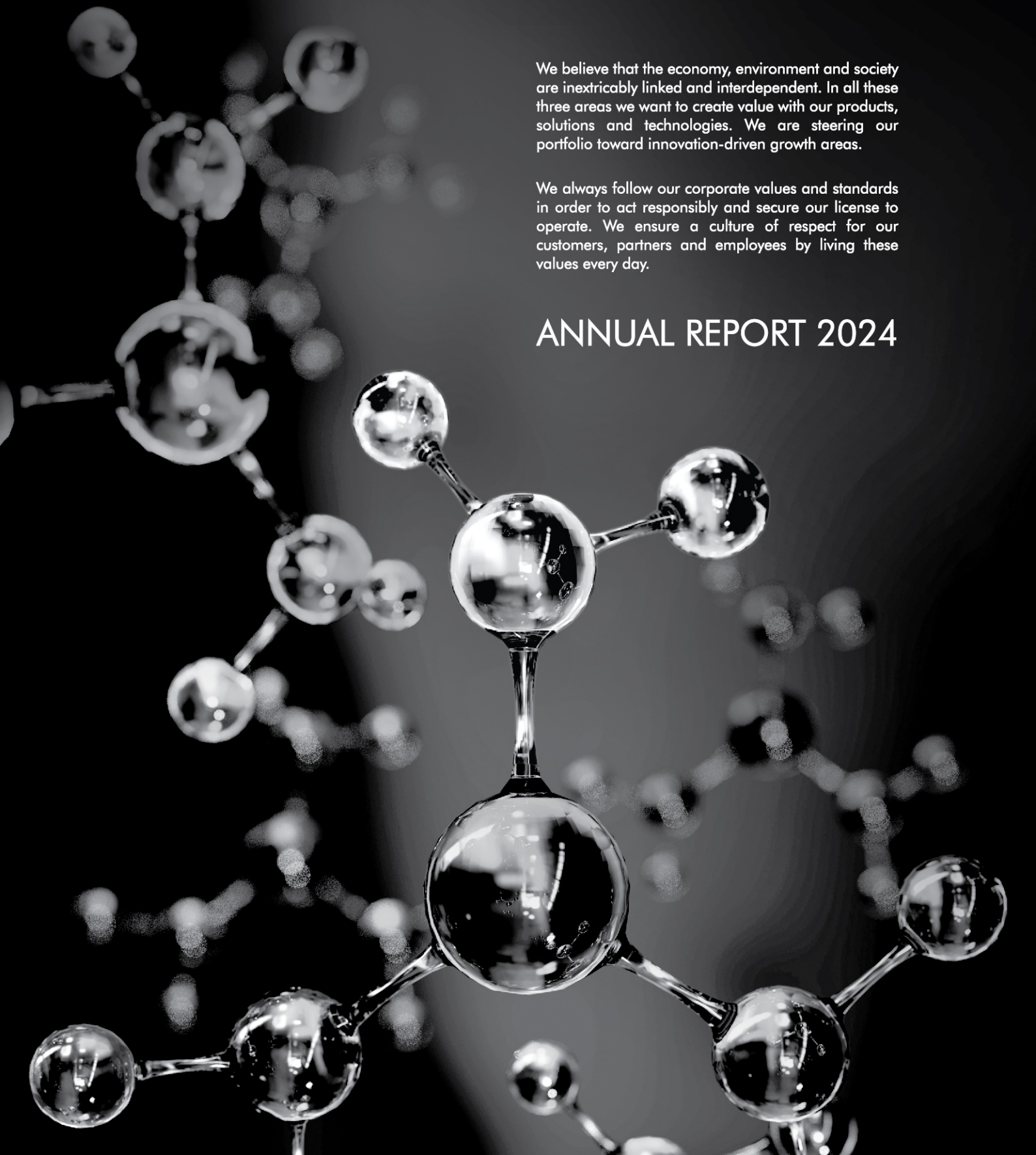
UNION CHEMICALS LANKA PLC

Converting Science to Technology



We believe that the economy, environment and society are inextricably linked and interdependent. In all these three areas we want to create value with our products, solutions and technologies. We are steering our portfolio toward innovation-driven growth areas.

We always follow our corporate values and standards in order to act responsibly and secure our license to operate. We ensure a culture of respect for our customers, partners and employees by living these values every day.

ANNUAL REPORT 2024

Union Chemicals Lanka PLC is 37 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

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.

Content

Notice of Meeting	1
Chairman's Message	2
Management Discussion Analysis	4
Board of Directors Profile	8
Statement of Directors' Responsibilities	9
Report of the Board of Directors	10
Corporate Governance	13
Risk Management	17
Nomination and Governance Committee	19
Report of the Audit and Risk Committee	20
Report of the Remuneration Committee	21
Report of the Related Party Transaction Committee	22
Responsibility Statement of CEO and CFO	23
Independent Auditors' Report	24
Statement of Profit or Loss and other Comprehensive Income	27
Statement of Financial Position	28
Statement of Changes in Equity	29
Statement of Cash Flow	30
Notes to the Financial Statements	31
Information to Share Holders	65
Ten Years at a Glance	67
Environment Management Approach	68
Corporate Information	70

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 seven (37th) Annual General Meeting of Union Chemicals Lanka PLC will be held at "Westwing Conference Hall", Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 02 on Friday, 13th June, 2025 at 10.30 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements for the year ended 25th December, 2024 together with the Reports of the Auditors' thereon and the Annual Report for the said year.

2. To declare a Final Dividend of Rs. 36/- per Share for the year ended 25th December 2024, 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 elect Professor Bamunu Arachchige Jagath Premachandra, Director, who retires in terms of Article 91 of the Articles of Association.

   (iii) To elect Mr. Wasantha Kumara Peiris Malwattege, Director, who retires in terms of Article 91 of the Articles of Association.

   (iv) To re-appoint as a Director, Mr. Henadira Appuhamilage Don Upananda Gamini Gunasekera who was seventy-two (72) years on 16th February, 2025 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 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 Mr. Henadira Appuhamilage Don Upananda Gamini Gunasekera".

   (v) To re-appoint as a Director, Mr. Kosala Munasinghe Dissanayake who was seventy (70) years on 03rd July, 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. Kosala Munasinghe Dissanayake who is 70 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. Kosala Munasinghe Dissanayake".

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
16th May, 2025
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 extend a warm welcome to all of you on behalf of the Board to the 37th Annual General Meeting of your 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 25th December 2024.

The Union Chemical Lanka PLC annual report shows how we as a Company create value for our stakeholders and how sustainability contributes to Company's long-term success as an integral part of our corporate purpose and our strategy. The annual report combines the major financial and sustainability-related information necessary to comprehensively evaluate the company's performance. We select the report's topics based on the principles of completeness, balance, stakeholder inclusion and sustainability.

Our aim is to optimize our cost of capital, limit financial risks and ensure solvency at all times. We develop innovative and more sustainable solutions to our customers in order to enter new markets and further increase productivity.

The year 2024 has been regarded as a transformative year for Sri Lanka economy. The year under review brought a dramatic change of scenery to our nation's political landscape, recording a monumental shift in the allegiance of its people. Despite the relative stability of 2023, the combined effects of four consecutive years of major adversity - dealing with the worst economic crisis in history, a global pandemic, and a terror attack - resulted in the country choosing a path hitherto untraveled, demanding and hoping for real change.

Despite the uncertainties faced during the year past, your Company continued to progress via commitment and perseverance, as always. The year 2024 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 37 years of existence.

Economy

The Sri Lankan economy rebounded strongly during the year under review, getting back on track after facing its worst crisis since independence, and is estimated to have grown notably by 5.2%. Following the 2022 debt default, Sri Lanka marked a major milestone in 2024 by successfully completing its international bond restructuring, a critical step toward financial recovery. Progress made under the IMF-EFF programme has also boosted investor confidence, ensuring the stability of the external sector. Renewed business and consumer confidence also aided a faster recovery in domestic economic activity.

Sri Lanka's economy grew by 5.4% year-on-year in the fourth quarter of 2024, following a downwardly revised 5.3% expansion in the previous period. This marked the fastest pace of growth since the second quarter of 2021, driven by a 13.1% surge in industrial production and a solid 2.5% increase in services output. In contrast, agricultural activities contracted by 2.2%, partially reversing the 3.7% growth seen in the previous quarter. For the full year of 2024, the economy expanded by 5.0%, following two consecutive periods contraction.

Achieving a 5.4% growth rates was driven by rebounds in industrial sectors like construction and food manufacturing, as well as tourism. However, the recovery was uneven, with private consumption remaining weak and labor force participation declining. Inflation remained low, with the central bank cutting interest rates to support growth. While the economy experienced a strong recovery, poverty rates continued to rise, and households faced challenges from high prices and income losses.

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 below than expected. 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 increased marginally by 2% to Rs.1.65 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 optimum, which enabled us to achieve a positive free cash flow of Rs. 252.9 Mn. (2023 - Rs. 345.4 Mn.).

Future Outlook

Sri Lanka's economy is expected to rebound in 2025, forecasts recovery to continue at a moderate growth of 3.9% in 2025 and 3.4% in 2026 following the strong rebound in 2024. 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.

Chairman's Message (Contd.)

Dividends

To demonstrate our commitment to our shareholders, we are proposing a final dividend of 36/- per share at the Annual General Meeting. This will be on top of Rs. 27/- per share that was paid as interim dividend in November 2024. The total dividend payment for the year under review will be Rs. 94.5 million.

Acknowledgement

Mr. R. De Zilwa who served the board for nearly sixteen years and Dr. Azeez M. Mubarak who served the board for nearly eleven years retired on 31st December 2024. We valued deeply the contributions made by both of them to the Board.

We extend our warm welcome to Prof. Jagath Premachandra and Mr. Wasantha Malwattege whose extensive experience in chemicals industry and strategic leadership will be invaluable assets to our board.

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, 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).
Mr. K. M. Dissanayake
Chairman
16th May 2025

Management Discussion and Analysis

Union Chemical Lanka PLC manufactures and trades waterborne polymers, adhesives, coatings and industrial chemicals to deliver excellent performance.

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

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

The Sri Lankan economy began recording a gradual recovery during the latter part of 2023, marking the end of a prolonged period of economic contraction. This recovery continued in 2024. Inflation decelerated to a single digit by the end of the year under review as a result of the implementation of policies and actions aimed at controlling the high inflation levels that prevailed in 2022. The country also witnessed a notable increase in foreign exchange inflows primarily driven by tourism and other service exports, particularly remittances from overseas workers.

The government reforms aimed at stabilising the economy, incorporating measures to attract foreign investment, improve infrastructure, and enhance the ease of doing business. The manufacturing sector, including construction industries, has benefited from these reforms with increased support for sustainable chemical manufacturing and trading industries.

BUSINESS STRATEGY

Operating in a rapidly evolving industry within a volatile global economy, Union Chemicals Lanka PLC consistently strives to remain resilient and adopt a sustainable approach to growth. While our business offers remains sensitive to external market dynamics, supply chain and exchange rate issues, we reinforce our focus on technological edge, expertise and exceptional work ethics. Our business strategy stems from data driven insights and a visionary approach that takes long-term growth into consideration.

