Caveat

As detailed above, the Company has identified various risks it is exposed to and attempts to mitigate the impact of such risks to the maximum extent practically possible. However, while every effort is made to minimise the risks through a sound risk management process at multiple levels based on the most accurate, timely and comprehensive information available, the nature of risk is such that no assurance can be given that the Company is fully-protected and will not be adversely impacted at all, by risk. Taking cognizance these variables and through prudent analysis of the overall risk scenario as well as the measures for mitigation the Company has put in place, the directors have ensured that Company is adequately protected from risk to the extent that Union Chemicals can and will enjoy an uninterrupted and profitable continuance of business.

## Report of the Audit and Risk Committee

### Introduction

This report focuses on the activities of the Audit and Risk Committee for the year under review.

### Composition of the Committee

The Audit and Risk Committee appointed by and responsible to the board of directors comprises two non-executive independent directors and one non-executive director. The members are;

Mr. K M Dissanayake (Chairman)

Mr. Russel De Zilwa

Dr. Azeez Mohamed Mubarak

The members of the committee have the necessary financial knowledge and business acumen to carry out their roles effectively. Mr. K M Dissanayake, the chairman of the Audit and Risk Committee is a fellow member of the Institute of Chartered Accountants of Sri Lanka, Mr. Russel De Zilwa, a fellow of the Institute of Engineers (S.L.) and Dr. Azeez Mohamed Mubarak a Chemist by profession, with over 27 years of experience in chemical science and related fields are other members of the committee.

### Meetings

The Audit and Risk Committee is required to meet at least four times during the year. Attendance of the members at these meetings is given on page 11 of the annual report. finance manager assists the committee by providing relevant information to facilitate the decision-making process.

The activities and views of the committee have been communicated to the board of directors at board meetings.

### Main Responsibilities

The Audit and Risk Committee is empowered to examine any matter relating to the financial affairs of the Company. These include reviews of the quarterly and annual financial statements, review and monitor the systems of internal controls, presentation and compliance of financial statements with the Sri Lanka Accounting Standards, requirements of Colombo Stock Exchange and other regulatory bodies and such other related functions as may be directed by the board.

### Financial Reporting

The committee reviews the preparation, presentation and adequacy of disclosures in the Company's quarterly and annual financial statements in compliance with statutory and other regulatory requirements, and make their recommendations to the board prior to publications of these Statements. The committee has also discussed the operations of the Company and its future prospects with management and is satisfied that all relevant matters have been taken in to account in the preparation of the financial statements.

### External Audit

The external auditors' letter of engagement, including the scope of the audit, was reviewed and discussed by the committee with management with the external auditors prior to the commencement of the audit. Before the conclusion of the audit, the committee met with the external auditors to discuss all audit issues and agree on their treatment.

### Appointment of Auditors

The Audit and Risk Committee is satisfied that the independence of the external auditors has not been impaired by any event or service that gives rise to a conflict of interest. The audit committee has recommended to the board of directors that Messrs. KPMG, Chartered Accountants be re-appointed as external auditors for the financial year ending 25<sup>th</sup> December, 2024 subject to approval by the shareholders at the annual general meeting of the Company.

### Conclusion

Based on the reports submitted by the external auditors of the Company and the discussions with management, the Audit and Risk Committee is of the view that the control environment of the Company is satisfactory and provides reasonable assurance that the financial position of the Company is adequately monitored and its assets are safeguarded.

(Sgd).

Mr. K. M. Dissanayake

**Chairman – Audit and Risk Committee**

10<sup>th</sup> May 2024

## Report of the Remuneration Committee

The remuneration committee consists of two independent, non-executive directors. The chairman of the remuneration committee is Dr. Azeez M Mubarak and members include Messrs. K M Dissanayake and Russel de Zilwa. The finance manager assists the committee by providing relevant information to facilitate the decision making process.

The committee is responsible for determining the compensation of the managing director who is a board member serving in an executive capacity. The remuneration policy of the Company with regard to the compensation package of the Managing Director is linked to the commitment, expertise and achievements, identifying future activities for the growth of the Company and contribution towards the Company's profitability and returns to the stakeholders. No remuneration is paid to non-executive Directors other than the nominal fees based on their participation at board and subcommittee meetings. Total fees and remuneration paid to all directors is disclosed at page 38 of the financial statements.

The committee met once during the year and proceedings of the committee were reported to the board of directors for their information and necessary action and were affirmed by the board.

(Sdg).

Dr. Azeez M Mubarak

**Chairman – Remuneration Committee**

10<sup>th</sup> May 2024

## Report of the Related Party Transactions Review Committee

### Composition of the Committee

In accordance with the Code of Best Practices on Related Party Transactions issued by the Colombo Stock Exchange, the Board appointed the Related Party Transactions Review Committee, comprising of four Non-Executive Directors of whom two are Independent Non Executive Directors, namely,

Mr. K M Dissanayake - Chairman  
Dr. Azeez M Mubarak  
Mr. R De Zilwa (Independent)  
Mr. U L Pushpakumara

Mr. K M Dissanayake an Independent Non-Executive Director who is a fellow member of the Institute of Chartered Accountants of Sri Lanka. Members of the Committee possess a wealth of knowledge and experience.

### Committee meetings

The four meetings were held during the year to review and report to the Board on matters involving Related Party Transactions falling under its terms of reference. Attendance of the meeting is detailed in page 11.

### Responsibilities of the committee

The Committee's key focus is to review all proposed Related Party Transactions prior to the completion of the transaction according to the procedures laid down by Section 9 of the Listing Rules of the Colombo Stock Exchange.

The responsibilities of the committee are:

- Evaluate any proposed related party transactions quarterly,
- Review any post quarter confirmations
- on related party transactions,
- Review the threshold for related party transactions, which require either shareholders' approval or immediate market disclosures,
- Review criteria of key management personnel,
- Obtain board approval for the related party transactions, if any, and,
- Regularly report to the board on committee's activities.

### Key functions performed during the year under review

Quarterly meetings were held during the year to scrutinise all related party transactions with Directors, Key Management Personnel (KMPs) and substantial shareholders of the Company and such other related parties as defined in the Code with a view to determining that they have not received any favourable nor preferential consideration vis a vis the other shareholders, suppliers and customers of the Company as well as to ascertain that their transactions and dealings are in strict conformity with statutory and regulatory requirements which the Company is obliged to adhere to.

### Meetings

Meetings are held mandatory, during financial period of 2023, 04 of such meetings were held and the minutes were circulated to the board of directors for their information and review. In the opinion of the committee there were no transactions with the related parties that were more favourable or preferential during the period under review and the Company had been compliant with the Code.

(Sgd.)

Mr. K. M. Dissanayake  
Chairman

**Related Party Transactions Review Committee**

10<sup>th</sup> May 2024

## Managing Director's and Chief Financial Officer's Responsibility Statement

The Financial Statements are prepared in conformity with requirements of the Sri Lanka Accounting Standards SLFSRS /LKAS, Companies act No.07 of 2007, Sri Lanka Auditing Standards, the Listing Rules of the Colombo Stock Exchange and other applicable statutes. The accounting policies used in the preparation of the Financial statements are appropriate and consistently applied, unless otherwise stated in the notes to the accompanying the Financial Statements.

The accounting policies resulting from coverage to Accounting standard issued by The Institute of Chartered Accountants of Sri Lanka SLFSRS/LKAS are provided in detail in the notes to the Financial Statement

The Board of Directors and the management of our Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs. To ensure this, the Company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets, and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

However, there are inherent limitations that should be recognized in weighing the assurances provide by any system of internal controls and accounting.

Messrs KPMG, Chartered Accountants the external auditors of the company .have examined the Financial Statements made available by the Board of Directors together with all relevant financial records, related data and minutes of meetings and express their opening in their report.

The Audit and Risk Committee of our Company meets periodically with the external auditors to review the manner in which the auditor is performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the independent auditor has full and free access to the members of the Audit and Risk Committee to discuss any matter of substance.

(Sdg).

Mr. H. A. D. U. G. Gunsekera  
Managing Director

(Sdg).

Mr. U. L. Pushpakumara  
Finance Manager  
10<sup>th</sup> May 2024

## Independent Auditor's Report



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
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To the shareholders of Union Chemicals Lanka PLC

## Report on the Audit of the Financial Statements

## Opinion

We have audited the financial statements of Union Chemicals Lanka PLC ("the Company"), which comprise the statement of financial position as at 25<sup>th</sup> December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 25<sup>th</sup> December 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

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

**01. Expected Credit Loss Allowances of Trade Receivables**  
**Refer Accounting Policies in Note 3.3 and 17.1 to the financial statements**

Risk Description	Our Responses
<p>The Company has recognized a total allowance for expected credit loss amounted to Rs. 4.6 Mn for trade receivable balance of Rs. 170 Mn.</p> <p>The Company's provision of impairment are based on the management estimate of the expected credit losses to be incurred, which is estimated by taking in to account the aging of overdue balances, the repayment history of the Company's individual customers, current market conditions and customer specific conditions, all of which involves a significant degree of management judgment.</p> <p>Additional subjectivity and judgement are required due to the heightened uncertainty associated with the impact of the economic outlook and its impact on customers, increasing our audit effort thereon.</p> <p>We identified expected credit loss allowance of trade receivables as a key audit matter as it requires management to exercise subjective judgment in making assumptions and estimates for the assessment of impairment allowance on trade receivables.</p>	<p>Our audit procedures included</p> <ul style="list-style-type: none"> <li>Assessing the provisions for impairment recorded against trade receivable balances, based on 'Expected Credit Loss' model as per 'SLFRS 09', by developing an independent Expectation as well as the reasonability of the model methodology, key assumptions and model validation. We substantively tested the completeness and accuracy of key inputs into models and assessed the appropriateness of assumptions used.</li> <li>Testing the subsequent settlements made for the selected sample of debtors.</li> <li>Assessing the adequacy of the disclosures in the financial statements with reference to the requirements of the prevailing accounting standards.</li> </ul>

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Principals - S. R. I. Perera FCMA(UK), LLB. Attorney-at-Law, H. S. Goonewardene ACA, Ms. F. R. Ziyad FCMA (UK), FCIT  
K. Somasundaram ACMA(UK)

## Independent Auditor's Report (Contd.)



### Other information

Management is responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Independent Auditor's Report (Contd.)



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

### Report on Other Legal and Regulatory Requirements

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

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

(Sgd).

### CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

10<sup>th</sup> May 2024



## Statement of Profit or Loss and Other Comprehensive Income

For the year ended 25<sup>th</sup> December,

	Note	2023 (Rs.'000)	2022 (Rs.'000)
Revenue	5	1,612,878	1,677,744
Cost of sales		(1,183,430)	(1,175,430)
<b>Gross profit</b>		<b>429,448</b>	<b>502,314</b>
Other income	6	13,026	5,210
Other expenses	7	-	(105)
Selling and distribution expenses		(15,189)	(14,710)
Administrative expenses		(103,773)	(86,941)
<b>Result from operating activities</b>		<b>323,512</b>	<b>405,768</b>
Finance income	8.1	39,808	21,957
Finance costs	8.2	(6,382)	(205,692)
<b>Net finance income / (costs)</b>		<b>33,426</b>	<b>(183,735)</b>
<b>Profit before tax</b>	9	<b>356,938</b>	<b>222,033</b>
<b>Income tax expense</b>	10.1	<b>(110,054)</b>	<b>(60,292)</b>
<b>Profit for the year</b>		<b>246,884</b>	<b>161,741</b>
<b>Items that will never be reclassified to profit or loss</b>			
Remeasurements of defined benefit asset/obligation, net of tax	10.2	1,374	(521)
<b>Total other comprehensive income</b>		<b>1,374</b>	<b>(521)</b>
<b>Total comprehensive income for the year</b>		<b>248,258</b>	<b>161,220</b>
<b>Basic earnings per share (Rs.)</b>	11	<b>164.59</b>	<b>107.83</b>
<b>Dividend per share (including proposed final dividend) (Rs.)</b>	12	<b>45.00</b>	<b>32.00</b>

The notes form an integral part of these financial statements.

Figures in bracket indicate deductions

## Statement of Financial Position

As at 25<sup>th</sup> December,

	Note	2023 (Rs.'000)	2022 (Rs.'000)
<b>Assets</b>			
Property, plant and equipment	13	270,652	244,229
Investment property	14	71,896	75,172
Intangible assets	15	-	-
Retirement benefit assets	21.1	6,231	6,705
Financial assets	19.1	45,000	45,000
Other financial assets	17.3.1	250	393
<b>Non-current assets</b>		<b>394,029</b>	<b>371,499</b>
Inventories	16	505,793	688,682
Trade and other receivables	17	201,995	213,634
Financial assets	19.2	125,139	-
Cash and cash equivalents	18	87,535	71,458
<b>Current assets</b>		<b>920,462</b>	<b>973,774</b>
<b>Total assets</b>		<b>1,314,491</b>	<b>1,345,273</b>
<b>Equity</b>			
Stated capital	20	15,000	15,000
Retained earnings		1,095,566	893,608
<b>Equity attributable to owners of the Company</b>		<b>1,110,566</b>	<b>908,608</b>
<b>Liabilities</b>			
Retirement benefit obligations	21	20,059	19,215
Deferred tax liabilities	22	17,499	11,512
<b>Non-current liabilities</b>		<b>37,558</b>	<b>30,727</b>
Loans and borrowings	23	-	54,665
Trade and other payables	24	106,298	228,200
Current tax liability	25	48,073	26,694
Dividend payable	26	7,581	12,274
Bank overdraft	18	4,415	84,105
<b>Current liabilities</b>		<b>166,367</b>	<b>405,938</b>
<b>Total liabilities</b>		<b>203,925</b>	<b>436,665</b>
<b>Total equity and liabilities</b>		<b>1,314,491</b>	<b>1,345,273</b>

The notes form an integral part of these financial statements.