Union Chemicals Lanka PLC has maintained its commitment to operational excellence and innovation. The company has continued to experiment with new mining and processing methods to enhance productivity and efficiency whilst focusing on employee safety.

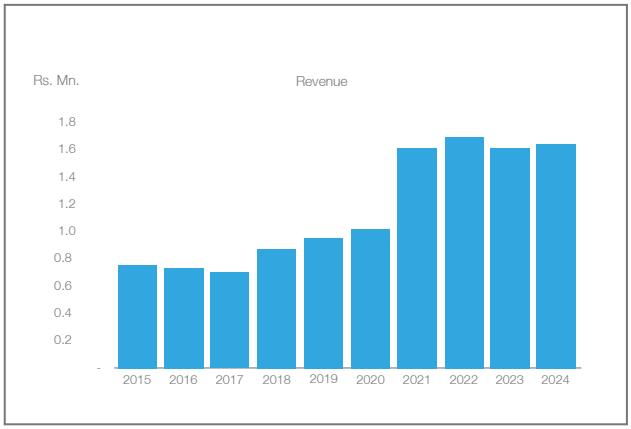
Union Chemicals' business was nevertheless robust: Sales increased significantly, while profit before tax was Rs. 342.9.Mn. within the forecast range at -11.33 %. ROCE was higher of 6.8% to the prior-year figure.

FINANCIAL PERFORMANCE

Revenue

Rs. 1,650.2 Mn.

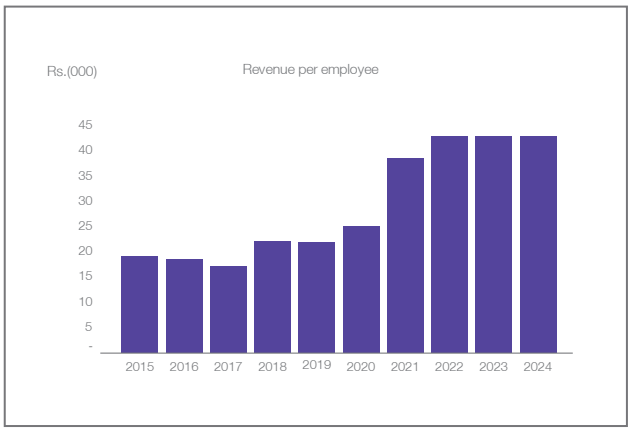
2023 – Rs. 1,612.8 Mn.



The revenue of the company increased by 2% to Rs. 1,650.2 Mn. from Rs. 1,612.8 Mn. The revenue from latex segment increased by 4% and chemicals & plastic segment decreased only by 3% comparative to last year.

Company revenue includes the company's core activity of manufacturing latex products and trading chemical & plastic. The major revenue contributor for the company has become manufacturing latex was 81.8% of the total revenue compared to 82.7% recorded last year.

Revenue of coatings and paint increased by 4% and 12% respectively comparative to last year. Adhesive decreased only by 11% comparative to last year. Revenue of textiles increased significantly by 192% comparative to 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.

Management Discussion and Analysis (Contd.)

Goss Profit
Rs. 432.7 Mn.
2023 - Rs. 429.4 Mn.

The gross profit for the period is Rs. 432.7 Mn. against Rs. 429.4 Mn. in 2023. Gross margin of latex segment maintained at 25% on par with last year. Marginal increase in CIF prices in term of USD per Kg in key raw material of Butyl Acrylate and Styrene Monomer offset by decreasing in prices of 2- Ethyl Hexyl Acrylate and Vinyl Acetate Monomer in Latex segment comparative to last year were reason to reduce the gross margin by 1% comparative to last year.

Other income
Rs. 13.3 Mn.
2023 - Rs. 13.0 Mn.

Other incomes of the company excluding interest income has increased to Rs. 13.3 Mn. during the year from Rs. 13.0 Mn. recorded for last year. Indent commission and Rent Income increased by 102.3% and 73.6% respectively comparative to last year. Decreasing in scraps sales income by 90.8% offset by increasing in other income marginally by 2% comparative to last year.

Finance Cost
Rs. 0.287 Mn.
2023 - Rs. 6.3 Mn.

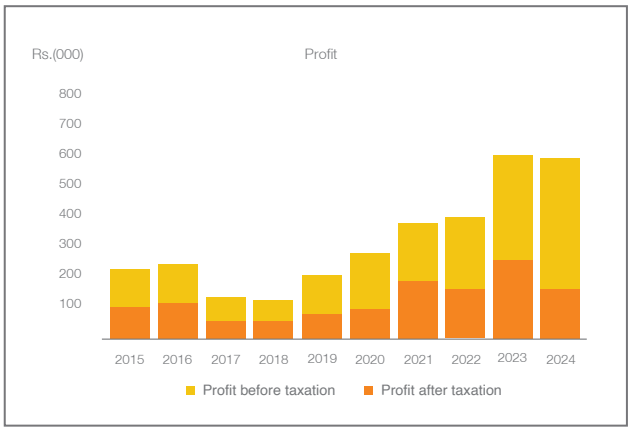
Financial costs of the company decreased by 96% to Rs. 0.287 Mn. from Rs. 6.3 Mn. recorded for last year. A significant decrease in borrowing levels of trade finance was the key factors to the significant decrease in cost of finance during the year under review.

Exchange rates (LKR Vs USD)
Rs. 300.98
2023 – Rs. 332.31

During the year 2024, the Sri Lankan rupee has appreciated against the US dollar by 10.4% (2023 - 10.06%) during the year up to date reflecting a devaluation of LKR by the central bank by floating the exchange rate determine policy.

The 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. 6.9 Mn. (2023- Rs 13.3 Mn.) in the year under review.

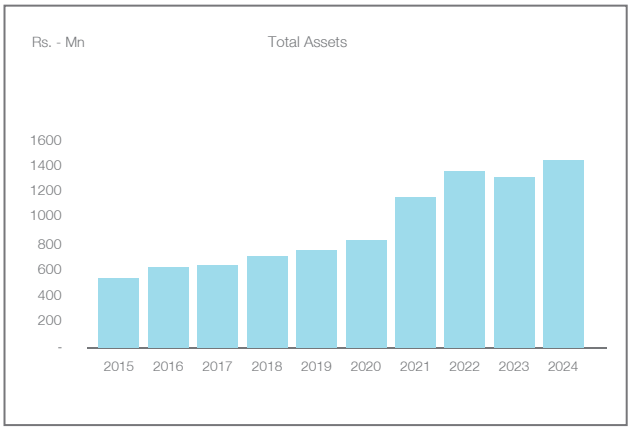
Profit before tax
Rs. 342.8 Mn.
2023 – 356.9 Mn.



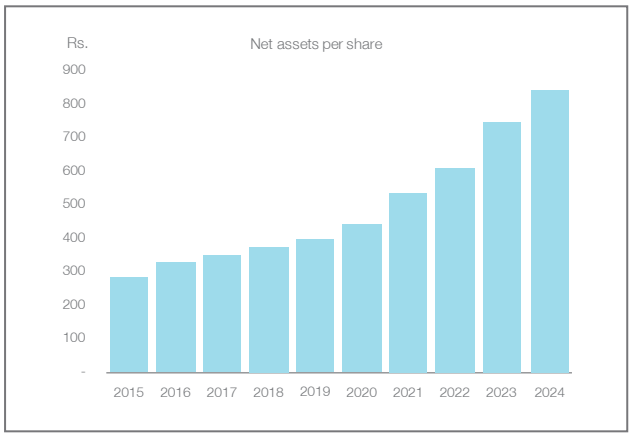
The profit before tax decreased to Rs. 342.8 Mn. from Rs. 356.9 Mn. it decreased by 3.9% comparatively to the previous period. Increased selling and distribution and administrative expenses by 118.8% and 5.6% respectively comparative to last year. Decreasing in scraps sales income by 90.8% offset by increasing in other income marginally by 2% comparative to last year. Decreasing in finance cost by 95.5% offset to decreased the profit before tax by 3.9% comparative to last year.

FINANCIAL POSITION

Total Assets
Rs. 1,476.0 Mn.
2023 – Rs. 1,314.4 Mn.



Management Discussion and Analysis (Contd.)



The company's total assets as at 25th December 2024 were Rs. 1,476.0 Mn and shows an increase of 12.3% from Rs. 1,314.4 Mn. recoded for 2023. This is mainly due to increase in current assets by 174.4 Mn. (18.9%) comparative to last year. Non-current assets decreased by 13.1 Mn. (-3.3%) comparative to last year.

Current Assets
Rs. 1,095.3 Mn.
2023 – Rs. 920.4 Mn.

Current assets of the company have increased to Rs. 1,095.3 Mn. in 2024 compared to Rs. 920.4 Mn. in 2023. Significant increase in financial assets and trade and other receivables by 171.0% and 34.5% respectively comparative to last year. A decrease in inventories and cash and cash equivalents by 18.4% and 18.5% comparative to last year were the key factors to offset the significant increase reported in total current assets by 19.0% comparative to last year.

Working capital
Rs. 927.5 Mn.
2023 – Rs. 754.1 Mn.

The net working capital of the company in the year to stand at Rs. 927.5 Mn. year under review as against previous year value of Rs. 754.1 Mn. A decreasing in overdraft by 97.6%. offset by decreasing the trade and other payables by 0.8% and increasing dividend payable by 66.4%. These factors significantly impacted the increase in working capital comparative to last year of 23.0%.

Net Cash flow from operating activities
Rs. 252.8 Mn.
2023 - Rs. 345.4 Mn.

Cash flows from operating activities amounted to Rs. 252.8 Mn. compared with Rs. 345.4 Mn. in the previous year. The decrease in cash flows from operating activities was largely due to the increase in trade and other receivables by Rs. 90.7 Mn. during the period under review. A decrease in raw material cost significantly impacted a decrease in inventory. Payment in advance for raw material and settlement of debts in foreign currency brought forward from previous year decreased the trade payable. Credit policy was changing in lieu of economic recovery resulted an increasing in trade and other receivables.

Cash flows used in investing activities amounted to Rs. 188.7 Mn. in year under review (2023 – Rs.144.0 Mn.), that was mainly attributed to investing in treasury bills and deposits of Rs. - 214.0 Mn. (2023- Rs. – 125.1 Mn.) It is 71.0% higher than in the previous year. Interest received in 2024 was 30.4 Mn. (2023 – Rs. 24.8.) It is 21.9% higher than in the previous year.

Cash flows used in financing activities amounted to Rs. – 75.9 Mn., compared with Rs. – 105.6 Mn. in the previous year. particular to the net cash outflow from the change in financial and similar liabilities and dividend payments of Rs.- 75.9 Mn.

Free cash flow of financial resources remaining after investments decreased to Rs. 243.2 Mn. compared with Rs. 301.6.Mn. (-19.4%) in the previous year. A decrease in cash generated from operation by Rs.252.8 Mn. from Rs, 345.4 Mn. (-26.8%) was the key factor for such decrease in free cash during the reporting period.

Free cash flow was used to pay dividend of 75.9 Mn. and investing in short term financial assets of Rs. 214.0 Mn. during the reporting period.