I certify that the financial statements have been prepared in accordance with the requirements of the Companies Act No 07 of 2007.

(Sgd).

**Mr. U. L. Pushpakumara**

Finance Manager

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board of Directors,

(Sgd).

**Mr. K. M. Dissanayake**

Chairman

10<sup>th</sup> May 2024

(Sgd).

**Mr. H. A. D. U. G. Gunasekera**

Director

## Statement of Changes in Equity

	Note	Stated capital (Rs.'000)	Retained earnings (Rs.'000)	Total (Rs.'000)
Balance as at 26 <sup>th</sup> December 2021		15,000	769,888	784,888
<b>Total comprehensive income for the year</b>				
Profit for the year		-	161,741	161,741
Other comprehensive expense, net of tax	10.2		(521)	(521)
<b>Total comprehensive income</b>		<b>-</b>	<b>161,220</b>	<b>161,220</b>
<b>Transaction with owners of the Company</b>				
Final dividend - 2021 (Rs. 10.00)		-	(15,000)	(15,000)
Interim dividend - 2022 (Rs. 15.00)		-	(22,500)	(22,500)
Dividends declared during the period	26		<b>(37,500)</b>	<b>(37,500)</b>
<b>Total transaction with owners of the Company</b>		<b>-</b>	<b>(37,500)</b>	<b>(37,500)</b>
<b>Balance as at 25<sup>th</sup> December 2022</b>		<b>15,000</b>	<b>893,608</b>	<b>908,608</b>
<b>Total comprehensive income for the year</b>				
Profit for the year		-	246,884	246,884
Other comprehensive income, net of tax	10.2	-	1,374	1,374
<b>Total comprehensive income</b>		<b>-</b>	<b>248,258</b>	<b>248,258</b>
<b>Transaction with owners of the Company</b>				
Final dividend - 2022 (Rs. 17.00)		-	(25,500)	(25,500)
Interim dividend - 2023 (Rs. 18.00)		-	(27,000)	(27,000)
Dividends declared during the period	26	-	<b>(52,500)</b>	<b>(52,500)</b>
Unclaimed dividend forfeited	26	-	6,200	6,200
<b>Total transaction with owners of the Company</b>			<b>(46,300)</b>	<b>(46,300)</b>
<b>Balance as at 25<sup>th</sup> December 2023</b>		<b>15,000</b>	<b>1,095,566</b>	<b>1,110,566</b>

The notes form an integral part of these financial statements.

Figures in bracket indicate deductions

## Statement of Cash Flows

For the year ended 25<sup>th</sup> December,

	Note	2023 (Rs.'000)	2022 (Rs.'000)
<b>Cash flows from operating activities</b>			
Profit before tax		356,938	222,032
<b>Adjustment for :</b>			
Depreciation/amortization on property, plant and equipment	13	17,341	18,172
Depreciation/amortization on investment property	14	3,276	6,744
Impairment loss/(reversal of impairment) of trade receivable	17.1	(2,801)	(6,967)
Provision for retirement gratuity - Funded	21.2	1,509	850
Expected return on plan assets	21.1	(1,240)	(669)
Provision for retirement gratuity - Unfunded	21.5	3,702	2,324
(Gain)/loss on disposal of property, plant and equipment	7.1	(22)	105
Unrealized (gain) / loss on foreign currency		(194)	661
Interest Income	8.1	(26,410)	(21,957)
Interest expense	8.2	6,382	13,145
		<b>358,481</b>	<b>234,440</b>
<b>Changes in :</b>			
(Increase)/decrease in inventories		182,889	(343,233)
(Increase)/decrease in trade and other receivables		16,097	179,650
Decrease in trade and other payables		(120,004)	5,997
		<b>437,463</b>	<b>76,854</b>
<b>Cash generated from operating activities</b>			
Retiring gratuity paid - funded obligation	21.2	(1,203)	-
Benefit paid by the plan	21.1	1,202	-
Retiring gratuity paid - unfunded obligation	21.5	(660)	(865)
Income tax paid	25	(83,277)	(55,998)
Interest paid	24.1	(8,088)	(11,644)
		<b>345,437</b>	<b>8,347</b>
<b>Net cash generated from operating activities</b>			
<b>Cash flows from financing activities</b>			
Purchase and construction of property, plant and equipment.	13	(43,764)	(2,797)
Proceeds from disposal of property, plant and equipment	7	22	41
Contribution paid to plan assets	21.1	(29)	-
Loans granted to company officers	17.3	(1,275)	(1,275)
Loan repayments by company officers	17.3	1,281	1,081
Investment in financial assets - long term	19	-	(45,000)
Investment in financial assets - short term	19	(125,139)	-
Interest received	17.2	24,892	17,741
		<b>(144,012)</b>	<b>(30,209)</b>
<b>Net cash flows generated from investing activities</b>			
<b>Cash flows from financing activities</b>			
Loans obtained during the year	23.1	137,701	155,066
Repayment of loans	23.1	(192,366)	(181,179)
Dividends paid	26	(50,993)	(31,597)
		<b>(105,658)</b>	<b>(57,710)</b>
<b>Net cash flows from / (used in) financing activities</b>			
Net increase/ (decrease) in cash and cash equivalents		95,767	(79,572)
Cash and cash equivalents at the beginning of the year.		(12,647)	66,924
Cash and cash equivalents at the end of the year	18	<b>83,120</b>	<b>(12,647)</b>
<b>Total cash and cash equivalents for the purpose of cash flow statement</b>			
Favorable cash and cash equivalent balances	18.1	87,535	71,458
Unfavorable cash and cash equivalent balances	18.2	(4,415)	(84,105)
		<b>83,120</b>	<b>(12,647)</b>

## Note to the Financial Statements

### 1. CORPORATE INFORMATION

#### 1.1 Reporting entity

Union Chemicals Lanka PLC (“Company”) is a Public Limited Liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company and the principal place of business is situated at No.4, 5th Floor, Tickell Road, Colombo 08.

#### 1.2 Principal activities and nature of operations

The principal activities of the Company are manufacturing and marketing of a wide range of polyvinyl/acrylic emulsions for the paint and textile industries in Sri Lanka and for industrial and domestic use as adhesives.

The Company also indents, imports and markets a diverse range of products such as specialty solvents, polyolefins, coating resins, surfactants, personal care products etc., which are manufactured by the Dow Chemicals Company, USA and its affiliates worldwide.

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

#### 1.3 Parent enterprise and ultimate parent enterprise

There is no identifiable parent and ultimate parent Company.

#### 1.4 Number of employees

The number of employees at the end of the year was 38 (2022 - 40).

#### 1.5 Responsibilities for financial statements and approval of financial statements

The Board of Directors is responsible for preparation and fair presentation of the financial statements of the Company as per the provision of Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards. The financial statements for the year ended 25<sup>th</sup> December 2023 were authorized for issue in accordance with resolution of the Board of Directors on 10<sup>th</sup> May 2024.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

The financial statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS/LKASs) prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and provide appropriate disclosures as required by the listing rules of the Colombo Stock Exchange.

These Financial Statements except for information on cash flows have been prepared following the accrual basis of accounting.

#### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for Defined benefit plan which is measured at the present value of Retirement Benefit Obligations as explained in Note 21 to the Financial Statements.

#### 2.3 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees which is the Company's functional currency. All financial information presented in Sri Lankan Rupees has been given to the nearest thousand, unless stated otherwise.

#### 2.4 Use of estimates and judgments

The preparation of the financial statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual results may differ from those estimates and judgmental decisions.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following Notes:

Note 13 – Depreciation

Note 15 – Intangible assets

Note 16 – Net realisable value of inventory

Note 17 – Measurement of ECL allowance for trade receivables

Note 21 – Measurement of retirement benefit obligations

Note 22 – Deferred tax liabilities

Note 29 – Provisions, commitments and contingencies

#### 2.5 Measurement of fair values

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

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

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

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

## Note to the Financial Statements (Contd.)

Level I : Quoted market price (unadjusted) in an active market for an identical instrument.

Level II : Valuation techniques based on observable inputs, either directly – i.e. as prices or indirectly – i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level III : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

Further information about the fair values is included in Note 28.1.

### 2.6 Materiality and aggregation

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

### 2.7 Offsetting

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

### 2.8 Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

In determining the basis of preparing the Financial Statements for the year ended 25<sup>th</sup> December 2023, based on available information, the management has assessed the prevailing uncertain and volatile macroeconomic environment, its impact on the Company, and the appropriateness of the use of the going concern basis.

Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

### 2.9 Comparative information

The comparative information is re-classified wherever necessary to conform with the current year's presentation in order to provide a better presentation.

### 2.10 Changes in material accounting policies

#### Material accounting policy information

The Company adopted Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) from 01<sup>st</sup> January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Summary of material accounting policies (2022: Summary of significant accounting policies) in certain instances in line with the amendments.

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these Financial Statements and have been applied consistently by the Company, unless otherwise stated.

In addition, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 26<sup>th</sup> December 2022. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves.

### 3.1 Foreign currency

#### 3.1.1 Foreign currency transactions

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

Foreign exchange differences arising on the settlement or reporting of the Company's monetary items at rates different from those which were initially recorded are dealt with in the profit or loss.

Non-monetary assets and liabilities that are denominated in foreign currencies that are stated at historical cost at the reporting date are translated to functional currency at the foreign exchange rate prevailing at the date of initial transaction.

## Note to the Financial Statements (Contd.)

Non-monetary assets and liabilities that are stated at fair value, denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the dates that the value was determined. Foreign exchange differences arising on translation are recognized in the profit or loss.

### 3.2 Financial instruments

#### 3.2.1 Recognition and initial measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

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

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

#### 3.2.2 Classification and subsequent measurement

##### 3.2.2.1 Financial assets

###### A. Financial asset - Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; fair value through other comprehensive income (FVOCI) - equity investment; or fair value through profit or loss (FVTPL).

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

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

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

###### B. Financial assets - Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on

earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

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

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

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

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par

## Note to the Financial Statements (Contd.)

amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

### D. Financial assets - subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
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### E. Financial Assets - Derecognition

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

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risk and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### 3.2.2.2 Financial liabilities

### A. Financial Liabilities : Classification, subsequent measurement and gain and losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

### B. Financial liabilities - Derecognition

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The company also derecognizes a financial liability when its terms are modified and the cash flows of the financial liability are substantially different. In which case a new financial liability based on the modified terms is recognized at fair value.

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

### 3. 2. 3. Offsetting

The financial assets and liabilities are offset and the net amount will be presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 3.3 Impairment

#### Non-Derivative Financial Assets

#### Financial Instruments and Contract Assets

The Company recognises loss allowances for Expected Credit Losses (ECL) on :

- financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due.

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

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

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

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

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



## Note to the Financial Statements (Contd.)

### • Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

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

### • Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

### • Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A provision is recognized in the Statement of Financial Position for individual customers, when the gross carrying amount of financial asset is 360 days past due based on historical experience of recoveries of similar assets.

For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

### 3.4 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

### 3.5 Property, plant and equipment

Property, plant and equipment are tangible items that are held for servicing, or for use in the production or supply of

goods or services, or for administrative purposes and are expected to be used during more than one period.

#### 3.5.1 Basis of Recognition

Property, plant & equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the company and cost of the asset can be reliably measured.

#### 3.5.2 Basis of Measurement

An item of property, plant equipment that qualifies for recognition as an asset is initially measured at its cost.

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

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

Expenditure on repairs or maintenance of property, plant and equipment made to restore or maintain future economic benefits expected from the assets has been recognized as an expense when incurred.

#### 3.5.3 Subsequent expenditure

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property, plant and equipment are charged to profit or loss as incurred.

#### 3.5.4 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant & equipment, since this most closely reflected the expected pattern of consumption of the future economic benefits embodied in the asset. Freehold land is not depreciated.

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

Improvements to land	20 years
Buildings	25 years
Plant and machinery	15 years
Furniture and fittings	10 years
Computer hardware	6 years
Motor vehicles	3 years

## Note to the Financial Statements (Contd.)

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

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

### 3.5.5 Derecognition

An item of property, plant equipment is derecognized upon disposal of or when no future economic benefits are expected from its use or disposal. Gains and losses arising on derecognition of the asset are determined by comparing the proceeds from disposal with the carrying amount of property, plant equipment and are recognized net within 'Other Income' in profit and loss.