Net assets value per share
Rs. 844.75
2023 – Rs. 740.38

The net assets value per share of the company increased to Rs. 844.75 as at the reporting date compared to Rs. 740.38 (14.1%) recorded for last year. Positive operational performance during the year under review increased the net asset value of the share by Rs. 104.37 per share.

Capital structure
Rs. 1,267.1 Mn.
2023 – Rs.1,110.6 Mn.

Net assets of the company stand at Rs. 1,267.13 Mn. as at the reporting date. (2023 -Rs. 1,110.6 Mn.). There were no significant changes in value compared with in the previous year.

Total assets of the company stand at Rs. 1,476.0 Mn. (2023- Rs. 1,314.5 Mn.) as at the reporting date. There were no significant changes in value compared with in the previous year. Assets were funded by shareholders by 85.9%, non-current liabilities by 2.8% and current liabilities by 11.3%.

Management Discussion and Analysis (Contd.)

We stand by our dividend policy to increase the dividend per share each year. In 2024, we generated a strong free cash flow. We pay Rs. 94.5 Mn. as dividend year under review.

Net Debt
Rs. 137.5 Mn.
2023 – Rs. 116.3 Mn.

The company's total net debt was Rs. 137.5 Mn. as at balance sheet date, a 18.2% increased against previous reporting period. This was primarily due to 0.8% increasing in current liabilities and 9.9% increasing in non-current liabilities against previous reporting period. Increasing in total liabilities of 2.4% offset by 18.5% decreasing in cash and cash equivalents against previous reporting period. The company gearing level decreased by 1% from 30% 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, 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.

Health and Safety

The company is committed to ensuring a safe working environment for its employees, contractors, and visitors involved in any business or transaction with the company.

In reporting work related hazards, awareness sessions are conducted for all employees according to Occupational Health and Safety (OHS) policies. All incidents are recorded. Employees are trained to increase awareness on health and safety and address lapses should they occur thereby maintaining a safe and healthy workplace.

Looking Ahead

In 2025, Sri Lanka's economy is projected to continue its recovery from the 2022 crisis, with a moderate growth rate of 3.9%. While growth is expected to be moderate, it will be driven by improvements in domestic economic activity, increased tourism earnings, and workers' remittances. However, the country faces ongoing challenges, including potential global economic headwinds and trade policy uncertainties.

The International Monetary Fund (IMF) has been providing support to Sri Lanka through its Extended Fund Facility (EFF) program, which has contributed to the recovery.

The company plans to continue experimenting with new business and processing methods to enhance productivity and efficiency. The company will also focus on initiatives that will enable the company to achieve net-zero emissions in the short term, underscoring Union Chemical's commitment to environmental sustainability.

In conclusion, Union Chemicals Lanka PLC remains dedicated to delivering value to its stakeholders while contributing to the broader goals of economic and environmental sustainability. The company's strategic initiatives and performance in 2024 provide a solid foundation for future growth and success.

Standards (SLFRS/LKAS) in the current year in with reporting format discloses income.

Board of Directors Profile

Mr. K. M. Dissanayake – Chairman

Appointed to the Board on 1st 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. Kosala M. 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.

Mr. Kosala M. Dissanayake was the chairman of the Sri Lanka Pharmaceutical Association. He was the president of International Advertising Association (IAA). Also, he was a committee member in the Cosmetic Devices and Drugs Advisory Committee to the Ministry of Health.

Mr. Kosala M. Dissanayake was served as an member to committee of the Ceylon Chamber of Commerce, member of the board of American Chamber of Commerce, member of the National Labour Advisory Committee to the Ministry of Labour and Member of the Advisory Committee to the Ministry of Interior.

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

Appointed as the Managing Director on 01st 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. U. L. Pushpakumara

Appointed to the Board on 10th 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. U. L. 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' relations officer of the Company.

Prof. B. A. J. K. Premachandra

Appointed to the Board on 31st December 2024. Holds a Degree in Physical Science from the University of Colombo. He holds Master of Science in Polymer Science and Technology at the University of Sri Jayewardenepura and he has a doctorate from University of Cincinnati, USA for chemistry. Mr. Jagath Premachandra is serving as Professor for Department of Chemical and Process Engineering, University of Moratuwa. He is the Chairman, Sectoral Committee on Chemical and Polymer Technology of Sri Lanka Standards Institution (SLSI). He is a member of Steering Committee on plastic waste management in Central Environment Authority. Prof. Jagath Premachandra has served as the Chairman of technical committee on commercialization of inventions and innovations on product and process developments for plastic, rubber and fiber-based industries at the Ministry of Industries. He is a member of expert committee appointed by the Cabinet of the Government of Sri Lanka on Controlling the single-use plastic polythene waste. He is an award winner for his significant contribution made towards the development and growth of the polymer industry, including presidential award for scientific research for year 2008 and 2009.

Mr. W. K. P. Malwattege

Appointed to the Board on 31st December 2024 Mr. Wasantha Malwattege is an Associate Member of the Institute of Chartered Accountants of Sri Lanka (ACA). Having management experience over three decades in senior positions covering various industry groups of IT, printing & packaging, transportation, logistics, BPO, food and beverage. He serves as the Group CEO of Lalan group. He also served in the John Keells group of companies in the capacities of vice president, CEO, group- head of procurement and deputy general manager in various business units. He worked as a member of the management committee of the John Keells foundation and headed many CSR activities enhancing the lively hood up-liftmen of farmers.

Statement of Directors' Responsibilities

Directors' Responsibilities for the Preparation of Financial Statements

This Statement of Directors' Responsibilities is to be read in conjunctions 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 the 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 25th December, 2024 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 maintains 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 has 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 has obtained a certificate from the Auditors when declaring the interim Dividend paid on 14th November, 2024. The prescribed provisions will be followed and a further Certificate will be obtained from the Auditors, prior to recommending the final Dividend of Rs. 36/- 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
16th May 2025

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 25th December, 2024.

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, and 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 25th December, 2024.

Review of Operation

A review of the operations of the Company during the financial year ended 25th December, 2024 is described in the Chairman's Message 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. 1,650 Mn. (2023 – 1.612 Mn.) The Profit before Taxation amounted to Rs.342 Mn. (2023- Rs. 356 Mn.)

The Financial Statements duly signed by the Directors are provided on pages 27 to 64.

Auditors' Report

The Auditors' Report which is an integral part of the Financial Statements prepared for the financial year ended 25th December, 2024 is set out on page 24 to 26 of the Annual Report.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 31 to 40.

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 page 70 titled "Corporate Information":

Mr. K. M. Dissanayake	- Chairman
Mr. H. A. D. U. G. Gunasekera	- Managing Director
Mr. U. L. Pushpakumara	
Prof. B. A. J. K. Premachandra	- Independent
Mr. W. K. P. Malwattege	- Independent

The following changes were made to the Directorate during the year under consideration:

Appointment of Mr. W. K. P. Malwattege and Prof. B. A. J. K. Premachandra w.e.f. 31st December, 2024

Resignation of Dr. A. M. Mubarak and Mr. S. R. N. De Zilwa w.e.f. 31st December, 2024

Appointment of Mr. K. M. Dissanayake as the Chairman of the Board w.e.f. 31st December, 2024

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 2025.

Mr. Henadira Appuhamilage Don Upananda Gamini Gunasekera who is 72 years of age and Mr. Kosala Munasinghe Dissanayake who was seventy (70) years vacates their 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 and Mr. Kosala Munasinghe Dissanayake as a Directors 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 2025.

In terms of Article 91 of the Articles of Association of the Company Mr. Wasantha Kumara Peiris Malwattege retires and being eligible is recommended by the Board of Directors for re-election by the Members at the Annual General Meeting for the year 2025.

In terms of Article 91 of the Articles of Association of the Company Prof. Bamunu Arachchige Jagath Premachandra retires and being eligible is recommended by the Board of Directors for re-election by the Members at the Annual General Meeting for the year 2025.

Board Sub – Committees

The following Board Sub-Committees have been established by the Company: w. e. f. 31st December 2024.

Audit and risk Committee :

Mr. W. K. P. Malwattege	- Chairman
Mr. K. M. Dissanayake	
Prof. B. A. J. K. Premachandra	

Remuneration Committee

Mr. W. K. P. Malwattege	- Chairman
Mr. K. M. Dissanayake	
Prof. B. A. J. K. Premachandra	

Report of the Board of Directors (Contd.)

Related Party Transactions Committee

Prof. B. A. J. K. Premachandra - Chairman
Mr. K. M. Dissanayake
Mr. W. K. P. Malwattege
Mr. U. L. Pushpakumara

Nominations and Governance Committee

Mr. W. K. P. Malwattege - Chairman
Mr. K. M. Dissanayake
Prof. B.A. J. K. Premachandra

Fit and Proper Assessment of Directors

In terms of Rule 9.7.3 and 9.7.4 of the Listing Rules of the Colombo Stock Exchange, declarations were obtained from the Directors who confirmed that they have continuously satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules during the year under review and as at the date of such confirmation.

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.

Related Party Transactions (RPTs)

The Company's recurrent and non-recurrent transactions with related parties, disclosed in Note 31 of the Financial Statements in the Annual Report, have complied with the Listing Rule 9.14 of Colombo Stock Exchange and the Sri Lanka Accounting Standard No. 24 – Related Party— Disclosures.

During the financial year, Related Party Transactions were reviewed by the Related Party Transaction Review Committee (RPTRC) and are in compliance with Section 9.14 of the CSE Listing Rules. The RPTRC communicated its affairs to the Board by tabling the minutes of the Committee meetings quarterly. The Related Party Transaction Review Committee Report is given on pages 22 of the Annual Report whilst the related party transactions are given in Note 31 of the Financial Statements

Corporate Governance and Sustainability

The Board of Directors confirms that the Company is in compliant with Continuing Listing Rules under section 7.6 and Corporate Governance Principles under section 9 of the Listing Rules of the Colombo Stock Exchange. The Directors declare, having considered all information and explanations made available to them, that:

a) the Company complied with all applicable Laws and Regulations in conducting its business,

b) the Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.

c) the Company made all endeavors to ensure the equitable treatment of all shareholders,

d) the business is a going concern with supporting assumptions or qualifications as necessary

e) Company conducted a review of internal controls covering financial, operational, compliance, and risk management, and have obtained reasonable assurance of their effectiveness and successful adherence herewith.

The table from pages 14 to 16 of the Annual Report shows the way the Company has complied with Sections 7.6 and 9 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance. The Corporate Governance Report is given on pages 13 to 16 of the Annual Report.

Environment Protection and Corporate Social Responsibility

The company adheres to the relevant environmental laws, regulations and endeavors to comply with the best practices applicable in operating in the area, province and the country.

The company contributes and engages in CSR initiatives to support the society at large and its stakeholders by providing education and community support program, public sector engagement programs, and delivering financial assistance by the Company.

Employees and Industrial Relations

The number of persons employed by the Company as at 25th December 2024 was 39 (2023 – 38). The Company is committed to pursuing various HR initiatives that provide a culture that recognises the competencies and commitment of its employees. Career growth and advancement opportunities facilitate the creation of value for themselves, the Company, and other stakeholders.