### 3.6 Investment Properties

Investment properties are tangible items that are not held for servicing, or for use in the production or supply of goods or services, or for administrative purposes and are expected to be rent to others during more than one period.

#### 3.6.1 Basis of Recognition

A property that is held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business, by the Company is accounted for as investment properties.

Investment properties, plant equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the company and cost of the asset can be reliably measured.

#### 3.6.2 Basis of Measurement

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is measured at its cost at the date when the construction or development is complete.

The Company applies the cost model for investment properties in accordance with Sri Lanka Accounting Standard (LKAS40) - "Investment Property". Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses and buildings classified as investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

#### 3.6.3 Subsequent expenditure

The cost of replacing a part of an item of investment property is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of investment property is charged to profit or loss as incurred.

### 3.6.4 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of investments property, since this most closely reflected the expected pattern of consumption of the future economic benefits embodied in the asset. Freehold land in investments property is not depreciated.

The estimated useful lives for the current and comparative periods is 25 years.

Depreciation of an investment's property begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation of an asset ceases at the earlier of the date that the investments property is classified as held for sale and the date that the asset is derecognized.

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

### 3.6.5 Derecognition

An item of investment's property is derecognized upon disposal of or when no future economic benefits are expected from its use or disposal. Gains and losses arising on derecognition of the asset are determined by comparing the proceeds from disposal with the carrying amount of investment's property is recognized net within 'other income' in profit and loss.

### 3.7 Intangible assets

An intangible asset is an identifiable non monetary asset without physical substance held for use in the production or supply of goods or services, or for administrative purpose.

#### 3.7.1 Basis of recognition

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

#### 3.7.2 Software

All computer software costs incurred licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and is probable that they will lead to future economic benefits, are included in the statement of financial position under the category intangible assets and carried at cost less amortisation and any accumulated impairment losses.

#### 3.7.3 Amortisation

Computer software are amortised over their estimated useful economic life on a straight-line basis. They are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

## Note to the Financial Statements (Contd.)

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

Computer Software 05 Years

Amortization methods, useful lives and residual values are reviewed at each reporting date.

### 3.7.4 Derecognition

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use and subsequent disposal.

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

### 3.8 Inventories

Inventories are measured at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. The Company assess the NRV by giving consideration to future demand and condition of inventory and make adjustments to the value by making required provisions.

**The cost of each category of inventory is determined on the following basis:**

Raw Materials	- At actual cost on weighted average basis
Finished Goods, Work-in-Progress & Semi Finished Goods	- At the cost of direct materials, direct labour and a appropriate proportion of production overheads based on normal operating capacity
Goods-in-Transit	- At actual cost
Allowance for Impairment	- All inventory items are tested for impairment periodically
Machinery Spare Parts	- At actual cost

### 3.9 Liabilities and Provisions

Liabilities classified as Current Liabilities on the Statement of Financial Position are those, which fall due for payment on the demand or within one year from the reporting date. Non-Current Liabilities are those balances that fall due for payment after one year from the reporting date.

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

### 3.9.1 Provisions

A provision is recognized in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably in accordance with LKAS 37 - 'Provisions, Contingent Liabilities and Contingent Assets'. The amount recognized is the best estimate of the consideration required to settle the present obligation at the Reporting date, taking into account the risks and uncertainties surrounding the obligation at the date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

### 3.10 Capital commitments and contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Capital commitment and contingent liabilities of the Company are disclosed in the respective notes to the Financial Statements.

### 3.11 Employee benefits

#### 3.11.1 Short term benefits

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

#### 3.11.2 Defined contribution plans - employees' provident fund & employees' trust fund

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. Employees are eligible for contributions to Employees' Provident Fund and Employees' Trust Fund in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and the Employees' Trust Fund respectively, and is recognized as an expense in Profit and Loss in the periods during which services are rendered by employees.

#### 3.11.3 Defined benefit plan - retirement gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The plan asset and liability recognized in the Statement of Financial Position at the present value as at the reporting date.

Provision for gratuity of the employees of the Company are based on actuarial valuation for the employees who completed one year of services.

An actuarial valuation was carried out by a professionally qualified firm of actuaries, as at 25<sup>th</sup> December 2023 for the recognition of the Company's Retirement Benefit Plan.

## Note to the Financial Statements (Contd.)

The Valuation method used by the actuary is 'Projected Unit Method'. Any gains and losses arising from actuarial valuation that arise in calculating the obligation in respect of employee benefits are recognized in Other Comprehensive Income.

Provision has been made in the financial statements for retiring gratuities payable under the Payment of Gratuity Act No. 12 of 1983 to all employees including those who have less than 5 years of continued service with the Company.

However under payment of Gratuity Act No. 12 of 1983, the liability to an employee arise only on completion on 5 years of continuous service.

Union Chemicals Lanka PLC has obtained an insurance policy to meet the retiring gratuity payments to its employees who were in services from December 1992 to December 1999.

The liability is funded by the policy which meets the criteria mentioned in LKAS 19, to classify is as a qualifying insurance policy.

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

The liability is not externally funded.

### Statement of profit or loss and other comprehensive income

#### 3.12 Revenue Recognition

##### Performance obligations and revenue recognition policies

As per the standard, revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer.

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

###### (a) Sale of goods

Revenue from the sale of goods is recognized when the control of ownership of the goods have passed to buyers, the recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns and trade discounts.

The Company recognizes revenue from customers as and when the goods are delivered to the customers.

###### (b) Disaggregation of revenue

SLFRS 15 requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company's contracts with customers are similar in nature

and revenue from these contracts are not significantly affected by economic factors apart from exports sales. The Company believes objective of this requirement will be met by using one type of category – Product type. (Refer Note 5)

#### (c) Gain on disposal of property, plant and equipment

Gains and losses on disposal of an item of property, plant equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant equipment and are recognized net within "other income" in profit and loss.

#### (d) Other Income

Other income is recognized on an accrual basis.

#### 3.13 Expenditure recognition

Expenses are recognized in Profit and Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

For the purpose of presentation of the Income Statement, the Directors are of the opinion that 'function of expenses method' presents fairly the elements of the Company's performance and hence such presentation method is adopted.

#### 3.14 Finance income and finance costs

Finance income comprises interest income on funds invested and which is recognized as it accrues in Profit or Loss, using the effective interest method. Finance cost comprises interest expense on borrowings and impairment losses recognized or financial assets (Other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in Profit or Loss using the effective interest method. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost, depending on whether foreign currency movements are in net gain or net loss position.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to;

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when asset is not credit impaired) or to the amortised cost of the liability. However, the financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

## Note to the Financial Statements (Contd.)

### 3.15 Income tax

Income tax expense comprises both current and deferred tax. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, or in Other Comprehensive Income, in which case it is recognized in equity as other comprehensive income.

#### (a) Current tax

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

The provision for income tax on the Company's operation is based on the elements of income and expenditures reported in the Financial Statements and computed with in accordance with the provisions of the Inland Revenue Act No. 24 of 2007, and amended there to.

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

#### (b) Deferred tax

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized, based on the level of future taxable profit forecasts and tax planning strategies.

### 3.16 Events after reporting period

All material events after the reporting date have been considered and where necessary adjustments or disclosures have been made in these the Financial Statements.

### 3.17 Earnings per share

Earnings per share represent basic and diluted earnings per share data for ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

### 3.18 Segment reporting

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

Segment results that are reported to the Company CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire Property, Plant and Equipment and intangible assets other than goodwill.

Segment information is presented in the respective Notes to the Financial Statements.

### 3.19 Cash flow statements

The cash flow statement has been prepared using the 'indirect method' in accordance with Sri Lanka Accounting Standard - LKAS 7 on 'Statement of Cash Flows'.

Cash and cash equivalent comprise cash in hand and cash at bank and short term deposits that are readily convertible to known amount of cash and subject to an insignificant risk of change in value.

Interest received is classified as investing cash flows, while dividend paid is classified as financing cash flows and interest paid is classified under the operating cash flows for the purpose of presentation of Cash Flow Statement.

Bank overdrafts that are re-payable on demand and forming an integral part of the Company's cash management are included as a component of cash and cash equivalent for the purpose of the Statement of Cash Flows.

## Note to the Financial Statements (Contd.)

### 4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT REPORTING DATE

A number of new accounting standards are effective for annual periods beginning after 1<sup>st</sup> January 2023 and earlier application is permitted. However, the Group has not early adopted the following new or amended accounting standards in preparing these Financial Statements.

- **Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to LKAS 1)**

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1<sup>st</sup> January 2024.

- **Suppliers Finance Arrangements (Amendments to LKAS 7 and SLFRS 7)**

The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the affects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual periods beginning on or after 1<sup>st</sup> January 2024.

- **Other Accounting Standards**

The following new and amended accounting standards are not expected to have a significant impact on the Financial Statements.

- Lease Liability in a Sales and Leaseback (Amendments to SLFRS 16)
- Lack of Exchangeability (Amendments to LKAS 21)

## Note to the Financial Statements (Contd.)

For the year ended 25<sup>th</sup> December,

2023

2022

05. Revenue	2023			2022		
Revenue segments	Gross (Rs.'000)	Sales taxes (Rs.'000)	Net revenue (Rs.'000)	Gross (Rs.'000)	Sales taxes (Rs.'000)	Net revenue (Rs.'000)
Latex	1,481,291	(179,454)	1,301,837	1,402,749	(134,402)	1,268,347
Chemicals and plastics	352,869	(41,828)	311,041	447,155	(37,759)	409,397
<b>Net revenue</b>	<b>1,834,160</b>	<b>(221,282)</b>	<b>1,612,878</b>	<b>1,849,904</b>	<b>(172,161)</b>	<b>1,677,744</b>

5.1 Sales taxes	Latex (Rs.'000)	Chemicals and plastics (Rs.'000)	Total Sales Taxes (Rs.'000)	Latex (Rs.'000)	Chemicals and plastics (Rs.'000)	Total Sales Taxes (Rs.'000)
Value Added Tax	179,454	41,828	221,282	134,402	37,759	172,161
<b>Total sales taxes</b>	<b>179,454</b>	<b>41,828</b>	<b>221,282</b>	<b>134,402</b>	<b>37,759</b>	<b>172,161</b>

The Company does not distinguish its products into significant components for different geographical business segments as they are insignificant.

06. Other income	Note	2023 (Rs.'000)	2022 (Rs.'000)
Gross indent commission		2,351	2,960
Value Added Tax		(307)	(316)
Net indent commission		2,044	2,644
Rent income		4,956	2,006
Scrap material sales and others		6,004	560
Gain on disposal of property, plant and equipment	7.1	22	-
<b>Total other income</b>		<b>13,026</b>	<b>5,210</b>

07. Other expenses	2023 (Rs.'000)	2022 (Rs.'000)
Loss on disposal of property, plant and equipment	-	(105)
	<b>-</b>	<b>(105)</b>

7.1 Gain/(loss) on disposal of property, plant and equipment	2023 (Rs.'000)	2022 (Rs.'000)
Cost of disposal of property, plant and equipment	728	458
Accumulated depreciation on disposal of property, plant and equipment	(728)	(312)
Net Cost of disposal of property, plant and equipment	-	146
Proceeds from disposal of property, plant and equipment	22	41
<b>Gain/(loss) on disposal of property, plant and equipment</b>	<b>22</b>	<b>(105)</b>

**Note to the Financial Statements (Contd.)**For the year ended 25<sup>th</sup> December,

	2023 (Rs.'000)	2022 (Rs.'000)
<b>08. Net finance income / (costs)</b>		
<b>8.1 Finance income</b>		
Interest income on financial assets	26,410	21,957
Gain on transaction of foreign currency	13,398	-
<b>Total finance income</b>	<b>39,808</b>	<b>21,957</b>
<b>8.2 Finance costs</b>		
Interest expense on overdrafts	(1,395)	(7,212)
Interest expense on import loans	(4,987)	(5,050)
Interest expense on long term loans	-	(883)
<b>Total Interest expense on loans and overdrafts</b>	<b>(6,382)</b>	<b>(13,145)</b>
Foreign exchange loss	-	(192,547)
<b>Total finance costs</b>	<b>(6,382)</b>	<b>(205,692)</b>
<b>Net finance income (costs) recognised in profit or loss</b>	<b>33,426</b>	<b>(183,735)</b>
<b>9. Profit before tax</b>		
<i>Profit before income tax expense is stated after charging all expenses including the followings:</i>		
Depreciation on property, plant and equipment	17,341	23,551
Depreciation on investment property	3,276	1,365
Reversal impairment	(2,801)	(6,967)
Donations	46	41
Directors' emoluments	41,817	35,752
Auditor's remuneration		
- Statutory audit	1,118	995
- Audit related service	236	324
Legal fees	2,910	1,486
<b>Personnel costs (Note 9.1)</b>	<b>107,426</b>	<b>64,201</b>
<b>9.1 Personnel costs</b>		
Defined benefit plan cost - Retiring benefit obligations	3,971	2,505
Defined contribution plan cost - EPF, ETF	9,541	9,603
Salaries and other staff cost	93,914	52,093
	<b>107,426</b>	<b>64,201</b>
<b>10. Income tax expense</b>		

The Company is liable for income tax in accordance with Inland Revenue Act No. 24 of 2017 and income tax has been provided on the taxable income of the Company at 30% on profits arising from its business activities. (2022 - Income tax has been provided on the taxable income of the first six months of the Company at 18% on profits arising from manufacturing, at 24% on profits arising from trading and interest income respectively and on the taxable income of the next six months of the Company at 30% on profit arising from manufacturing, trading and interest income.)



## Note to the Financial Statements (Contd.)

		2023 (Rs.'000)	2022 (Rs.'000)
<b>10.1 Amounts recognised in profit or loss</b>	<b>Note</b>		
<b>Current tax expense</b>			
Income tax on profit for the year	10.3	104,656	54,020
Under provision in respect of previous year		-	-
		<b>104,656</b>	<b>54,020</b>
<b>Deferred tax expense</b>			
Origination of temporary difference	22	5,398	6,272
		<b>110,054</b>	<b>60,292</b>

	2023 (Rs.'000)			2022 (Rs.'000)		
	Gain before tax	Deferred tax effect	Net of Tax	Loss before tax	Deferred tax effect	Net of Tax
<b>10.2 Amounts recognised in Other Comprehensive Income (OCI)</b>						
<b>Remeasurement of defined benefit liability / (asset)</b>	1,963	(589)	1,374	(744)	224	(521)
	<b>1,963</b>	<b>(589)</b>	<b>1,374</b>	<b>(744)</b>	<b>224</b>	<b>(521)</b>

		2023 (Rs.'000)	2022 (Rs.'000)
<b>10.3 Reconciliation between accounting profit and taxable profit</b>	<b>Note</b>	<b>Total</b>	<b>Total</b>
Profit before income tax expense		356,938	222,033
Non business income		(31,366)	(21,957)
Accounting profit on disposal of fixed assets	7.1	(22)	105
Aggregate disallowable expenses		22,536	192,753
Aggregate allowable expenses		(666)	(171,380)
Capital allowances		(29,932)	(25,841)
<b>Assessable income from business</b>		<b>317,488</b>	<b>195,713</b>
Taxable income from non business activities		31,366	21,957
Taxable income		348,854	217,670
<b>Tax on profit for the year</b>		<b>104,656</b>	<b>54,020</b>

## 11. Earnings per share - Basic and Diluted

Basic earnings per share is calculated by dividing the profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	2023	2022
Profit attributable to the owners of the Company (Rs '000)	246,884	161,741
Weighted average number of ordinary shares ('000)	1,500	1,500
<b>Basic earnings per share from continuing operations (Rs.)</b>	<b>164.59</b>	<b>107.83</b>

There were no potentially dilutive ordinary shares in issue at any time during the year/previous year. Hence diluted earning per share is same as the basic earning per share.

## Note to the Financial Statements (Contd.)

### 12. Dividend per share

Dividend per share (Rs.)	45.00	32.00
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Directors have proposed a final dividend of Rs. 27.00 per share for the year ended 25<sup>th</sup> December 2023. (2022-Rs. 17.00 paid), which will be declared at the Annual General Meeting to be held on 10<sup>th</sup> June 2024. In accordance with LKAS 10, Event after the Reporting period, this proposed final dividend has not been recognised as a liability as at 25<sup>th</sup> December 2023. but in computing the dividend per share this proposed dividend has been taken into consideration.

### 13. Property, plant, and, equipment

	Land	Improvements to land	Buildings	Plant and machinery	Furniture and fittings	Computer Hardware	Motor vehicles	Total
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
<b>COST</b>								
<b>Balance as at 26<sup>th</sup> December 2021</b>	<b>110,376</b>	<b>5,254</b>	<b>132,576</b>	<b>114,627</b>	<b>40,179</b>	<b>6,858</b>	<b>73,750</b>	<b>483,620</b>
Addition	-	-	-	133	880	1,784	-	2,797
Transferred to investment properties	-	-	(81,916)	-	-	-	-	(81,916)
Disposal	-	-	-	-	(429)	(29)	-	(458)
<b>Balance as at 25<sup>th</sup> December 2022</b>	<b>110,376</b>	<b>5,254</b>	<b>50,660</b>	<b>114,760</b>	<b>40,630</b>	<b>8,613</b>	<b>73,750</b>	<b>404,043</b>
Addition	-	786	14,874	25,220	1,632	1,252	-	43,764
Disposal	-	-	(296)	-	(130)	(302)	-	(728)
<b>Balance as at 25<sup>th</sup> December 2023</b>	<b>110,376</b>	<b>6,040</b>	<b>65,238</b>	<b>139,980</b>	<b>42,132</b>	<b>9,563</b>	<b>73,750</b>	<b>447,079</b>
<b>ACCUMULATED DEPRECIATION</b>								
<b>Balance as at 25<sup>th</sup> December 2021</b>	<b>-</b>	<b>2,325</b>	<b>13,075</b>	<b>57,171</b>	<b>6,500</b>	<b>3,744</b>	<b>59,139</b>	<b>141,954</b>
Charge for the year	-	239	3,805	5,357	3,823	954	9,373	22,551
Transferred to Investment properties	-	-	(5,378)	-	-	-	-	(5,378)
On disposal	-	-	-	-	(283)	(29)	-	(312)
<b>Balance as at 25<sup>th</sup> December 2022</b>	<b>-</b>	<b>2,564</b>	<b>11,501</b>	<b>62,528</b>	<b>10,040</b>	<b>4,669</b>	<b>68,512</b>	<b>159,814</b>
Charge for the year	-	246	1,995	5,585	3,952	1,004	4,559	17,341
On disposal	-	-	(296)	-	(130)	(302)	-	(728)
<b>Balance as at 25<sup>th</sup> December 2023</b>	<b>-</b>	<b>2,810</b>	<b>13,200</b>	<b>68,113</b>	<b>13,862</b>	<b>5,371</b>	<b>73,071</b>	<b>176,427</b>
<b>CARRYING AMOUNT</b>								
As at 25 <sup>th</sup> December 2022	110,376	2,690	39,159	52,232	30,590	3,944	5,238	244,229
<b>As at 25<sup>th</sup> December 2023</b>	<b>110,376</b>	<b>3,230</b>	<b>52,038</b>	<b>71,867</b>	<b>28,270</b>	<b>4,192</b>	<b>679</b>	<b>270,652</b>

Property, plant and equipment includes fully depreciated assets having a cost of Rs. 106.47 Mn. (2022 - Rs.96.62 Mn.)

## Note to the Financial Statements (Contd.)

For the year ended 25<sup>th</sup> December,

### 13. Property plant and equipment (Contd.)

#### 13.1 Freehold land and building

Location	Net book value Rs.	Market value Rs.	Extent	Accommodation
<b>Maithri Mawath Ekala- Ja-ela</b>				
Land	31.3 Mn.		20.00 Per.	Stores (1,282.5 sq.ft) 1 building
Land	9.1 Mn.	<b>178 Mn.</b>	153.97 Per.	
Improvements to land	3.2 Mn.			Factory (10,791 sq.ft)
Buildings	20.5 Mn.			5 buildings
<b>Total</b>	<b>64.1 Mn.</b>	<b>178 Mn.</b>		
<b>No 4, Tickell road, Colombo 08</b>				
Land	70 Mn.		15.5 Per.	Head Office Building (17,224 sq.ft) in
Investment property	71.9 Mn.	<b>390.0 Mn.</b>		Head Office 1 Floor
Building	31.5 Mn.			Investment property 5 Floors
<b>Total</b>	<b>173.4 Mn.</b>	<b>390.0 Mn.</b>		

“The property No 4, Tickle road, Colombo 08 lot no 1 in survey plan no 4076 has been valued for Rs. 390.0 Mn. on 30<sup>th</sup> Sep 2022. The above properties have been revalued on the basis of current market value by independent, qualified valuers who have recent experience in the location and category of property being valued. Valuation of the properties were carried out by Mr. H. M. N. Herath, Bsc A.I.V (Sri Lanka). However, the market values have not been considered in the financial statements; the said property is stated at cost. There are no restrictions that exist on the title of property, plant and equipment of the Company as at the reporting date.”

#### 13.2 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 25<sup>th</sup> December 2023. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment.

#### 13.3 Title restriction on property, plant and equipment

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

#### 13.4 Property, plant and equipment pledged as securities

Land and buildings located at Maithri mawatha, Ekala, Ja -ela and No.4 Tickle Road, Colombo 08 have been pledged for Rs.203 Mn. as securities as at the reporting date. (2022-Rs. 203 Mn.)

#### 13.5 Capitalised borrowing costs

There were no borrowing costs capitalised on interest-bearing loans and borrowings by the Company on qualifying assets during the financial year (2022 - Nil).

**Note to the Financial Statements (Contd.)**For the year ended 25<sup>th</sup> December,

As at 25 <sup>th</sup> December	2023 (Rs.'000)	2022 (Rs.'000)
<b>14. Investment property</b>		
<b>Cost</b>		
As at the beginning of the year	81,916	-
Addition	-	-
Transferred from property, plant, and, equipment	-	81,916
Disposal	-	-
<b>As at the end of the year</b>	<b>81,916</b>	<b>81,916</b>
<b>Accumulated Depreciation</b>		
As at the beginning of the year	6,744	-
Charge for the year	3,276	1,365
Transferred from property, plant, and, equipment	-	5,378
As at the end of the year	<b>10,020</b>	<b>6,744</b>
<b>Carrying amount</b>		
As at the beginning of the year	<b>75,172</b>	-
As at the end of the year	<b>71,896</b>	<b>75,172</b>

The Company has rented out a part of Union Chemicals Lanka PLC building complex, and the value of land and buildings of that portion has been classified as "investment property" and accounted on the "cost model" as permitted by LKAS 40-Investment Property.

**15. Intangible Assets**

<b>Cost</b>		
As at the beginning of the year	27	27
Acquired/incurred during the year	-	-
On write off	(27)	-
As at the end of the year	-	<b>27</b>
<b>Amortisation</b>		
As at the beginning of the year	27	27
Amortisation charge for the year	-	-
On write off	(27)	-
As at the end of the year	-	<b>27</b>
<b>Carrying amount</b>		
As at the beginning of the year	-	-
As at the end of the year	-	-

- There were no intangible assets pledged by the Company as security for facilities obtained from banks (2022-Nil)

- Neither there were no restrictions existed on the title of the intangible assets or no temporarily idle intangible assets of the Company as at the reporting date.

## Note to the Financial Statements (Contd.)

As at 25 <sup>th</sup> December,	2023	2022
	(Rs.'000)	(Rs.'000)
<b>16. Inventories</b>		
Raw materials and consumables	283,494	280,032
Work-in-progress	8,589	15,535
Finished goods	195,213	259,842
Goods-in-transit	7,229	124,336
Machinery spare parts	16,683	14,352
	<b>511,208</b>	<b>694,097</b>
Less; Provision for inventories	(5,415)	(5,415)
<b>Total Inventories</b>	<b>505,793</b>	<b>688,682</b>
<b>16.1 Provision for inventories</b>		
Balance as at the beginning of the year	5,415	5,415
Provision recognised during the year	-	-
Balance as at the end of the year	<b>5,415</b>	<b>5,415</b>
The carrying amount of inventories pledged as security for bank facilities obtained amounted to Rs.132 Mn. (2022: Rs.132 Mn.)		
<b>17. Trade and other receivables</b>		
Trade receivables	169,593	131,601
Less: Impairment of trade receivables	17.1 (4,546)	(7,347)
<b>Total trade receivables</b>	<b>165,047</b>	<b>124,253</b>
Indent commission receivable	1,599	2,477
Interest receivable	17.2 6,057	4,539
Loans to company officers	17.3.1 1,068	931
Advances and prepayments	12,394	55,341
Value Added Tax receivable	12,194	21,635
Other receivables	3,635	4,458
<b>Total trade and other receivables</b>	<b>201,995</b>	<b>213,634</b>
<b>17.1 Impairment of trade receivables</b>		
Balance as at the beginning of the year	7,347	14,314
Reversal made during the year	(2,801)	(6,967)
<b>Balance as at the end of the year</b>	<b>4,546</b>	<b>7,347</b>

**Note to the Financial Statements (Contd.)**

As at 25 <sup>th</sup> December,		2023	2022
		(Rs.'000)	(Rs.'000)
	Note		
<b>17.2 Interest receivables</b>			
Balance as at the beginning of the year		4,539	323
Interest income recognised during the year	8.1	26,410	21,957
Interest received during the year		(24,892)	(17,741)
<b>Balance as at the end of the year</b>		<b>6,057</b>	<b>4,539</b>
<b>17.3 Loans to company officers</b>			
Balance as at the beginning of the year		1,324	1,130
Loans granted during the year		1,275	1,275
Repayment during the year		(1,281)	(1,081)
<b>Balance as at the end of the year</b>		<b>1,318</b>	<b>1,324</b>
<b>17.3.1</b> Due within one year		1,068	931
Due after one year		250	393
		<b>1,318</b>	<b>1,324</b>
No loans have been granted to the Directors of the Company.			
<b>18. Cash and cash equivalents</b>			
<b>18.1 Favorable cash and cash equivalent balances</b>			
Cash in hand		475	475
Short term deposits		35,000	70,800
Cash at bank		52,060	183
<b>Cash and cash equivalents in the statement of financial position</b>		<b>87,535</b>	<b>71,458</b>
<b>18.2 Unfavorable cash and cash equivalent balances</b>			
Bank overdraft		(4,415)	(84,105)
<b>Cash and cash equivalents in the statement of cash flow</b>		<b>83,120</b>	<b>(12,647)</b>
<b>19. Financial assets</b>			
<b>Financial assets at amortised cost - non - current</b>			
Treasury bills		40,000	40,000
Fixed deposit		5,000	5,000
<b>Total</b>		<b>45,000</b>	<b>45,000</b>

**Note to the Financial Statements (Contd.)**As at 25<sup>th</sup> December,**2023****2022****Note****(Rs.'000)****(Rs.'000)**

<b>19.2</b>	<b>Financial assets at amortised cost - current</b>			
	Treasury bills		125,139	-
	<b>Total</b>		<b>125,139</b>	<b>-</b>

The company's financial assets held classified at amortised cost include treasury bills with average interest rates ranging from 12.5% to 16.5% and fixed deposits with rates ranging from 11% to 16%. These assets are invested in a licensed commercial bank rated A(lka) by Fitch.