There have been no material issues pertaining to employees and industrial relations of the Company.

Risk Management and Internal Control

The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Company. Risk Assessment and evaluation is an integral part of the Company's planning cycle and the principal risks and mitigatory actions in place are reviewed regularly by the Board and the Audit Committee.

The Board, through the involvement of risk review and controls, takes steps to gain assurance of the effectiveness of the Company's system of internal controls that are in place. The control system is designed to give assurance regarding the safeguarding of assets, the maintenance of proper accounting, and the reliability of financial information generated.

The Audit Committee receives regular reports on the adequacy and effectiveness of the internal controls of the Company, the compliance with laws and regulations, and the established policies and procedures. The Risk Management Report is given on pages 17 to 18 of the Annual Report shows the way the Company is managing the risk.

Report of the Board of Directors (Contd.)

However, any system can only provide reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable period.

Directors' Shareholdings

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	25.12.2024	25.12.2023
Mr. H. A. D. U. G. Gunasekera	638,622	638,622
People's Leasing & Finance PLC/ Mr. H. A. D. U. G. Gunasekera	155,195	151,195
Mr. U. L. Pushpakumara	-	-
Mr. K. M. Dissanayake	-	-
Mr. W. K. P. Malwattege	-	-
Prof. B. A. J. K. Premachandra	-	-

In accordance with the section 9.8.5 (a) of the Listing Rules of the Colombo Stock Exchange (CSE) Independent Directors have submitted a signed and dated declarations per the specimen given in Appendix 9A of Continuing Listing Rules of CSE.

Directors' Fees and emoluments

Directors' fees and emoluments paid for the financial year ended 25th December, 2024 amounted to Rs. 43.9 Mn (2023 – Rs. 41.8 Mn.)

Donations

During Rs. 0.091 Mn. as charitable contributions.
(2023 – Rs. 0.041Mn.)

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 25th December, 2024 was Rs.15,000,000/- comprising 1,500,000 Ordinary Shares.

Shareholders

The total shareholder base of the Company as at 25th December, 2024 was 900 (2023 – 789). The 25 Major Shareholders of the Company are given under Investor Information on pages 66.

Dividend

A Final Dividend of Rs.27/- per Share for the Financial Year ended 25th December, 2023 has been paid to the Shareholders of the Company on 28th June, 2024. A First Interim Dividend of Rs. 27/- per Share for the Financial Year ending 25th December, 2024 has been paid to the Shareholders of the Company on 14th November, 2024.

The Directors have recommended the payment of a final Dividend Rs. 36/-per Share for the financial year ended 25th December, 2024.

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.

A detailed statement of the income tax reconciliation of the accounting profits with the taxable profits is given in Note 10 of the Financial Statements.

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. 1.208 Mn. is payable by the Company as Audit Fees for the year ended 25th December, 2024.

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 25th December, 2024.

By Order Of the Board

(Sgd).
Mr K. M. Dissanayake
Director

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

(Sgd).
JACEY & COMPANY
Secretaries
16th May, 2025

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 Board provides guidance in formulating and implementing corporate strategy and monitoring implemented strategies, offering clear directions on the decision-making process while promoting a culture of openness, productive dialogue, constructive dissent, employee empowerment and engagement, thus creating value to all stakeholders. The Board also oversees Company financial performance, adopting appropriate accounting policies to ensure conduct of business operations with adherence to environmental, social and governance (ESG) considerations.

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.

Investor Relations and Communication with Shareholders

The Company encourages communication with shareholders through annual general meetings, the annual report, interim financial statements, and announcements to the Colombo Stock Exchange.

Shareholders are encouraged to be present, participate, and vote at the annual general meeting. In compliance with the Section 9.2.1.(g) of Corporate Governance Principles, the Company has in place a policy on relations with shareholders and investors to ensure shareholder communications are effectively managed by the Company through investors' relation officer and Company Secretaries. All significant issues and concerns of shareholders are referred to the Board with the views of the management, whilst shareholder quarries are responded by the Company Secretaries on behalf of the management.

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.

As required by the Listing Rules of the Colombo Stock Exchange, each Non-Executive Director submitted a declaration of their independence or non-independence for the year under review. Non-Executive Directors do not have any business interest except what is stated under Note 31, Related Party Disclosure on page 64.

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.

Fitness of Directors and CEO

The Company assesses the Fitness of Directors and CEO of the Company with reference to the fit and proper assessment Criteria set out in section 9.7.3 of the Listing Rules of the Colombo Stock Exchange, to obtain a declaration of fitness and propriety confirming that all Directors and the CEO have satisfied the criteria.

Directors Remunerations

The Remuneration Committee is responsible for making recommendations to the Board regarding the remuneration of the Executive Directors and Key Management Personnel (KMPs). The compensation for Directors and KMPs is aligned with objectives for sustainable value creation that are consistent with the Company strategy. It is determined based on well-defined performance goals that are appropriately challenging and realistic.

The Board as a whole determines the remuneration of the Non-Executive Directors (NEDs). Remuneration for NEDs reflects the time commitment and responsibilities of their role, taking into consideration the market practices. They do not receive any performance related incentive payments. Professional advice is sought by the Board and Remuneration Committee in discharging their responsibilities.

Board Evaluation

The Board evaluates its performance and its subcommittees on an annual basis. Areas of assessment include areas within their core competencies, industry specific skills, and awareness of emerging trends to deliver strategic aspirations of the Company. The Chairman and Remuneration Committee are responsible for evaluating the performance of the Executive Directors through the annual performance evaluation mechanism in place.

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 a Nominations & Governance Sub - Committee, the Audit and Risk Management Sub-Committee, and a Remuneration Sub-Committee, each of which consist of three Non-Executive Directors. Reports of the Nominations & Governance Committee, the Audit and Risk Management Committee, the Remuneration Committee, the Related

Corporate Governance (Contd.)

Party Transactions Committee are given on the pages from 18 to 21 and respectively of the Annual Report.

The Board sub committees were reconstituted effective from 31st December 2024 in line with the amended rules on corporate governance by the CSE. Sub-Committees mainly comprise Independent Non-Executive Directors.

The Composition of the Board and its Sub-Committees as at the end of the period under review is set out in the table on page 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		Nominations and Governance Committee	
		No. of Meetings Held	Attended	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	05	05	04	04	02	02	04	04	01	01
Mr. H. A. D. U. G. Gunesekera (Managing Director)	Executive	05	05	-	-	-	-	-	-	-	-
Mr. U. L. Pushpakumara	Executive	05	05	-	-	-	-	04	04	-	-
Mr. R. De Zilwa	Non - Executive Independent	05	05	04	03	02	02	04	03	01	01
Mr. K. M. Dissanayake	Non - Executive Independent	05	05	04	04	02	02	04	04	01	01

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 0f 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 Report Levels of compliance as per Section 07 of 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 Mr. K. M. Dissanayake, Mr. W. K. P. Malwattege, and Prof. B. A. J. K. Premachandra 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. W. K. P. Malwattege and Prof. B. A. J. K. Premachandra 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 the 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

Corporate Governance (Contd.)

Corporate Governance Report Levels of compliance as per Section 07 of the Listing Rules of the Colombo Stock Exchange

Subject	Applicable Requirement	Compliance Status
Nominations and Governance Committee	A listed Company shall have a Nominations and Governance Committee and should not comprise of Executive Directors.	Complied
	An Independent Director should be appointed as a Chairperson	Complied
	Annual Report should set out the Chairperson and Members of the said Committee.	Complied
	The Nomination and Governance Committee oversees the composition, structure and effectiveness of the Board itself. It ensures that the Board of Directors of the Company operates effectively, maintains appropriate governance practices and oversees the selection and nomination of qualified individuals to serve as Directors. It also ensures that the Company's Board is composed of qualified individuals who can effectively oversee the organization's activities and uphold its mission and values.	Please refer page 19 of the Annual Report
Audit and Risk Management Committee	A Listed entity shall have an Audit Committee comprising of Non-Executive Directors the majority of whom shall be independent	Complied
	A non Executive Director shall be appointed as the Chairman of the Audit Committee	Complied
	Unless otherwise determined by the Committee the Chief Executive Officer and the Chief Financial Officer shall attend Audit Committee Meetings	Complied
	The Chairman or one Member of the Committee should be a member of a recognised professional accounting body	Complied
	It is confirmed that the functions of the Audit Committee were in accordance with Listing Rules of the Colombo Stock Exchange	Complied
	Annual Report should set out ; a) Names of Directors comprising the Audit Committee b) The Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination b) A Report of the Audit Committee setting out the manner of compliance by the Company in relation to the foregoing, during the period to which the Annual Report relates.	Complied Please refer page 20 of the Annual Report
Remuneration Committee	A listed Company shall have a Remuneration Committee and shall comprise of Non-Executive Directors a majority of who will be independent.	Complied
	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 Please refer page 21 of the Annual Report

Corporate Governance (Contd.)

Subject	Applicable requirement	Compliance Status
Related Party Transactions Committee	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. Annual Report should set out the following information: a) In the case of Non-Recurrent Related Party Transactions, if aggregate value of the non-Recurrent 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. 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. c) Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following details: • Names of the Directors comprising the Committee • 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. • The policies and procedures adopted by the Committee for reviewing the Related Party Transactions. • 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.	Complied Please refer page 22 Annual Report

Risk Management

MANAGING RISK

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

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.

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 28 on page 56 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 2024, 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 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 effortis 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.

Nomination and Governance Committee Report

Introduction

This report focuses on the activities of the Nominations and Governance Committee for the year under review.

Nominations and Governance Committee Report In terms of the Rule 9.11 of the Corporate Governance Principles of the Colombo Stock Exchange the Company formed a Nomination and Governance Committee to ensure the board comprise of diverse, competent, experienced, and effective Directors. The Committee is responsible to ensure that the Board is well balanced in terms of effectiveness and composition. The Committee evaluates the Board composition, reviews their performance, and promotes continuous improvement to encourage the highest standard of Corporate Governance.

Composition of the Committee and Meetings

The Nomination and Governance Committee is comprised of four Non-Executive Directors of whom two are independent. The Committee is chaired by independent Non-Executive Director. Nominations and Governance Committee of The Company established by the Board of Directors dated 24th September, 2024, and that the said appointments will be effective from 30th September, 2024:

Mr. K. M. Dissanayake, Non-Executive Independent Director-Chairman
Dr. Azeez M. Mubarak, Non- Executive Independent Director
Mr. Russel De Zilwa, Non- Executive Independent Director

The following changes were made to the composition of the members of the committee during the year under consideration:
Appointment of Mr. W. K. P. Malwattege and Prof. B. A. J. K. Premachandra to Committee the w.e.f. 31st December, 2024
Resignation of Dr. A. M. Mubarak and Mr. S. R. N. De Zilwa w.e.f. 31st December, 2024

Functions and Duties of the Committee

a) Evaluate the appointment of Directors to the Board of Directors and Board Committees. A member of the Nominations and Governance Committee shall not participate in decisions relating to his/her own appointment.

b) Establish and maintain a formal and transparent procedure to evaluate, select and appoint Directors and maintain a set of criteria for such selection taking into consideration the skills required at board level and the mining industry.

c) Establish and maintain a suitable process for the periodic evaluation of the performance of Board of Directors and the Managing Director of the Company to ensure that their responsibilities are satisfactorily discharged.

d) Develop succession plan for Board of Directors and Key Management Personnel Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities.

f) Review and recommend the overall corporate governance framework of the Company taking into account the Listing Rules of the Colombo Stock Exchange, other applicable regulatory requirements and industry/international best practices and periodically review and update corporate governance policies, principles and legal developments.

g) Receive reports from the Management on compliance with the corporate governance framework of the Entity including the Entity's compliance with provisions of the SEC Act, Listing Rules of the Colombo Stock Exchange and other applicable laws, together with any deviations/non-compliances and the rational for same.

h) Oversee that induction programs/orientation programs have been conducted for the newly appointed directors of the Company.

i) Ensure that annual updates are given to the Board of Directors on Corporate Governance, Listing Rules, securities market regulations and other applicable regulations.

j) Based on the independence criteria declarations, determine the independence of the directors of the Company, annually.