<b>20.</b>	<b>Stated Capital</b>			
<b>20.1</b>	<b>Issued and fully paid</b>			
	1,500,000 Ordinary Shares (Rs. 10 Per Value)		<b>15,000</b>	<b>15,000</b>

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

<b>21.</b>	<b>Retirement Benefit Obligation</b>			
	Present value of funded obligation	21.2	6,294	6,807
	Present value of unfunded obligation	21.5	13,765	12,408
	<b>Total present value of obligation</b>		<b>20,059</b>	<b>19,215</b>
	Fair value of retirement benefit assets	21.1	<b>(6,231)</b>	<b>(6,705)</b>
	<b>Total present value of obligation, net</b>		<b>13,828</b>	<b>12,510</b>

An Actuarial valuation was carried out by professionally qualified independent actuary Mr. M Poopalanathan, Actuarial & Management Consultants (Pvt) Ltd. as at 25th December 2023. The valuation method used by the Actuaries to value is the 'Project Unit Credit Method' (PUC) the method recommended by LKAS 19 'Employee Benefits'.

Externally funded policy was purchased from AIA Insurance Lanka PLC, which covered 5 employees of the Company (6 employees 2022). The plan is funded by a policy obtained from AIA Insurance Lanka PLC. This policy meets the criteria mentioned in Sri Lanka Accounting Standard LKAS 19 - Employee Benefits, to classify it as a qualifying insurance policy.

"The contributions to the fund by the Company are based on actuarial valuations carried out by AIA Insurance Lanka Ltd. The Company expects to pay Rs. 0.3778 Mn. as contributions to its plan assets for the period ended 25<sup>th</sup> December 2024. Employees are not required to contribute to this fund."

The amounts recognised in the statement of financial position are determined as follows :

<b>21.1</b>	<b>Fair value of retirement benefit assets</b>			
	Fair value of plan assets as at the beginning of the year		6,705	6,079
	Expected return on plan assets		1,240	669
	Contribution paid into plan assets		29	-
	Benefits paid by the plan		(1,202)	-
	Actuarial loss		(541)	(43)
	Fair value of plan assets as at the end of the year		<b>6,231</b>	<b>6,705</b>
<b>21.2</b>	<b>Present value of funded obligation</b>			
	Balance as at the beginning of the year		6,807	5,360
	Provision for the year		1,509	850
	Benefits paid by the fund		(1,203)	-
	Actuarial loss / ( gain)		(819)	597
	Balance as at the end of the year		<b>6,294</b>	<b>6,807</b>

**Note to the Financial Statements (Contd.)**As at 25<sup>th</sup> December,

	Note	2023 (Rs.'000)	2022 (Rs.'000)
<b>21.3 Amount recognised in the statement of profit or loss</b>			
Interest cost		1,259	590
Past service cost		-	-
Current service cost		250	260
Provision for the year		<b>1,509</b>	<b>850</b>
Expected return on plan assets		(1,240)	(669)
<b>Total expenses recognised in the statement of profit or loss</b>		<b>269</b>	<b>181</b>
<b>21.4 Present value of unfunded obligation</b>			
Fair value of retirement benefit assets	21.1	6,231	6,705
Present value of funded obligation	21.2	(6,294)	(6,807)
Present value of net obligation		<b>(63)</b>	<b>(102)</b>
<b>21.5 Present value of unfunded obligation</b>			
Balance as at the beginning of the year		12,408	10,845
Provision for the year		3,702	2,324
Benefits paid		(660)	(865)
Actuarial loss on obligation		(1,685)	104
Present value of defined benefit obligation		<b>13,765</b>	<b>12,408</b>
<b>21.5.1 Expenses recognised in the statement of profit or loss</b>			
Interest cost		2,296	1,192
Past service cost		70	-
Current service cost		1,336	1,132
<b>Total expenses recognised in the statement of profit or loss</b>		<b>3,702</b>	<b>2,324</b>
<b>Gain or losses recognised in other comprehensive income</b>			
Actuarial gains - Retirement benefit assets		541	43
Actuarial losses/( gains) - Funded obligation		(819)	597
Actuarial losses/( gains) - Unfunded obligation		(1,685)	104
<b>Total actuarial losses/ (gains)</b>		<b>(1,963)</b>	<b>744</b>

**Key Assumptions***Principal actuarial assumption as at 25<sup>th</sup> December,*

Rate of discount	12%	18.5%
Expected salary increment	10%	17%
Staff turnover factor	7.5%	7.5%

Retirement age is determined by the minimum retirement age of Workers Act No.28 of 2021. The retirement age for contract employees not covered under the insurance policy has been revised to 65 years. (2022 - 60 years) As a result of the plan amendment, the Company's retirement benefits obligation increased by Rs. 70,000. A corresponding past service cost was recognized in profit or loss during the year. The employee who are aged over the specified retirement age have been assumed to retire on their respective birthday. A long-term treasury bond rate 12% p.a (2022-18.5%) was used to discount future liabilities taking into consideration the remaining working life of employees. Further, the salary increment rate of 10% is considered appropriate to be in line with the Company's targeted future salary increments when taking into account the current market conditions and inflation rate.



## Note to the Financial Statements (Contd.)

As at 25<sup>th</sup> December,

“Due to the discount rate and salary increment rate assumptions used, nature of non financial assumptions and experience of the assumptions of the Company, there is no significant impact to employment benefit liability as a result of prevailing macro economic conditions.”

The Company will continue as a going concern.

### 21.6 Demographic Assumptions

In addition to the above, demographic assumptions such as mortality, withdrawal and disability, and retirement age were considered for the actuarial valuation. “A 1967/07 mortality table” issued by the Institute of Actuaries, London was used to estimate the gratuity liability of the Company.

### 21.7 Sensitivity analysis

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

As at 25 <sup>th</sup> December (Rs.'000)	2023		2022	
	Increase (Rs.'000)	Decrease (Rs.'000)	Increase (Rs.'000)	Decrease (Rs.'000)
<b>Discount Rate (1% Movement )</b>	(1,098)	1,207	(921)	1,009
<b>Future Salary (1% Movement )</b>	1,313	(1,211)	1,092	(1,010)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognised within the statement of financial position.

### 21.8 Maturity analysis of the payments

The following payments are expected on defined benefit obligations in future years.

As at 25 <sup>th</sup> December,	2023			2022		
	Employees covered under Insurance Policy (Rs.'000)	Employees not covered under Insurance Policy (Rs.'000)	Total (Rs.'000)	Employees covered under Insurance Policy (Rs.'000)	Employees not covered under Insurance Policy (Rs.'000)	Total (Rs.'000)
Within next 12 months	464	2,118	2,582	470	2,290	2,760
Between 1 and 2 years	432	778	1,210	1,418	872	2,290
Between 2 and 5 years	1,641	3,436	5,077	1,699	4,066	5,765
Between 5 and 10 years	3,757	3,704	7,461	3,220	1,990	5,210
Over 10 years	-	3,729	3,729	-	3,190	3,190
<b>Total</b>	<b>6,294</b>	<b>13,765</b>	<b>20,059</b>	<b>6,807</b>	<b>12,408</b>	<b>19,215</b>
No employees	<b>5</b>	<b>33</b>	<b>38</b>	<b>6</b>	<b>34</b>	<b>40</b>
Weighted average duration in years of defined benefit obligation	<b>6</b>	<b>7</b>	<b>6</b>	<b>5.29</b>	<b>6.22</b>	<b>5.89</b>

## Note to the Financial Statements (Contd.)

As at 25<sup>th</sup> December,

### 21.9 The Composition of Insurance Plan Asset

<b>The Investment portfolio of AIA Insurance Lanka Ltd.</b>		
As at 25 <sup>th</sup> December,	<b>2023</b>	<b>2022</b>
Government Securities	88.53%	71.31%
Corporate bonds	11.04%	28.01%
Equity	0.00%	0.00%
Policy holder loans	0.43%	0.68%
	<b>100%</b>	<b>100%</b>

"An interim return on Plan Assets of 8.0% was declared by AIA Insurance Lanka Ltd. for the year 2023. (Declared Dividend Rate for 2022 is 8.44%)".

### 22. Deferred tax liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows :

	<b>Note</b>	<b>2023</b> <b>(Rs.'000)</b>	<b>2022</b> <b>(Rs.'000)</b>
<b>Movement of deferred tax liabilities</b>			
Balance at the being if the year		11,512	5,464
Origination of temporary differences recognized in profit or loss		5,398	6,272
Origination/ (reversal) of temporary differences recognized in other comprehensive income	10.1	589	(224)
Balance as at the end of the year		<b>17,499</b>	<b>11,512</b>
<b>22.1 Provision / (reversal) during the year</b>			
Provision during the year recognized in profit or loss		5,398	6,272
Provision / (reversal) during the year recognized in other comprehensive income		589	(224)
<b>Total provision</b>		<b>5,987</b>	<b>6,049</b>
<b>22.1.2 Provision / (reversal) during the year recognized in profit or loss</b>			
Effect in change in tax rates charged to profit or loss		-	3,028
Effect in change in tax base charged to profit or loss		5,398	3,244
		<b>5,398</b>	<b>6,272</b>
<b>22.1.3 Provision / (reversal) during the year recognized in other Comprehensive Income</b>			
Effect in change in tax rates charged to other comprehensive income		-	(850)
Effect in change in tax base charged to other comprehensive income		589	626
		<b>589</b>	<b>(224)</b>

Management has measured the deferred tax by applying the tax rates at 30 % as per Inland Revenue Act No. 24 of 2017 as at 25<sup>th</sup> December 2023, in accordance with LKAS 12 paragraph 46.

## Note to the Financial Statements (Contd.)

As at 25<sup>th</sup> December,

### 22.2 Movement in deferred tax assets and liabilities

The movement in deferred tax assets and liabilities during the year, without taking into consideration the off setting of balances within the same tax jurisdiction, is as follows :

	2023		2022	
	Temporary Difference (Rs.'000)	Tax Effect on Temporary Difference (Rs.'000)	Temporary Difference (Rs.'000)	Tax Effect on Temporary Difference (Rs.'000)
Property plant equipment	70,564	21,169	57,016	17,105
Investment property	6,142	1,843	1,213	364
Employee benefit obligation	(13,828)	(4,148)	(12,510)	(3,753)
Trade receivables Impairment provision	(4,546)	(1,365)	(7,347)	(2,204)
<b>Total</b>	<b>58,332</b>	<b>17,499</b>	<b>38,372</b>	<b>11,512</b>

23. Loans and borrowings	Note	2023	2022
		(Rs.'000)	(Rs.'000)
Import loans	23.1	-	54,665
		-	54,665
<b>Total loans and borrowing</b>		<b>-</b>	<b>54,665</b>

### 23.1 Import loans

Balance at the beginning of the year	54,665	29,318
Loans obtained during the year	137,701	155,066
Loan repayments during the year	(192,366)	(129,719)
Balance at the end of the year	-	54,665

#### 23.1.1 Import Loans maturity analysis

Amount repayable after one year	-	-
Amount repayable within one year	-	54,665
<b>Total</b>	<b>-</b>	<b>54,665</b>

#### 23. 1. 2. Import Loans facility analysis

Facility type	Bank	Nominal interest rate	Repayments Terms	Security	2023 (Rs.'000)	2022 (Rs.'000)
Working capital management	Commercial bank	4% Per annum (Fixed rate)	24 Months (including a moratorium period of six months)	Land & building - Lot no 02 Maithri Mawatha Ja-ela, Trade receivable and inventory up to Rs. 104.5 Mn.	-	32,660
		AWPR+ 2.0%	120 days		-	-
Import loan and working capital management	NDB bank	13.5% p.a.	90 days	Land & Building - Lot no 01 and 03 Maithri Mawatha Ja-ela, Trade Receivable and Inventory up to Rs. 30.5 Mn. Trade Receivable and Inventory up to Rs. 80 Mn.	-	-
	Seylan bank	AWPR + 1.5%	90 days		-	22,005
<b>Total</b>					<b>-</b>	<b>54,665</b>

**Note to the Financial Statements (Contd.)**As at 25<sup>th</sup> December,

	Note	2023 (Rs. '000)	2022 (Rs. '000)
<b>24. Trade and other payables</b>			
Trade payables		61,419	201,713
Interest payable	24.1	270	1,976
Accruals and other payables		38,018	23,480
Value Added Tax payable		6,591	1,031
<b>Total trade and other payables</b>		<b>106,298</b>	<b>228,200</b>
<b>24.1 Interest payable</b>			
Balance as at the beginning of the year		1,976	475
Interest recognised during the year	8.2	6,382	13,145
Interest payment during the year		(8,088)	(11,644)
<b>Balance as at the end of the year</b>		<b>270</b>	<b>1,976</b>
<b>25. Current tax liability</b>			
Balance at the beginning of the year		26,694	28,672
Tax on profit for the year	10.1	104,656	54,020
Payments made during the year		(83,277)	(55,998)
Balance at the end of the year		<b>48,073</b>	<b>26,694</b>
<b>26. Dividend payable</b>			
Balance at the beginning of the year		12,274	6,371
Dividends declared during the year		52,500	37,500
Unclaimed dividend forfeited		(6,200)	-
Payments made during the year		(50,993)	(31,597)
Balance at the end of the year		<b>7,581</b>	<b>12,274</b>

**27. Business segments**

The Company operates in two business segments namely manufacturing and trading segregated based on the nature of the products or services provided and risk and returns of each segment. Segment results and assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Company reportable segments of Latex and Chemicals and plastics, as described below. These two different segments are managed separately because they require different marketing strategies.