Policies and Procedures

The Nomination Committee operates within the terms of reference approved by the Board. As per the Articles of Association the Directors are not required to submit themselves for re-election. The Committee reports its activities at the Board meeting tabling the meeting minutes and Chairperson brief wherever necessary. The Corporate Governance requirements stipulated under the Listing Rules of the Colombo Stock Exchange are met by the Company and details are given in the Corporate Governance Report in pages 13 to 16.

Sgd).
Mr. W. K. P. Malwattege
Chairman
Nomination and Governance Committee
16th May 2025

Report of the Audit and Risk Committee

Introduction

This report focuses on the activities of the audit committee for the year under review.

Composition of the Committee

The audit 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. Mr. K. M. Dissanayake (Chairman)
Mr. Russel De Zilwa – (Independent)
Dr. Azeez M. Mubarak
Mr. W. K. P. Malwattege -w.e.f. 31st December, 2024
Prof. B. A . J. K. Premachandra - w.e.f. 31st December, 2024

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 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 M. Mubarak a Chemist by profession, with over 27 years of experience in chemical science and related fields are other members of the committee.

The following changes were made to the composition of the members during the year under consideration:

Appointment of Mr. W. K. P. Malwattege and Prof. B. A. J. K. Premachandra to Committee the w.e.f. 31st December, 2024

Resignation of Dr. Azeez M. Mubarak and Mr. S. R. N. De Zilwa w.e.f. 31st December, 2024

Appointment of Mr. W. K. P. Malwattege as the Chairman of the Committee w.e.f. 31st December, 2024.

Mr. W. K. P. Malwattege an Independent Non-Executive Director who is an associate member of the Institute of Chartered Accountants of Sri Lanka. Members of the Committee possess a wealth of knowledge and experience.

Meetings

The audit committee is required to meet at least four times during the year. Attendance of the members at these meetings is given on page 14 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 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 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 25th December, 2025 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 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. W. K. P. Malwattege
Chairman
Audit and Risk Committee
16th May 2025

Report of the Remuneration Committee

Introduction

This report focuses on the activities of the Remuneration Committee for the year under review.

Composition of the Committee

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

Dr. Azeez M. Mubarak – Chairman
Mr. K. M. Dissanayake (Independent)
Mr. R. De Zilwa (Independent)
Mr. W. K. P. Malwattege -w.e.f. 31st December, 2024
Prof. B. A. J. K. Premachandra - w.e.f. 31st December, 2024

The following changes were made to the composition of the members during the year under consideration:

Appointment of Mr. W. K. P. Malwattege and Prof. B. A. J. K. Premachandra to Committee the w.e.f. 31st December, 2024

Resignation of Dr. Azeez M. Mubarak and Mr. S. R. N. De Zilwa w.e.f. 31st December, 2024

Appointment of Mr. W. K. P. Malwattege as the Chairman of the Committee w.e.f. 31st December, 2024.

Mr. W. K. P. Malwattege an Independent Non-Executive Director who is an associate member of the Institute of Chartered Accountants of Sri Lanka. All Members of the Committee possess a wealth of knowledge and experience.
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 Sub Committee meetings. Total fees and remuneration paid to all Directors is disclosed at page 09 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).
Mr. W. K. P. Malwattege
Chairman
Remuneration Committee
16th May 2025

Report of the Related Party Transactions Review Committee

Introduction

This report focuses on the activities of the Related Party Transactions Review Committee for the year under review.

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. W. K. P. Malwattege -w.e.f. 31st December, 2024
Prof. B. A. J..K. Premachandra - w.e.f. 31st December, 2024

The following changes were made to the composition of the members during the year under consideration:

Appointment of Mr. W. K. P. Malwattege and Prof. B. A. J. K. Premachandra to Committee the w.e.f. 31st December, 2024

Resignation of Dr. Azeez M. Mubarak and Mr. S. R. N. De Zilwa w.e.f. 31st December, 2024

Appointment of Prof. B. A. J..K. Premachandra as the Chairman of the Committee w.e.f. 31st December, 2024.

Prof. B. A. J. K. Premachandra an Independent Non-Executive Director who is holds a Degree in Physical Science from the University of Colombo. He holds Master of Science in Polymer Science and Technology at the University of Sri Jayewardenepura and he has a doctorate from University of Cincinnati, USA for chemistry. Mr. Jagath Premachandra is serving as Professor for Department of Chemical and Process Engineering, University of Moratuwa. 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 14.

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 favorable 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 2024, 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 favorable or preferential during the period under review and the Company had been compliant with the Code.

(Sgd).
Prof. B. A. J. K. Premachandra
Chairman
Related Party Transactions Review Committee
16th May 2025

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 statues. 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 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 Committee to discuss any matter of substance.

(Sdg).
Mr. H. A. D. U. G. Gunesekera
Managing Director

(Sdg).
Mr. U. L. Pushpakumara
Finance Manager / Director
16th May, 2025

Independent Auditor's Report

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

Tel : +94 - 11 542 6426
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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 25th December 2024, 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 25th December 2024, 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
The Company has recognized a total allowance for expected credit loss amounted to Rs. 13.6 Mn. for trade receivable balance Rs. 225.4 Mn. 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. 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. 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.	Our audit procedures included • 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. • Testing the subsequent settlements made for the selected sample of debtors. • Assessing the adequacy of the disclosures in the financial statements with reference to the requirements of the prevailing accounting standards.

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C. P. Jayatilake FCA
Ms. S. Joseph FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA
T. J. S. Rajakarier FCA
W. K. D. C. Abeyrathne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.W.M.O.W.D.B. Rathnadiwakara FCA
W. W. J. C. Perera FCA
G. A. U. Karunaratne FCA
R. H. Rajan FCA
A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyard FCMA (UK), FCIT, K. Somasundaram ACMA (UK), R. G. H. Raddella ACA, Ms. D Corea Dharmaratne

KPMG

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.

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 extremal 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
16th May 2025

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 25th December,	Note	2024 (Rs.'000)	2023 (Rs.'000)
Revenue	5	1,650,274	1,612,878
Cost of sales		(1,217,556)	(1,183,430)
Gross profit		**432,718**	**429,448**
Other income	6	13,311	13,026
Other expenses	7	-	-
Selling and distribution expenses		(33,230)	(15,189)
Administrative expenses		(109,547)	(103,773)
Result from operating activities		**303,252**	**323,512**
Finance income	8.1	39,934	39,808
Finance costs	8.2	(287)	(6,382)
Net finance income / (costs)		**39,647**	**33,426**
Profit before tax	9	**342,899**	**356,938**
Income tax expense	10	(103,577)	(110,054)
Profit for the year		**239,322**	**246,884**
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit asset/obligation, net of tax	10.2	(1,756)	1,374
Total other comprehensive income		**(1,756)**	**1,374**
Total comprehensive income for the year		**237,566**	**248,258**
Basic earnings per share (Rs.)	11	**159.55**	**164.59**
Dividend per share (including proposed final dividend) (Rs.)	12	**63.00**	**45.00**

The notes form an integral part of these financial statements.

Figures in bracket indicate deductions

Statement of Financial Position

As at 25th December,	Note	2024 (Rs.'000)	2023 (Rs.'000)
Assets			
Property, plant and equipment	13	264,478	270,652
Investment property	14	68,619	71,896
Intangible assets	15	-	-
Retirement benefit assets	21.1	7,092	6,231
Financial assets	19.1	40,000	45,000
Other financial assets	17.3.1	644	250
Non-current assets		**380,833**	**394,029**
Inventories	16	412,897	505,793
Trade and other receivables	17	271,779	201,995
Financial assets	19.2	339,150	125,139
Cash and cash equivalents	18.1	71,376	87,535
Current assets		**1,095,202**	**920,462**
Total assets		**1,476,035**	**1,314,491**
Equity			
Stated capital	20	15,000	15,000
Retained earnings		1,252,132	1,095,566
Equity attributable to owners of the Company		**1,267,132**	**1,110,566**
Liabilities			
Retirement benefit obligations	21	25,435	20,059
Deferred tax liabilities	22	15,846	17,499
Non-current liabilities		**41,281**	**37,558**
Loans and borrowings	23	-	-
Trade and other payables	24	105,488	106,298
Current tax liability	25	49,410	48,073
Dividend payable	26	12,616	7,581
Bank overdraft	18.2	108	4,415
Current liabilities		**167,622**	**166,367**
Total liabilities		**208,903**	**203,925**
Total equity and liabilities		**1,476,035**	**1,314,491**

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 / Director

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
16th May 2025

(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 26th December 2022		**15,000**	**893,608**	**908,608**
Total comprehensive income for the year				
Profit for the year		-	246,884	246,884
Other comprehensive expense, net of tax	10.2		1,374	1,374
Total comprehensive income		**-**	**248,258**	**248,258**
Transaction with owners of the Company				
Final dividend - 2022 (Rs. 17.00)		-	(25,500)	(25,500)
Interim dividend - 2023 (Rs. 18.00)		-	(27,000)	(27,000)
Total Dividends declared during the period	26		(52,500)	(52,500)
Unclaimed dividend forfeited			6,200	6,200
Total transaction with owners of the Company			**(46,300)**	**(46,300)**
Balance as at 25th December 2023		**15,000**	**1,095,566**	**1,110,566**
Total comprehensive income for the year				
Profit for the year		-	239,322	239,322
Other comprehensive income, net of tax	10.2	-	(1,756)	(1,756)
Total comprehensive income		**-**	**237,566**	**237,566**
Transaction with owners of the Company				
Final dividend - 2023 (Rs. 27.00)		-	(40,500)	(40,500)
Interim dividend - 2024 (Rs. 27.00)		-	(40,500)	(40,500)
Total Dividends declared during the period	26	-	(81,000)	(81,000)
Total transaction with owners of the Company		-	**81,000**	**81,000**
Balance as at 25th December 2024		**15,000**	**1,252,132**	**1,267,132**

The notes form an integral part of these financial statements.