## Note to the Financial Statements (Contd.)

As at 25<sup>th</sup> December,

### 27.1. Business segments

	Note	2023			2022		
		Chemicals and plastics (Rs. '000)	Latex (Rs. '000)	Total (Rs. '000)	Chemicals and plastics (Rs. '000)	Latex (Rs. '000)	Total (Rs. '000)
<b>Reportable segmental analysis</b>							
Segment revenue	5	311,041	1,301,837	1,612,878	409,397	1,268,848	1,677,744
Other income	6	2,044	10,982	13,026	2,644	2,566	5,210
Depreciation on property, plant and equipment	13	(1,734)	(15,607)	(17,341)	(2,351)	(21,160)	(23,511)
Depreciation on investment property	14	(308)	(2,968)	(3,276)	(137)	(1,228)	(6,744)
Segment result from operating activities		30,433	293,079	323,512	54,134	351,633	405,768
Finance income	8.1	3,745	36,063	39,808	2,929	19,028	21,957
Finance costs	8.2	(600)	(5,782)	(6,382)	(27,442)	(178,250)	(205,692)
Net finance cost		3,145	30,281	33,426	(24,513)	(159,222)	(183,735)
<b>Segment profit before tax</b>		<b>33,578</b>	<b>323,360</b>	<b>356,938</b>	<b>29,621</b>	<b>192,411</b>	<b>222,033</b>
Income tax expenses	10.1	(106,006)	(4,048)	(110,054)	(55,588)	(4,704)	(60,292)
<b>Profit for the year</b>		<b>(72,428)</b>	<b>319,312</b>	<b>246,884</b>	<b>(25,967)</b>	<b>187,707</b>	<b>161,741</b>
Property, plant and equipment	13	54,130	216,522	270,652	60,285	183,944	244,229
Investment property	14	12,000	59,895	71,895	18,555	56,617	75,172
Other non-current assets		8,593	42,888	51,481	12,860	39,238	52,098
Inventories	16	81,001	424,792	505,793	136,256	552,426	688,682
Trade and other receivables	17	40,614	161,379	201,995	27,112	186,522	213,634
Other current assets		35,499	177,176	212,675	9,532	61,926	71,458
<b>Segment assets</b>		<b>231,839</b>	<b>1,082,652</b>	<b>1,314,491</b>	<b>264,600</b>	<b>1,080,672</b>	<b>1,345,273</b>
Non-current liabilities		6,269	31,289	37,558	4,099	26,628	30,727
Loans and borrowings	23	-	-	-	7,293	47,372	54,665
Trade and other payables	24	10,000	96,298	106,298	30,444	197,755	228,199
Other current liabilities		10,026	50,043	60,069	30,379	92,694	123,073
<b>Segment liabilities</b>		<b>26,296</b>	<b>177,631</b>	<b>203,925</b>	<b>69,717</b>	<b>364,450</b>	<b>436,665</b>

**Note to the Financial Statements (Contd.)**As at 25<sup>th</sup> December,**28. Financial Instruments - Fair values and risk management**

<b>Financial assets</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
Trade and other receivables *	17	173,771	132,200
Other financial assets	17.3.1	250	393
Financial assets at amortised cost - non - current	19.1	45,000	45,000
Financial assets at amortised - current	19.2	125,139	-
Cash in hand	18.1	475	475
Short term deposits	18.1	35,000	70,800
Cash at bank	18.1	52,060	183
<b>Total financial assets</b>		<b>431,695</b>	<b>249,051</b>
<b>Financial liabilities</b>			
Trade and other payables **	24	61,689	203,689
Loans and borrowings	23	-	54,665
Dividend payables	26	7,581	12,274
Bank overdraft	18.2	4,415	84,105
<b>Total financial liabilities</b>		<b>73,685</b>	<b>354,733</b>

\* Advances & Prepayment, Value Added Tax Receivable and Deposits & Other Receivables amounting to Rs. 28.2 Mn. (2022 - Rs. 81.4 Mn.) that are not financial assets are not included.

\*\* Accruals & Other Payables and Value Added Tax Payable amounting to Rs. 44.6 Mn. (2022 - Rs. 24.5 Mn.) that are not financial liabilities are not included.

**28.1 Accounting classification and fair value of financial instruments**

The following table shows the carrying amounts of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As at 25 <sup>th</sup> December, 2023	Notes	Fair value						
		Financial assets at amortised cost (Rs. '000)	Financial liabilities at amortised cost (Rs. '000)	Total (Rs. '000)	Level 1 (Rs. '000)	Level 2 (Rs. '000)	Level 3 (Rs. '000)	Total (Rs. '000)
<b>Financial assets</b>								
Trade and other receivables *	17	173,771	-	173,771	-	-	-	-
Other financial assets	17.3.1	250	-	250	-	-	-	-
Financial assets at amortised - non - current	19.1	45,000	-	45,000	-	-	-	-
Financial assets at amortised - current	19.2	125,139	-	125,139	-	-	-	-
Cash in hand	18.1	475	-	475	-	-	-	-
Short term deposits	18.1	35,000	-	35,000	-	-	-	-
Cash at bank	18.1	52,060	-	52,060	-	-	-	-
<b>Total financial assets</b>		<b>431,695</b>	<b>-</b>	<b>431,695</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>								
Trade and other payables **	24	-	61,689	61,689	-	-	-	-
Dividend payables	26	-	7,581	7,581	-	-	-	-
Bank overdraft	18.2	-	4,415	4,415	-	-	-	-
<b>Total financial liabilities</b>		<b>-</b>	<b>73,685</b>	<b>73,685</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Note to the Financial Statements (Contd.)

### 28.1 Accounting classification and fair value of financial instruments

	Notes	At amortised cost			Fair value			Total
		Financial assets	Financial liabilities	Total	Level 1	Level 2	Level 3	
		(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	
As at 25 <sup>th</sup> December, 2022								
<b>Financial assets</b>								
Trade and other receivables *	17	132,200	-	132,200	-	-	-	-
Other financial assets	17.3.1	393	-	393	-	-	-	-
Financial assets at amortised cost as non - current	19.2	45,000	-	45,000	-	-	-	-
Financial assets at amortised as cost current	19.1	-	-	-	-	-	-	-
Cash in hand	18.1	475	-	475	-	-	-	-
Short term deposits	18.1	70,800	-	70,800	-	-	-	-
Cash at bank	18.1	183	-	183	-	-	-	-
<b>Total financial assets</b>		<b>249,051</b>	<b>-</b>	<b>244,051</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>								
Trade and other payables **	24	-	203,689	203,689	-	-	-	-
Loans and borrowings	23	-	54,665	54,665	-	-	-	-
Dividend payables	26	-	12,274	12,274	-	-	-	-
Bank overdraft	18	-	84,105	84,105	-	-	-	-
<b>Total financial liabilities</b>		<b>-</b>	<b>354,733</b>	<b>354,733</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The management assessed that cash and cash equivalents, other financial assets, trade and other receivables, bank overdrafts, loans and borrowings, trade and payables, and dividend payables approximate their carrying amounts largely due to the short-term maturities of these instruments, hence fair value hierarchy is not applicable.

### 28.2 Financial risk management

This note presents information on the Company's exposure to each of the below risk categories, The Company's objective, policies and processes for measuring and managing risk and the Company's management of capital.

#### 28.2.1 Risk management framework

The risk management report on page 11 to 12 of this Annual Report explains the risk management framework of the Company.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risks limits and controls and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Board of Directors oversees how management monitor compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

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

28.2.1.1 Credit Risk

28.2.1.2 Liquidity Risk

28.2.1.3 Market Risk

## Note to the Financial Statements (Contd.)

### 28.2.1.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument failing to meet contractual obligations. credit risk arises principally from the Company's receivables from customers.

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was :

As at 25 <sup>th</sup> December,	Note	2023 (Rs. '000)	2022 (Rs. '000)
Trade and other receivables *	17	173,771	132,200
Other financial assets	17.3.1	250	393
Financial assets at amortised - non - current	19.1	45,000	45,000
Financial assets at amortised - current	19.2	125,139	-
Short term deposits	18.1	35,000	70,800
Cash at bank	18.1	52,060	183
<b>Total</b>		<b>431,220</b>	<b>248,576</b>

#### a) Trade and other receivables

Goods and services are provide on credit basis after proper credit evaluation of the customer. Credit approval is duly documented, reviewed and autorised by the senior management.

Company monitor receivables on regular intervals by reviewing segmental age analysis. The senior managers of their respective segments are responsible for collection of dues. The Company has obtained Rs. 0.650 Mn. (2022 - 1.3 Mn.) bank guarantees against trade receivables. Goods and services are suspended in supplying for the receivable past dues. Receivables past dues are monitored by the managing director of the Company, goods & services are supplied only on his approvals on the basis of trade relationship and payment plan agreed.

The Company monitors the credit worthiness of all its customers prior to entering into credit terms and monitors the recoverability of its trade receivables on a regular basis. The Company customers settle dues within the credit term.

Loans are given to permanent confirmed employees and are deducted from the salaries as per the terms of granting the loan. Company has adequate security over the loans granted.

All receivables of the Company has a history of minimum rate of defaults. Company have taken appropriate legal action to recover defaults.

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

As at 25<sup>th</sup> December,

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

	Note	2023 (Rs. '000)	2022 (Rs. '000)
Balance as at the beginning of the year		7,347	14,314
Net impairment reversal	17.1	(2,801)	(6,967)
<b>As at the end of the year</b>		<b>4,546</b>	<b>7,347</b>



## Note to the Financial Statements (Contd.)

### b) Expected credit loss assessment

The Company uses Expected Credit Loss (ECL) approach to impairment of its financial assets. This enables better credit risk reporting of financial instruments by carrying reasonably quantified default risk adjusted value of assets in the balance sheet.

The Company applies experienced credit judgement taking in to account qualitative and quantitative factors that are indicative of the risk of default. Scalar factors are based on GDP forecast which are also incorporated to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected recovery period.

The Company also assessed its financial instruments for Significant Increase in Credit Risk (SICR) with available, reasonable and supportable information including economic support and relief measures provided to counter parties.

Company has made all the effort to obtain independent external credit rating. Due to nature of the industry that Company operate and cost, credit ratings are not available of the customers that the Company is dealing with.

As at 25 <sup>th</sup> December,	Note	2023		2022	
		Gross carrying amount (Rs. '000)	Loss allowance (Rs. '000)	Gross carrying amount (Rs. '000)	Loss allowance (Rs. '000)
Current (not past due)		133,054	145	84,092	240
1-30 days past due		19,570	118	6,643	104
31-60 days past due		3,509	40	30,500	969
61-90 days past due		9,458	299	3,125	219
91-180 days past due		61	4	1,453	186
181-360 days past due		-	-	270	115
More than 360 days past due		3,941	3,940	5,518	5,515
<b>Total trade receivables &amp; Impairment</b>	<b>17</b>	<b>169,593</b>	<b>4,546</b>	<b>131,601</b>	<b>7,347</b>

As at 25 <sup>th</sup> December,	Note	2023 (Rs. '000)	2022 (Rs. '000)
<b>b) Cash and cash equivalents</b>			
<b>Fitch rating</b>			
<b>Bank balance (Including short term deposits)</b>			
A(lka)	18.1	87,060	70,983

The cash and cash equivalents are held with reputed commercial banks.

## Note to the Financial Statements (Contd.)

### 28.2.1.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Liquidity issues can have an adverse impact on ongoing operations as well as investment decisions of the Company. In order to minimise the risk, the Company regularly reviews its liquidity position and reports to the Board. Future cash requirements are ascertained through continuous rolling forecasts. Further, the expected cash inflows from trade receivables, outflows from trade payables and imports are closely monitored by the Board.

The Company also maintains excellent relationships with banks, it has dealings with and enjoy substantial banking facilities. The Company aims to maintain banking facilities in excess of expected funding requirement. The table below highlights the lines of credit and utilised facilities as at 25<sup>th</sup> December.

	Note	2023		2022	
		Utilisation (Rs.'000)	Facility amount (Rs.'000)	Utilisation (Rs.'000)	Facility amount (Rs.'000)
Import loans	23.1	-	360,000	54,665	325,000
Bank overdraft	18.2	4,415	112,000	84,105	112,000
<b>Total borrowing utilization vs facility</b>		<b>4,415</b>	<b>472,000</b>	<b>138,770</b>	<b>437,000</b>

This excludes the potential impact of extreme circumstances that cannot reasonably be predicted. Following are the remaining contractual maturities of financial liabilities, including estimated interest payments as at the end of the reporting period :

#### As at 25<sup>th</sup> December, 2023

Line of credit	Note	Carrying amount (Rs.'000)	Contractual cash flow			
			Total (Rs.'000)	One month (Rs.'000)	2 -12 Months (Rs.'000)	More than 12 Months (Rs.'000)
Bank overdraft	18.2	4,415	4,415	4,415	-	-
Trade and other payables	28	61,689	61,689	61,689	-	-
Dividend payables	26	7,581	7,581	7,581	-	-
<b>Total</b>		<b>73,685</b>	<b>73,685</b>	<b>73,685</b>	<b>-</b>	<b>-</b>

#### As at 25<sup>th</sup> December 2022

Line of credit	Note	Carrying amount (Rs.'000)	Contractual cash flows			
			Total (Rs.'000)	One month (Rs.'000)	2 -12 Months (Rs.'000)	More than 12 Months (Rs.'000)
Bank overdraft	18.2	84,105	84,105	84,105	-	-
Loans and borrowings	23.1	54,665	54,665	54,665	-	-
Trade payable and other payables	28	203,689	203,689	203,689	-	-
Dividend payables	26	12,274	12,274	12,274	-	-
<b>Total</b>		<b>354,733</b>	<b>354,733</b>	<b>354,733</b>	<b>-</b>	<b>-</b>

## Note to the Financial Statements (Contd.)

Gross inflows/outflows disclosed in the table above represents the contractual undiscounted cash flows obtained on variable interest rates. Interest payments of these loans indicated in the table above reflect the present market interest rates at the period end and may vary according to changes in the market interest rates.

There were no covenants held by the Company on the loans obtained other than the normal payment settlement terms that exists when the loans are obtained.

### 28.2.1.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposure within the acceptable parameters, while optimising the return.

#### (a) Currency risk

The Company is exposed to currency risk through import credit obtained at differently-denominated currencies the Company transacts in. The primary denominations of currencies in which these transactions are conducted are USD. Given below is the summary of the import credit exposure as at 25<sup>th</sup> December;

As at 25 <sup>th</sup> December,	2023	2022
	USD	USD
<b>Foreign trade payables</b>	<b>112,552</b>	<b>488,268</b>
<b>Spot rate was US\$ 1 Vs LKR</b>	<b>332.31</b>	<b>371.78</b>

An increase or decrease of Sri Lankan Rupees as indicated below, against the major foreign currencies as at 25<sup>th</sup> December would have increased/(decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

#### Sensitivity analysis of exchange rates

As at 25 <sup>th</sup> December,	2023 (Rs. '000)	2022 (Rs. '000)
Increase by 5%	(39,272)	(190,605)
Decrease by 5%	39,272	190,605
Increase by 15%	(43,012)	(208,758)
Decrease by 15%	43,012	208,758

#### (b) Interest rate risk

The Company adopts a policy of ensuring borrowings are maintained at manageable levels while optimising returns. Interest rates are negotiated leveraging on the strength of the Company and there by ensuring the availability of cost-effective funding at all times, while minimising the negative effect of market fluctuations. In addition, Company has considerable banking facilities with several reputed banks which has enabled the Company to negotiate competitive rates.

## Note to the Financial Statements (Contd.)

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows.

As at 25<sup>th</sup> December,

<b>Fixed rate instruments</b>	<b>Note</b>	<b>2023 (Rs. '000)</b>	<b>2022 (Rs. '000)</b>
Financial assets		205,139	115,800
Financial liabilities		-	-
<b>Total fixed rate instruments</b>		<b>205,139</b>	<b>115,800</b>
Financial liabilities		-	54,665
<b>Total variable rate instrument</b>	23.2	<b>-</b>	<b>54,665</b>

### Sensitivity analysis for variable rate instruments

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

	<b>2023 (Rs. '000)</b>	<b>2022 (Rs. '000)</b>
Increase by 100 BP	-	(574)
Decrease by 100 BP	-	574

### 28.3 Capital management

The Board's policy is to maintain a strong capital base to maintain confidence of the investors, creditors and the market while sustaining future development of the business. Capital consists of total equity. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Board of Directors seek to maintain a balance between higher returns facilitated through a higher level of borrowings and the benefits and security afforded by a sound capital position.

The capital structure of the Company consists of net debt (borrowings as detailed in Note 23 offset by cash and bank balances) and equity of the Company (comprising issued capital, reserves, retained earnings). The capital structure of the Company is reviewed by the Board of Directors. The gearing ratios are given below :

As at 25<sup>th</sup> December,

	<b>Note</b>	<b>2023 (Rs. '000)</b>	<b>2022 (Rs. '000)</b>
<b>Gearing ratio</b>			
Non - current liabilities		37,558	30,727
Current liabilities		166,367	405,938
<b>Total liabilities</b>		<b>203,925</b>	<b>436,665</b>
Cash and bank balances	18	(87,535)	(71,458)
Net debt		116,390	365,207
Equity		1,110,566	908,608
<b>Gearing ratio</b>		<b>10%</b>	<b>40%</b>

(1) Debt is defined as long and short-term liabilities as described in Notes 23.

(2) Equity includes all capital and reserves of the Company.

## Note to the Financial Statements (Contd.)

### 29. Commitments and contingencies

#### 29.1 Commitments

Letter of credits affected and documents on acceptance for foreign purchases amounted to Rs. 81.7 Mn. (2022 – 83.0 Mn.)

#### 29.2 Capital Commitments

“There were no significant capital commitments, which have been approved or contracted for by the Company as at the reporting date except for the above.”

#### 29.3 Contingencies

Considering the opinion of the Company’s lawyers, the Directors have reasonable assurance that any pending litigation will not have a material impact on the financial statements.

#### Assessment in Respect of Value Added Tax

The Company has been issued with assessment notices and refund notices by the Department of Inland Revenue under section 26 of the Value Added Tax Act No. 14 of 2002, for Rs. 16.5 million and Rs. 18 million, respectively. In response, the Company has filed appeals for assessment notices and made instructions for refund notices to the Department of Inland Revenue within the stipulated time frame, citing errors in the underlying computations.

The Company is awaiting the hearing of these appeals and the Board of Directors is in the opinion that there is only a remote possibility of an obligation arising.

#### Assessment in Respect of Income Tax

The Company has been issued with an assessment notice from the Department of Inland Revenue on 11<sup>th</sup> June 2018, under section 177(1) of the Inland Revenue Act, No. 10 of 2006, amounting to Rs. 5.8 million. Subsequently, on 24<sup>th</sup> July 2018, the Company filed an appeal to the Large Entities Default Collection of Inland Revenue Act, No. 10 of 2006. The appeal was lodged on the grounds that the underlying computation contains errors and that payments were erroneously made to incorrect payment codes.

The Company is awaiting the hearing of these appeals and the Board of Directors is in the opinion that there is only a remote possibility of an obligation arising.

#### 29.4 Assets pledged

The Company has given a negative pledge over the Company’s total assets for the following banks over the loans and overdrafts having a carrying value of Rs. 138.7 Mn. as at the year end (2022 - 138.7 Mn.):

Commercial Bank of Ceylon PLC

National Development Bank PLC

Seylan Bank PLC

### 30. Events after the reporting date

There were no material events occurred subsequent to the reporting date as at 25<sup>th</sup> December 2023 that require adjustments to or disclosure in the Financial Statements other than mentioned below :

#### (i) Dividend declaration

Directors have proposed a final dividend of Rs.27.00 per share for the year ended 25<sup>th</sup> December 2023. (2022 - Rs. 17.00), which will be declared at the Annual General Meeting to be held on 10<sup>th</sup> June 2024. In accordance with LKAS 10 Events after the reporting date, this proposed final dividend has not been recognized as a liability as at 25<sup>th</sup> December 2023.

## Note to the Financial Statements (Contd.)

### 31. Related parties

#### 31.1 Related party transactions

Related party transactions have been declared at meetings of the Directors by the related party transaction review committee. There had been no related party transaction during the year except for the transaction with Key Management Personnel.

#### 31.2 Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard (LKAS) 24, Related Party Disclosure, Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive Directors) of the Company and their immediate family members have been classified as Key Management Personnel of the Company.

##### a) Compensation paid to key management personnel

Key management personnel comprise the Directors' of the Company. Directors' emoluments for the year ended 25<sup>th</sup> December 2023 amounted to Rs. 41.8 Mn. (2022- Rs.35.7 Mn.) Terminal benefit paid for the year ended 25<sup>th</sup> December 2023 Nil (2022 - Nil).

##### b) Other transactions with key management personnel

Mr. H. A. D. G. Gunasekera, Director of the Company is also the Managing Director of the Company, has 52.92% of the Company's issued Share Capital at the year end. (2022 - 52.92%)

Company pays a lease rent and allowance amounting to Rs 5.8 Mn. to the Managing Director for the house owned and occupied by him as an employment benefit (2022- 3.06 Mn. was paid as lease rent).

Directors' have no direct or indirect interest in contracts with the Company other than above.

##### c) Loans to directors

There were no loans granted to Directors during the year.

### 32. Comparative information

The Company has consistently applied the accounting policies with those adopted in the previous financial year. The presentation and classification of the financial statements of the previous period, have been adjusted, where relevant, for better presentation.

### 33. Directors' Responsibilities

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

### 34. Net Assets Per Share

As at 25 <sup>th</sup> December,	2023	2022
Net assets attributable to ordinary shareholders (Rs. '000)	1,110,566	908,608
Weighted average number of ordinary shares in issue ('000)	1,500	1,500
<b>Net assets per share (Rs.)</b>	<b>740.38</b>	<b>605.70</b>

## Information to Share Holders

- (1) Ordinary shareholders as at 25<sup>th</sup> December 2023  
Number of shareholders - 789 (as at 25<sup>th</sup> December 2022 - 773)

### As at 25<sup>th</sup> December,

No of Shares held	2023			2022		
	No of Shareholders	No of shares	%	No of Shareholders	No of shares	%
1-1,000	754	79,214	5	741	82,210	5
1,001-10,000	24	86,587	6	22	84,490	6
10,001-100,000	8	316,822	21	8	315,923	21
100,001-1000,000	3	1,017,377	68	3	1,017,377	68
Over 1000,000	0	-	-	-	-	-
<b>Total</b>	<b>789</b>	<b>1,500,000</b>	<b>100</b>	<b>773</b>	<b>1,500,000</b>	<b>100</b>

Categories of Shareholders	2023			2022		
	No of Shareholders	No of shares	%	No of Shareholders	No of shares	%
Local Individuals	743	1,173,503	78.234	730	1,173,622	78.24
Local Institutions	41	326,163	21.744	38	326,044	21.74
Foreign Individuals (non resident)	05	334	0.022	05	334	0.02
Foreign Institutions	-	-	-	-	-	-
<b>Total</b>	<b>789</b>	<b>1,500,000</b>	<b>100</b>	<b>773</b>	<b>1,500,000</b>	<b>100</b>
Shares held by public	<b>785</b>	<b>464,990</b>	<b>30.99</b>	<b>770</b>	<b>398,125</b>	<b>26.54</b>

**2023**  
**Rs.**                      **2022**  
**Rs.**

### (2) Capital at market value

Market capitalisation	975,000,000	921,000,000
Float adjusted market capitalisation	258,781,750	244,448,750

The Company complies with option 5 of the listing rules 7.13.1 (a) as the company maintained the minimum public holding more than 20% and number of public shareholders more than 500.