Figures in bracket indicate deductions

Statement of Cash Flows

For the year ended 25th December,

	Note	2024 (Rs.'000)	2023 (Rs.'000)
Cash flows from operating activities			
Profit before tax		342,899	356,938
Adjustments for:			
Depreciation of property, plant and equipment	13	15,722	17,341
Depreciation of investment property	14	3,277	3,276
Change/ (reversal) of impairment on trade receivables	17.1	9,101	(2,801)
Provision for retirement benefit obligation - Funded	21.2	1,020	1,509
Expected return on retirement benefit assets	21.1	(747)	(1,240)
Provision for retirement benefit obligation - Unfunded	21.5	2,964	3,702
Gain on disposal of property, plant and equipment	6.1	(23)	(22)
Unrealized exchange loss/ (gain) on foreign currency		881	(194)
Write-down of inventory to net realizable value	16.2	4,459	-
Reversal of inventory provision	16.1	(2,343)	-
Interest income	8.1	(32,990)	(26,410)
Interest expense	8.2	287	6,382
		344,507	**358,481**
Changes in :			
Decrease in inventories		90,780	182,889
(Increase)/ Decrease in trade and other receivables		(77,030)	16,097
Decrease in trade and other payables		(540)	(120,004)
Cash generated from operating activities		**357,717**	**437,463**
Retirement benefit paid - funded obligation	21.2	-	(1,203)
Retirement benefit paid by the plan	21.1	-	1,202
Retirement benefit paid - unfunded obligation	21.5	(1,201)	(660)
Income tax paid	25	(103,141)	(83,277)
Interest paid	24.1	(557)	(8,088)
Net cash flows generated from operating activities		**252,818**	**345,437**
Cash flows from investing activities			
Purchase and construction of property, plant and equipment.	13	(9,548)	(43,764)
Proceeds from disposal of property, plant and equipment	6.1	23	22
Contribution paid to plan assets	21.1	(29)	(29)
Loans granted to company officers	17.3	(2,000)	(1,275)
Loan repayments by company officers	17.3	1,499	1,281
Withdrawal of financial assets - long term	19.1	5,000	-
Investment in financial assets - short term	19.2	(214,011)	(125,139)
Interest received	17.2	30,361	24,892
Net cash flows used in investing activities		**(188,705)**	**(144,012)**
Cash flows from financing activities			
Loans obtained during the year	23.1	672,633	137,701
Repayment of loans during the year	23.1	(672,633)	(192,366)
Dividend paid	26	(75,965)	(50,993)
Net cash flows used in financing activities		**(75,965)**	**(105,658)**
Net (decrease) / increase in cash and cash equivalents		(11,852)	95,767
Cash and cash equivalents at the beginning of the year	18	83,120	(12,647)
Cash and cash equivalents at the end of the year		**71,268**	**83,120**
Total cash and cash equivalents for the purpose of cash flow statement			
Favorable cash and cash equivalent balances	18.1	71,376	87,535
Unfavorable cash and cash equivalent balances	18.2	(108)	(4,415)
		71,268	**83,120**

Notes 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 39 (2023 - 38)

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 2022 and Sri Lanka Accounting Standards. The financial statements for the year ended 25th December 2024 were authorized for issue in accordance with resolution of the Board of Directors on 16th May 2025.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Financial Statements of the Company, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka. These Financial Statements, except for information on cash flows, have been prepared following accrual basis of accounting.

2.2 Statement of presentation

The Financial Statements of the Company have been presented 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.

2.3 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.

2.4 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.

2.5 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 of property plants and equipments

Note 14 – Depreciation of investment property

Note 15 – Amortization of intangible assets

Note 16 – Net realizable value of inventory

Note 17 – Measurement of ECL allowance for trade receivables

Note 21 – Measurement of retirement benefit obligations

Note 22 – Deferred tax liability

Note 29 – Provisions, commitments and contingencies

2.6 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.

Notes to the Financial Statements (Contd.)

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.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: 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 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes input not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. That 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

2.7 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'.

2.8 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 25th December 2024, 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 the 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.

3. 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.

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.

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 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.

Notes to the Financial Statements (Contd.)

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 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.

Notes to the Financial Statements (Contd.)

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 of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets 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.

3.3 Impairment

Non-derivative financial assets

Financial instruments

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 90 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 365 days past due.

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

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

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

- **Measurement of ECLs**

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

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

- **Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets 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:

Notes to the Financial Statements (Contd.)

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market to 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 365 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 labor, 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

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.

Notes to the Financial Statements (Contd.)

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.

3.5.6 Subsequent measurement

After initial recognition, property, plant, and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

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 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 s 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 monitory 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.

Notes to the Financial Statements (Contd.)

3.7.2 Software

All computer software costs incurred license cost 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 is 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.

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. 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 Provision

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%

Notes to the Financial Statements (Contd.)

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 25th December 2024 for the recognition of the Company's Retirement Benefit Plan. 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.

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 contact with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer. Determining the timing of the transfer of control at a point in time or over time require judgment.

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)

3.13 Other Income

Indent income, comprising commissions earned by the entity as an intermediary for facilitating transactions between buyers and sellers without taking ownership of the goods, is recognized as other income in the statement of profit or loss when the entity satisfies its performance obligations, typically upon completion of the transaction and establishment of the right to receive payment.

Rent income from investment property is recognized as other income in the statement of profit or loss using the accrual basis of accounting.

Income from scrap material sales, arising from the sale of by-products, waste, or residual materials generated during production or other operations, is recognized as other income in the statement of profit or loss when control of the scrap materials transfers to the buyer.

Gains or losses on the disposal of property, plant, and equipment and other non-current assets are determined by comparing the net sales proceeds with the carrying amount of the asset and are recognized net as other income or expense in the statement of profit or loss.

3.14 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.

Notes to the Financial Statements (Contd.)

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.

3.15 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/ overdrafts 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.

3.16 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 (Amendment) Act No. 45 of 2022.

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 deductible temporally 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.

3.17 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.

3.18 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.

3.19 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

Notes to the Financial Statements (Contd.)

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.

3.20 Statement of cash flows

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 that are readily convertible to known amount of cash and subject to an insignificant risk of change in value.

Interest received are 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.

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

A number of new standards are effective for annual periods beginning on or after 01st January 2025 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these financial statements.

A. General requirements for disclosure of sustainability related financial information (SLFRS S1) and climate related disclosures (SLFRS S2)

In June 2023 the International Sustainability Standards Board (ISSB) released its first two sustainability disclosure standards, IFRS S1 and IFRS S2. During the year, CA Sri Lanka issued the localized standards based on these IFRSs designated as SLFRS S1 SLFRS S2. These standards will become effective for the Company from 1st January 2025. No financial impact is expected on the Company except for additional disclosures.

Note to the Financial Statements (Contd.)

For the year ended 25th December,	2024			2023		
05. Revenue						
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	1,569,000	(219,073)	1,349,927	1,481,291	(179,454)	1,301,837
Chemicals and plastics	347,706	(47,359)	300,347	352,869	(41,828)	311,041
Total	**1,916,706**	**(266,432)**	**1,650,274**	**1,834,160**	**(221,282)**	**1,612,878**

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	219,073	47,359	266,432	179,454	41,828	221,282
Total sales taxes	**219,073**	**47,359**	**266,432**	**179,454**	**41,828**	**221,282**

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

06. Other income	**Note**	**2024 (Rs.'000)**	**2023 (Rs.'000)**
Gross indent commission		4,896	2,351
Value Added Tax		(762)	(307)
Net indent commission		4,134	2,044
Income from investment property		8,602	4,956
Scrap material sales and others		552	6,004
Gain on disposal of property, plant and equipment	6.1	23	22
Total other income		**13,311**	**13,026**

6.1 Gain on disposal of property, plant and equipment			
Cost of disposal of property, plant and equipment		99	728
Accumulated depreciation on disposal of property, plant and equipment		(99)	(728)
Net cost of disposal of property, plant and equipment		-	-
Proceeds from disposal of property, plant and equipment		23	22
Gain on disposal of property, plant and equipment		**23**	**22**

07. Other expenses		
Loss on disposal of property, plant and equipment	-	-
	-	**-**

Note to the Financial Statements (Contd.)

For the year ended 25th December,		2024 (Rs.'000)	2023 (Rs.'000)
08.	**Net finance income / (costs)**		
8.1	**Finance income**		
	Interest income on financial assets	32,990	26,410
	Gain on transaction of foreign currency	6,944	13,398
	Total finance income	**39,934**	**39,808**
8.2	**Finance costs**		
	Interest expense on overdrafts	(287)	(1,395)
	Interest expense on import loans	-	(4,987)
	Total finance cost	(287)	(6,382)

9.	**Profit before tax**		
	Profit before income tax expense is stated after charging all expenses including the followings:		
	Depreciation on property, plant and equipment	15,722	17,341
	Depreciation on investment property	3,277	3,276
	Impairment of trade receivables	9,101	(2,801)
	Write-down of inventory to net realizable value	4,459	-
	Donations	93	46
	Directors' emoluments	43,997	41,817
	Auditor's remuneration		
	- Statutory audit	1,208	1,118
	- Audit related service	347	236
	Secretarial & legal fees	2,282	2,910
	Personnel costs (Note 9.1)	76,952	66,223
9.1	**Personnel costs**		
	Defined benefit plan cost - Retiring gratuity	3,237	3,971
	Defined contribution plan cost - EPF, ETF	12,289	9,541
	Salaries and other staff cost	61,426	52,711
		76,952	**66,223**

10. Income tax expense

The Company is liable for income tax in accordance with Inland Revenue (Amendment) Act No. 45 of 2022 and income tax has been provided on the taxable income of the Company at 30% on profits arising from it's business activities.

		Note	2024 (Rs.'000)	2023 (Rs.'000)
10.1	**Amounts recognised in profit or loss**			
	Current tax expense			
	Income tax on profit for the year	10.3	104,478	104,656
	Under provision in respect of previous year		-	-
			104,478	**104,656**
	Deferred tax expense			
	(Reversal) / provision during the year	22	(901)	5,398
	Income tax expense		**103,577**	**110,054**

Note to the Financial Statements (Contd.)

For the year ended 25th December,

10.2 Amounts recognised in Other Comprehensive Income (OCI)

	2024 (Rs.'000)			2023 (Rs.'000)		
	Loss before tax	Deferred tax effect	Net of Tax	Gain before tax	Deferred tax effect	Net of Tax
Remeasurement of defined benefit liability / (asset)	(2,508)	752	(1,756)	1,963	(589)	1,374
	(2,508)	**752**	**(1,756)**	**1,963**	**(589)**	**1,374**

10.3 Reconciliation between accounting profit and taxable profit

	2024 (Rs.'000)	2023 (Rs.'000)
Profit before income tax expense	342,899	356,938
Income from non business activities	(41,592)	(31,366)
Accounting profit on disposal of fixed assets	(23)	(22)
Aggregate disallowable expenses	39,980	22,536
Aggregate allowable expenses	(3,545)	(666)
Capital allowances	(31,051)	(29,932)
Assessable Income from business	**306,668**	**317,488**
Taxable income from non business activities	41,592	31,366
Taxable income	348,260	348,854
Tax on profit for the year	**104,478**	**104,656**

10.4 Reconciliation of Effective Tax Rate

	%	2024 (Rs.'000)	%	2023 (Rs.'000)
Profit before income tax expense		342,899		356,938
Income tax using domestic tax rate	30%	102,870	30%	107,081
Accounting profit on disposal of fixed assets	0%	(8)	0%	(7)
Aggregate disallowable expenses	3%	11,994	2%	6,761
Aggregate allowable expenses	0%	(1,063)	0%	(199)
Capital allowances	-3%	(9,315)	-3%	(8,980)
Current tax on the profit for the year	**30%**	**104,478**	**29%**	**104,656**
(Reversal)/ provision of deferred tax	0%	(901)	2%	5,398
Total income tax expense	**30%**	**103,577**	**31%**	**110,054**

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.