### (3) Market Value per Share

(a) Highest recorded during the financial year	767.50	758.00
(b) Lowest recorded during the financial year	510.50	510.00
(c) Closing	650.00	614.00

### (4) Dividend pay out (%)

30%                      30%

### (5) Dividend payments

Interim dividend - Rs. 18/- per share paid on 9<sup>th</sup> November 2023

Proposed final dividend Rs. 27/- per share to be declared and payable on 28<sup>th</sup> June, 2024. (2023 - final dividend Rs. 18/- per share)

**Information to Share Holders (Contd.)**(2) Major shareholders as at 25<sup>th</sup> December,

Names	2023		2022	
	No. of Shares	%	No. of Shares	%
Mr. H. A. D. U. G. Gunasekera	638,622	42.57	638,622	42.57
Estate of Late Mr. Shabbir Husain Abbas Gulamhusein	223,560	14.90	223,560	14.9
People's Leasing & Finance PLC/ Mr.H.A.D.U.G.Gunasekera	155,195	10.35	155,195	10.35
K.G. Investments Limited	84,216	5.61	84,216	5.61
Commercial Bank of Ceylon PLC/ S. A.Gulamhusein	66,865	4.46	66,865	4.46
Mrs. K. Gunaratnam	55,615	3.71	55,615	3.71
Mr. K. C. Vignarajah	34,089	2.27	33,320	2.22
Mr. K. Gunaratnam (Decd)	29,548	1.97	29,548	1.97
Mr. U. L. Suriyabandara	18,476	1.23	18,300	1.22
Mrs. L. A. M. Gunasekera	17,633	1.18	17,633	1.18
Mrs. S. Mahendran	10,380	0.69	10,380	0.69
Mrs. S. Gunaratnam	9,687	0.65	9,687	0.65
Mrs. P. G. King	9,687	0.65	9,687	0.65
The Estate of the Late G. R. Pathmaraj	9,687	0.65	9,687	0.65
Ms. V. Gunaratnam	9,687	0.65	9,687	0.65
Colombo Investment Trust PLC	6,400	0.43	6,400	0.43
Colombo Fort Investments PLC	5,500	0.37	5,500	0.37
Mr. S. K. Hathiramani (Deceased)	4,900	0.33	4,900	0.33
Mrs. Rathnakumari Someswaran Administratrix of the	3,646	0.24	3,646	0.24
Mr. G. C. Goonetilleke	3,100	0.21	3,100	0.21
	<b>1,396,493</b>		<b>1,395,548</b>	



## Ten Years at a Glance

	2014 Rs.' 000	2015 Rs.' 000	2016 Rs.' 000	2017 Rs.' 000	2018 Rs.' 000	2019 Rs.' 000	2020 Rs.' 000	2021 Rs.' 000	2022 Rs.' 000	2023 Rs.' 000
<b>Year ended 25<sup>th</sup> December,</b>										
Trading Results										
Revenue	688,730	773,939	761,242	700,396	874,392	955,829	1,026,165	1,596,759	1,677,744	1,612,878
Profit before taxation	72,959	130,072	135,404	71,823	65,567	104,067	151,473	203,092	222,033	356,938
Taxation	(21,511)	(38,778)	(38,661)	(21,215)	(16,883)	(29,057)	(43,355)	(31,387)	(60,292)	(110,054)
<b>Profit for the year</b>	<b>51,448</b>	<b>91,294</b>	<b>96,743</b>	<b>50,607</b>	<b>48,684</b>	<b>75,010</b>	<b>108,118</b>	<b>171,705</b>	<b>161,741</b>	<b>246,884</b>
<b>As at 25<sup>th</sup> December,</b>										
Equity & Liabilities										
Non current assets	134,313	145,124	182,116	189,375	236,670	283,734	309,793	348,038	371,499	394,029
Current assets	329,440	390,388	436,122	439,407	450,879	460,518	500,486	804,079	973,774	920,462
	<b>463,753</b>	<b>535,512</b>	<b>618,238</b>	<b>628,782</b>	<b>687,549</b>	<b>744,252</b>	<b>810,279</b>	<b>1,152,117</b>	<b>1,345,273</b>	<b>1,314,491</b>
Capital	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Reserves	327,437	395,558	468,927	492,708	525,604	577,500	643,907	769,888	803,608	1,095,566
<b>Total Equity</b>	<b>342,437</b>	<b>410,558</b>	<b>483,927</b>	<b>507,708</b>	<b>540,604</b>	<b>592,500</b>	<b>658,907</b>	<b>784,888</b>	<b>908,544</b>	<b>1,110,566</b>
Non current liabilities	16,053	20,620	17,912	20,588	54,792	59,501	32,089	24,358	30,727	37,558
Current liabilities	105,264	104,334	116,399	100,486	92,154	92,251	119,283	342,872	405,938	166,367
	<b>463,753</b>	<b>535,512</b>	<b>618,238</b>	<b>628,782</b>	<b>687,549</b>	<b>744,252</b>	<b>810,279</b>	<b>1,152,117</b>	<b>1,345,273</b>	<b>1,314,491</b>
Net Debts	224,177	286,054	319,723	338,920	358,725	368,267	381,203	461,207	572,835	754,095
<b>Key indicators</b>										
Earnings per share (basic) (Rs.)*	34.30	60.86	64.50	33.74	32.46	50.01	72.08	114.47	107.83	164.59
Cash flow from operating activities	42,159	97,741	185,491	44,883	(4,999)	131,559	188,545	111,131	76,854	437,463
Net assets per share (Rs.)*	228.29	273.71	322.62	338.47	360.40	395.00	439.27	523.26	605.70	740.38
Market price per share (Rs.)	498.80	600.00	510.20	400.10	400.00	400.00	700.00	852.00	614.00	650.00
Annual sales growth (%)	12	12	(2)	(8)	25	9	7	56	5	(4)
Dividend paid/payable (gross) (Rs.)	21,000	25,500	28,500	19,500	18,000	31,500	43,500	37,500	48,000	67,500
Dividend per share (Rs.)	14.00	17.00	19.00	13.00	13.00	21.00	29.00	25.00	32.00	45.00
Return on shareholders' equity (%)	15	22	20	10	9	13	16	22	18	22
Price earning ratio (times)	15	10	8	12	12	8	10	7	6	4
No of employees	41	41	41	41	40	44	41	43	40	38

## Environment Management Approach

The company has its vision of been the most respected chemical company in South Asia under the scope "Manufacturing of water-based Polymer emulsions" Its integrated management policy is designed in such way to ensure Eco-friendly product manufacturing, Technology leadership, Eco innovation, sustainable consumption, people empowerment, Customer focus, EHS excellence, simplicity and CSR activities for business excellence.

EMS is a part of the overall management system which led UCLL in planning activities, responsibilities, implementing procedures to meet such circumstantial arenas and to achieve the new standard of ISO 14001:2015 Environment Management Standards. Our environmental policy and practices aim to protect, conserve and sustain the world's natural resources as well as our customers and the communities where we live and operate All the products produced in the facility adhere to GHS labeling standards. Company monitor its commitment to environment by measuring water foot print, waste water generation, reuse of waste water, diesel consumption, electricity consumption, raw material efficiency and other relevant environment aspects using KPI's.

The Environment Health and Safety (EHS) Management program developed for the respective year within the company is supported by responsible care guidelines, ensuring that all operations are carried out complying to the green manufacturing practices in environment responsible manner safeguarding the well-being of employees. The CSR activities conducted by the company have been entrusted to a wider spectrum during 2020, compared to previous year.

### Product Development.

The product development is guided by ISO 9001:2015 Quality management System and ISO 14001 : 2015 Environment Management Standards. Green chemistry principles have been used in most important product developments tool when consider environment management approach. It drives the company to Eco-friendly product design. Company achieved Eco label to its brand "U-coat" which is a range of water base wood coating and developed according to Eco design product development concept. These green initiatives did not add additional cost burdens to our valued customers.

### Water

Company use water as the main raw material for its production. It promotes water born products to replace solvent born products in the market. Company calculates water foot print and it has taken efforts continuously to reduce water consumption in the areas of reactor sterilization, gardening, human consumption. The water collected by rain water harvesting was used for firefighting and gardening. Reuse of wash water has contributed to reduce the water consumption. The calculated water foot print of current year is 1.08m<sup>3</sup>/Mt. whereas its 1% less than previous year.

### Energy

UCLL is in the process of obtaining ISO 50001:2018 new standard in the year 2024. Company is working to implement Scope of the EnMS is improving energy performance, reducing greenhouse gas emissions, reduction in energy cost and other related environmental impacts. Company has decided the criteria and methods needed to ensure that all significant energy uses (SEU), procedures and monitoring requirements. UCLL Energy Management System (EnMS) provides a mechanism for energy management throughout all the operations of the manufacturing process. The EnMS of UCLL covers electricity and diesel as energy sources related to all operations in the manufacturing processes. Data collection infrastructure system is implemented. Action to address risk and opportunities are documented.

### Raw Material and Products.

UCLL is equipped to face the uncertainties the future holds as we continue to serve our customers with products of uncompromised quality all the time. Our commitment to quality and providing only the very best to our customers remains the foundation of all we do. Our commitment to the environment is essentially linked to our business model, while contributing to the sustainability of our operations, as well as minimizing our impact on the resources.

In the year under review, our commitment to grow in manufacturing, enabled us to cater to meet the increasing demands of our customers for products. Responsible sourcing of raw materials and sustainable consumption contributed for manufacturing of quality products through the year 2021, while supporting company waste management system. Despite the challenges faced by the world regarding raw materials, UCLL made all opportunities and managed to mitigate the risk of getting raw materials in order to supply the demand.

### CSR

Corporate Social Responsibility towards community remains as an important feature within the CSR framework of UCLL. The aim of UCLL is to identify need and to provide assistance to improve the society and to build better living lifestyle enhancement. Acknowledging the fact that corporate responsibility does not end with UCLL business processes and their direct impact, the Company has constantly shown enthusiasm towards the meaningful and sustainable relationships in the communities via following CSR Projects.

We recognize that businesses have a part to play in nation-building especially in providing assistance to people who are less fortunate than others. As such, we work closely with charitable organizations in Gallowatta, Ekala, finding ways for us to contribute to society. These come not just in the form of monetary contribution but also in committing time and effort in these organizations' activities.

Empowering youth in our local communities through skill development opportunities and improving education standards is a key element of UCLL's corporate social responsibility. This was initiated by providing direct and indirect employment opportunities with the view of enhancing their livelihoods and sustaining relationships with these communities. Donation of computers to Damma School at Ekala Temple IT laboratory for the betterment of underprivileged children of the area is one of such.

UCLL welcomes interns/University students to embark on an exciting learning journey with challenging assignments and projects. Beside the in house training provided for these intern's monthly payment is granted as financial assistance to complete their higher degree Some of the community development initiatives undertaken by UCLL for the year includes donation of paints to places of religious worship and selected families of the area were carried out.

UCLL's EHS team conducts safety observation walks for selected organizations to identify the potential safety risks at work place by walk-through observations and to make suggestion to mitigate the risks and to improve the overall standard.

UCLL's Research & Development team contributed to a workshop held at "Industrial Development Board" for example house hold or small category paint manufacturing. So, as them to start their own industries while marketing company raw materials to them. The participants also provided with free of charge wood coating samples.

## CORPORATE INFORMATION

NAME OF THE COMPANY	Union Chemicals Lanka PLC	
COMPANY REGISTRATION NO	PQ 140	
LEGAL FORM	A Public Quoted Company with limited liability, incorporated in Sri Lanka in 1988. The Shares of the Company are listed in the Colombo Stock Exchange.	
ACCOUNTING YEAR END	25 <sup>th</sup> December, 2023	
BOARD OF DIRECTORS	Dr. Azeez M. Mubarak Mr. H.A.D.U.G. Gunasekera Mr. R.De Zilwa Mr. U.L. Pushpakumara Mr. K. M. Dissanayake	Chairman Managing Director
AUDIT AND RISK COMMITTEE	Mr. K. M. Dissanayake Dr. Azeez M. Mubarak Mr. R. De Zilwa	Chairman
REMUNERATION COMMITTEE	Dr. Azeez M. Mubarak Mr. R. De Zilwa Mr. K. M. Dissanayake	Chairman
RELATED PARTY TRANSACTION REVIEW COMMITTEE	Mr. K. M. Dissanayake Mr. R. De Zilwa Dr. Azeez M. Mubarak Mr. U. L. Pushpakumara	Chairman
SECRETARIES & REGISTRARS	Messrs. Jacey & Company 9/5, Thambiah Avenue Colombo 07.	
EXTERNAL AUDITORS	Messrs. KPMG Chartered Accountants 32A, Sir Mohamed Macan Markar Mawatha Colombo 03.	
LAWYERS	Messrs. Julius & Creasy 41, Janadhipathi Mawatha P O Box 154 Colombo 01.	
BANKERS	Commercial Bank of Ceylon PLC P O Box 148 21, Sir Razik Fareed Mawatha Colombo 01.  National Development Bank PLC 103 1/A, Dharmapala Mawatha Colombo 07.  People's Bank 50, Hyde Park Corner Colombo 02.  Seylan Bank PLC Seylan Towers, 90, Galle Road, Colombo 03.  DFCC Bank 540, Nawala Road, Rajagiriya.  Hatton National Bank No. 479, T B Jayah Mawatha, Colombo 10.	
REGISTERED OFFICE	5th Floor, 4 Tickell Road Colombo 08.	
FACTORY	Maithri Mawatha Ekala, Ja-ela.	

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