	2024	2023
Profit attributable to the owners of the Company (Rs '000)	239,322	246,884
Weighted average number of ordinary shares ('000)	1,500	1,500
Basic earnings per share from continuing operations (Rs.)	**159.55**	**164.59**

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.)

For the year ended as at 25th December,

12. Dividend per share	2024	2023
Dividend per share (Rs.)	63.00	45.00

The first interim dividend of Rs. 27/- per share (2023 - Rs. 18/-) for the financial year ended 25th December 2024 has been paid to the shareholders of the Company on 14th November 2024.

Directors have proposed a final dividend of Rs. 36.00 per share for the year ended 25th December 2024. (2023 -Rs. 27.00 paid),which will be declared at the Annual General Meeting to be held on 13th June 2025. In accordance with LKAS 10, Events after the Reporting period, this proposed final dividend has not been recognised as a liability as at 25th December 2024.but in computing the dividend per share this proposed dividend has been taken into consideration.

As at 25th December,

13. Property, plant, and, equipment

	Land	Improve-ments to land	Buildings	Plant and machin-ery	Furniture and fittings	Computer Hardware	Motor vehicles	Total
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
COST								
Balance as at 26th December 2022	**110,376**	**5,254**	**50,660**	**114,760**	**40,630**	**8,613**	**73,750**	**404,043**
Addition	-	786	14,874	25,220	1,632	1,252	-	43,764
Disposal	-	-	(296)	-	(130)	(302)	-	(728)
Balance as at 25th December 2023	**110,376**	**6,040**	**65,238**	**139,980**	**42,132**	**9,563**	**73,750**	**447,079**
Addition	-	-	2,107	7,007	401	33	-	9,548
Disposal	-	-	-	-	(99)	-	-	(99)
Balance as at 25th December 2024	**110,376**	**6,040**	**67,345**	**146,987**	**42,434**	**9,596**	**73,750**	**456,528**
ACCUMULATED DEPRECIATION								
Balance as at 26th December 2022	**-**	**2,564**	**11,501**	**62,528**	**10,040**	**4,669**	**68,512**	**159,814**
Charge for the year	-	246	1,995	5,585	3,952	1,004	4,559	17,341
On disposal	-	-	(296)	-	(130)	(302)	-	(728)
Balance as at 25th December 2023	-	**2,810**	**13,200**	**68,113**	**13,862**	**5,371**	**73,071**	**176,427**
Charge for the year	-	276	2,513	7,093	4,032	1,129	679	15,722
On disposal	-	-	-	-	(99)	-	-	(99)
Balance as at 25th December 2024	**-**	**3,086**	**15,713**	**75,206**	**17,795**	**6,500**	**73,750**	**192,050**
CARRYING AMOUNT								
As at 25th December 2023	110,376	3,230	52,038	71,867	28,270	4,192	679	270,652
As at 25th December 2024	**110,376**	**2,954**	**51,632**	**71,781**	**24,639**	**3,096**	**-**	**264,478**

"Property, plant and equipment includes fully depreciated assets having a cost of Rs. 120.32 Mn. (2023 - Rs.106.47 Mn.)

Note to the Financial Statements (Contd.)

As at 25th December,

13. Property plant and equipment (Contd.)

13.1 Freehold land and building

Location	Net book value Rs.	Market value Rs.	Extent	Accommodation
Maithri Mawath Ekala- Ja-ela				Stores (1,282.5 sq.ft) 1 building
Land	31.3 Mn.		20.00 Per.	
Land	9.1 Mn.	**112.6 Mn.**	153.97 Per.	Factory (10,791 sq.ft) 5 buildings
Improvements to land	3.2 Mn.			
Buildings	20.5 Mn.			
Total	**64.1 Mn.**	**112.6 Mn.**		
No 4, Tickell road, Colombo 08				
Land	70 Mn.		15.5 Per.	Head Office 1 Building (17,224 sq.ft) in six floors.
Investment property	68.6 Mn.	**390.0 Mn.**		
Building	31.5 Mn.			
Total	**170.1 Mn.**	**390.0 Mn.**		

The property Maithri Mawath Ekala- Ja-ela lot no 1 and 2 in survey plan no 3966 has been valued for Rs. 47.9 Mn. on 1st Feb 2020. Property have been valued 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).

The property Maithri Mawath Ekala- Ja-ela lot no 2 in survey plan no 3854 A has been valued for Rs. 64.7 Mn. on 5th April 2023. Property have been valued 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.J.N Hettiarachchi, Bsc SL.I.V (Sri Lanka).

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 30th Sep 2022. The property have been valued 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 properties are stated at cost.

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 25th December 2024. 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 have been pledged for Rs.113 Mn. as securities as at the reporting date. (2023-Rs. 113 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 (2023 - Nil).

Note to the Financial Statements (Contd.)

As at 25th December,

		2024	2023
		(Rs.'000)	(Rs.'000)
14.	**Investment property**		
	Cost		
	As at the beginning of the year	81,916	81,916
	As at the end of the year	**81,916**	**81,916**
	Accumulated Depreciation		
	As at the beginning of the year	10,020	6,744
	Charge for the year	3,277	3,276
	As at the end of the year	**13,297**	**10,020**
	Carrying amount		
	As at the beginning of the year	71,896	75,172
	As at the end of the year	**68,619**	**71,896**

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 using "cost model" as permitted by LKAS 40-Investment Property. The fair value of the investment property is in Note 13.1

There are no material expenses connected to the investment property other than the depreciation cost disclosed in Note number 14. All utility expenses connected to the property are paid by the lessee.

There were no Investment property pledged by the Company as security for facilities obtained from banks (2023-Nil)

The Investment property have 5 floors out of which 3 floors are occupied and there were no restrictions existed on the title of the property.

15. Intangible Assets

		2024	2023
	Reconciliation of carrying amounts	(Rs.'000)	(Rs.'000)
	Software:		
	Cost		
	As at the beginning of the year	-	27
	On write off	-	(27)
	As at the end of the year	-	-
	Amortisation		
	As at the beginning of the year	-	27
	On write off		(27)
	As at the end of the year	-	-
	Carrying amount		
	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 (2023-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 25th December,		2024	2023
	Note	(Rs.'000)	(Rs.'000)
16. Inventories			
Raw materials and consumables		171,849	283,494
Work-in-progress		12,203	8,589
Finished goods		199,993	195,213
Goods-in-transit		17,105	7,229
Machinery spare parts		14,819	16,683
		415,969	**511,208**
Less; Provision for inventories	16.1	(3,072)	(5,415)
Total Inventories		**412,897**	**505,793**
16.1 Provision for inventories			
Balance as at the beginning of the year		5,415	5,415
Reversal during the year		(2,343)	-
As at the end of the year		**3,072**	**5,415**
16.2 Write-down of inventory			
Write-down of raw materials to net realizable value		4,459	-
		4,459	**-**

Inventories have been reduced by Rs. 4.4 Mn as a result of the write-down to net realisable value. This write-down was recognised as an expense during the year.

The carrying amount of inventories and the trade receivables are pledged as security for bank facilities obtained amounted to Rs.559.5 Mn. (2023: Rs.559.5 Mn.)

17. Trade and other receivables			
Trade receivables		225,443	169,593
Less: Impairment of trade receivables	17.1	(13,647)	(4,546)
Total trade receivables		**211,796**	**165,047**
Indent commission receivable		3,817	1,599
Interest receivable	17.2	8,686	6,057
Loans to company officers	17.3.1	1,175	1,068
Advances and prepayments		29,390	12,394
Value Added Tax receivable		12,577	12,194
Other receivables		4,338	3,635
Total trade and other receivables		**271,779**	**201,995**
17.1 Impairment of trade receivables			
Balance as at the beginning of the year		4,546	7,347
Charge / (reversal) during the year		9,101	(2,801)
As at the end of the year		**13,647**	**4,546**

Note to the Financial Statements (Contd.)

As at 25th December,		Note	2024 (Rs.'000)	2023 (Rs.'000)
17.2	**Interest receivables**			
	Balance as at the beginning of the year		6,057	4,539
	Interest income recognised	8.1	32,990	26,410
	Interest received		(30,361)	(24,892)
	As at the end of the year		**8,686**	**6,057**
17.3	**Loans to company officers**			
	Balance as at the beginning of the year		1,318	1,324
	Loans granted during the year		2,000	1,275
	Less: Repayment		(1,499)	(1,281)
	Balance as at the end of the year		**1,819**	**1,318**
17.3.1	Due within one year		1,175	1,068
	Due after one year		644	250
	Total		**1,819**	**1,318**
	There were no loans granted to Directors during the year other than availed facilities under the loan scheme uniformly applicable to all staff under their employment capacity.			
18.	**Cash and cash equivalents**			
18.1	**Favorable cash and cash equivalent balances**			
	Cash in hand		475	475
	Short term deposits		34,018	35,000
	Cash at bank		36,883	52,060
	Cash and cash equivalents in the statement of financial position		**71,376**	**87,535**
18.2	**Unfavorable cash and cash equivalent balances**			
	Bank overdraft		(108)	(4,415)
	Cash and cash equivalents in the statement of cash flows		**71,268**	**83,120**
19.	**Financial assets**			
19.1	**Financial assets at amortised cost non - current**			
	Treasury bills		40,000	40,000
	Fixed deposit		-	5,000
	Total		**40,000**	**45,000**

The carrying amount of non - current financial assets pledged as security for bank facilities obtained amounted to Rs.40 Mn. (2023: Rs.40 Mn.)

Note to the Financial Statements (Contd.)

As at 25th December,		Note	2024 (Rs.'000)	2023 (Rs.'000)
19.2	**Financial assets at amortised cost - current**			
	Treasury bills		339,150	125,139
	Total		**339,150**	**125,139**

The company's financial assets held at amortised cost include treasury bills with average interest rates ranging from 7.75% to 16.5% These assets are invested in a licensed commercial bank rated A(lka) by Fitch. Treasury bills measured at amortized cost have maturities ranging from 3 months to 12 months.

20.	**Stated Capital**			
20.1	**Issued and fully paid**			
	1,500,000 Ordinary Shares (Rs.10 Par Value)		**15,000**	**15,000**

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.

21.	**Retirement Benefit Obligation**			
	Present value of funded obligation	21.2	8,036	6,294
	Present value of unfunded obligation	21.5	17,399	13,765
	Total present value of obligation		**25,435**	**20,059**
	Fair value of plan assets	21.1	**(7,092)**	**(6,231)**
	Total present value of obligation		**18,343**	**13,828**

The Actuarial valuation was carried out by professionally qualified independent actuary Mr. M Poopalanathan, AIA, of Messers, Actuarial & Management Consultants (Pvt) Ltd. as at 25th December 2024. 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 obtained from AIA Insurance Lanka Limited, which covered 5 employees of the Company (5 employees 2023). 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. 0.4437 Mn. as contributions to its plan assets for the period ended 25th December 2025. Employees are not required to contribute to this fund.

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

21.1	**Fair value of retirement benefit assets**			
	Fair value of plan assets as at the beginning of the year		6,231	6,705
	Expected return on plan assets	21.3	747	1,240
	Contribution paid into plan assets		29	29
	Benefit paid by the plan		-	(1,202)
	Actuarial gain / (loss)		85	(541)
	Fair value of plan assets as at the end of the year		**7,092**	**6,231**
21.2	**Present value of funded obligation**			
	Balance as at the beginning of the year		6,294	6,807
	Provision for the year	21.3	1,020	1,509
	Gratitity paid during the period		-	(1,203)
	Actuarial loss / (gain)		722	(819)
	Balance as at the end of the year		**8,036**	**6,294**

Note to the Financial Statements (Contd.)

As at 25th December,		Note	2024 (Rs.'000)	2023 (Rs.'000)
21.3	**Amount recognised in the statement of profit or loss**			
	Interest cost		755	1,259
	Current service cost		265	250
	Provision for the year		**1,020**	**1,509**
	Expected return on plan assets		(747)	(1,240)
	Total expenses recognised in the statement of profit or loss		**273**	**269**
21.4	**Present value of funded obligation (net)**			
	Fair value of retirement benefit assets	21.1	7,092	6,231
	Present value of funded obligation	21.2	(8,036)	(6,294)
	Present value of net obligation		**(944)**	**(63)**
21.5	**Present value of unfunded obligation**			
	Balance as at the beginning of the year		13,765	12,408
	Provision for the year	21.5.1	2,964	3,702
	Benefits paid		(1,201)	(660)
	Actuarial loss / (gain)		1,871	(1,685)
	Present value of defined benefit obligation		**17,399**	**13,765**
21.5.1	**Amount recognised in the statement of profit or loss**			
	Interest cost		1,652	2,296
	Past service cost		-	70
	Current service cost		1,312	1,336
	Total expenses recognised in the statement of profit or loss		**2,964**	**3,702**
21.6	**Gain or losses recognised in other comprehensive income**			
	Actuarial (gain)/ loss - Retirement benefit assets		(85)	541
	Actuarial loss/(gain) - Funded obligation		722	(819)
	Actuarial loss/(gain) - Unfunded obligation		1,871	(1,685)
	Total actuarial loss/ (gain)		**2,508**	**(1,963)**

	Key Assumptions	**2024**	**2023**
	Principal actuarial assumption as at 25th December,		
	Rate of discount	10%	12%
	Expected salary increment	10%	10%
	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 is determined for employees who are not covered under the insurance policy is 65 years. The discount rate of 10% as at 25th December 2024, was determined with reference to applicable market interest rates on Government securities based on weighted average duration of RBO adjusted for anticipated long-term rate at inflation and other factors where applicable. The employee who are aged over the specified retirement age have been assumed to retire on their respective birthday. 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 25th December,

The Company will continue as a going concern.

21.7 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.

21.8 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 25th December	2024		2023	
	Increase (Rs.'000)	Decrease (Rs.'000)	Increase (Rs.'000)	Decrease (Rs.'000)
Discount Rate (1% Movement)	(1,351)	1,484	(1,098)	1,207
Future Salary (1% Movement)	1,592	(1,471)	1,313	(1,211)

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 retirement benefit obligation recognised within the statement of financial position.

21.9 Maturity analysis of the payments

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

As at 25th December,		2024			2023		
		Employees covered under Insurance Policy	Employees not covered under Insurance Policy	Total	Employees covered under Insurance Policy	Employees not covered under Insurance Policy	Total
Within next 12 months	(Rs.'000)	547	2,405	2,952	464	2,118	2,582
Between 1 and 2 years	(Rs.'000)	1,869	876	2,745	432	778	1,210
Between 2 and 5 years	(Rs.'000)	239	4,606	4,845	1,641	3,436	5,077
Between 5 and 10 years	(Rs.'000)	5,381	4,331	9,712	3,757	3,704	7,461
Over 10 years	(Rs.'000)	-	5,182	5,182	-	3,729	3,729
Total	(Rs.'000)	**8,036**	**17,400**	**25,436**	**6,294**	**13,765**	**20,059**
No employees		**5**	**34**	**39**	**5**	**33**	**38**
Weighted average duration in years of defined benefit obligation		**5**	**7**	**6**	**6**	**7**	**6**

Note to the Financial Statements (Contd.)

As at 25th December,

21.10 The Composition of Insurance Plan Asset

The Investment portfolio of AIA Insurance Lanka Ltd.

As at 25th December,	2024	2023
Government securities	91.17%	88.53%
Corporate bond	8.49%	11.04%
Policy holder loans	0.34%	0.43%
	100%	**100%**

"An interim return on plan assets of 13.47% was declared by AIA Insurance Lanka Ltd. for the year 2024. (Declared Dividend Rate for 2023 is 8%)"

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 :

	2024	2023
	(Rs.'000)	**(Rs.'000)**
Movement of deferred tax liabilities		
Balance at the beginning at the year	17,499	11,512
(Reversal) / provision recognized in profit or loss	(901)	5,398
(Reversal) / provision recognized in other comprehensive income	(752)	589
Balance as at the end of the year	**15,846**	**17,499**

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes based on the provision of the Inland Revenue (Amendment) Act No 45 of 2022. The deferred tax is calculated at the rate of 30% (2023- 30%) for the Company as at 25th December 2024.

Note to the Financial Statements (Contd.)

As at 25th December,

22.1 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 :

	2024		2023	
	Temporary Difference (Rs.'000)	Tax Effect on Temporary Difference (Rs.'000)	Temporary Difference (Rs.'000)	Tax Effect on Temporary Difference (Rs.'000)
Property plant and equipment	81,793	24,538	70,564	21,169
Investment property	6,969	2,091	6,142	1,843
Retirement benefit obligation	(18,343)	(5,503)	(13,828)	(4,148)
Impairment provision of trade receivables	(13,647)	(4,094)	(4,546)	(1,365)
Inventory provision	(3,072)	(921)	-	-
Unrealized exchange loss	(881)	(265)	-	-
Total	**52,819**	**15,846**	**58,332**	**17,499**

		Note	2024	2023
23.	**Loans and borrowings**		**(Rs.'000)**	**(Rs.'000)**
	Amount repayable within one year			
	Import loans	23.1	-	-
			-	-
	Total loans and borrowing		**-**	**-**
23.1	**Import loans**			
	Balance at the beginning of the year		-	54,665
	Loans obtained during the year		672,633	137,701
	Loan repayments during the year		(672,633)	(192,366)
	Balance at the end of the year		-	-
23.1.1	**Import Loans maturity analysis**			
	Amount repayable after one year		-	-
	Amount repayable within one year		-	-
	Total		**-**	**-**

23. 1. 2. Import Loans facility analysis

Facility type	Bank	Nominal interest rate	Repayments Terms	Security	2024 (Rs.'000)	2023 (Rs.'000)
Import loan and working capital management	Commercial bank	AWPR+ 1.0%	120 days	Land & Building - Lot no 02 Maithri Mawatha Ja-ela, treasury bills, trade receivable and inventory up to Rs. 144.5 Mn.	-	-
	NDB bank	AWPR+ 1.25%	120 days	Land & Building - Lot no 01 and 03 Maithri Mawatha Ja-ela, Trade Receivable and Inventory up to Rs. 288.0 Mn.	-	-
	Seylan bank	AWPR + 1.5% and Floor rate of 12% pa.	180 days	Trade receivable and inventory up to Rs. 130 Mn.	-	-
	HNB bank	AWPR + 1.75%	180 days	Trade receivable and inventory up to Rs. 150 Mn.		
Total					-	-

Note to the Financial Statements (Contd.)

As at 25th December,

		Note	2024 (Rs. ´000)	2023 (Rs. ´000)
24.	**Trade and other payables**			
	Trade payables		47,141	61,419
	Interest payable	24.1	-	270
	Accruals and other paybles		48,738	38,018
	Value Added Tax payable		9,609	6,591
	Total trade and other payables		**105,488**	**106,298**
24.1	**Interest payable**			
	Balance as at the beginning of the year		270	1,976
	Interest recognised during the year	8.2	287	6,382
	Interest payment during the year		(557)	(8,088)
	Balance as at the end of the year		**-**	**270**
25.	**Current tax liability**			
	Balance at the beginning of the year		48,073	26,694
	Tax on profit for the year	10.1	104,478	104,656
	Payments made during the year		(103,141)	(83,277)
	Balance at the end of the year		**49,410**	**48,073**
26.	**Dividend payable**			
	Balance at the beginning of the year		7,581	12,274
	Dividends declared during the year		81,000	52,500
	Unclaimed dividend forfeited		-	(6,200)
	Payments made during the year		(75,965)	(50,993)
	Balance at the end of the year		**12,616**	**7,581**

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.

Note to the Financial Statements (Contd.)

As at 25th December,

27. Business segments

	Note	2024 Chemicals and plastics (Rs. ´000)	2024 Latex (Rs. ´000)	2024 Total (Rs. ´000)	2023 Chemicals and plastics (Rs. ´000)	2023 Latex (Rs. ´000)	2023 Total (Rs. ´000)
Reportable segmental analysis							
Segment revenue	5	300,347	1,349,927	1,650,274	311,041	1,301,837	1,612,878
Other income	6	4,134	9,177	13,311	2,044	10,982	13,026
Depreciation on property, plant and equipment	13	(1,559)	(14,163)	(15,722)	(1,734)	(15,607)	(17,341)
Depreciation on investment property	14	(325)	(2,952)	(3,277)	(308)	(2,968)	(3,276)
Segment result from operating activities		30,069	273,183	303,252	30,433	293,079	323,512
Finance income	8.1	3,960	35,974	39,934	3,745	36,063	39,808
Finance costs	8.2	(28)	(259)	(287)	(600)	(5,782)	(6,382)
Net finance cost		3,932	35,715	39,647	3,145	30,281	33,426
Segment profit before tax		**34,001**	**308,898**	**342,899**	**33,578**	**323,360**	**356,938**
Income tax expenses	10	(18,851)	(84,726)	(103,577)	(21,224)	(88,830)	(110,054)
Profit for the year		**15,150**	**224,172**	**239,322**	**12,354**	**223,530**	**246,884**
Property, plant and equipment	13	48,135	216,343	264,478	54,130	216,522	270,652
Investment property	14	12,488	56,131	68,619	12,000	59,896	71,896
Other non-current assets		8,688	39,048	47,736	8,593	42,888	51,481
Inventories	16	136,394	276,503	412,897	81,001	424,792	505,793
Trade and other receivables	17	49,654	222,125	271,779	40,614	161,381	201,995
Other current assets		74,715	335,811	410,526	35,499	177,175	212,674
Segment assets		**330,074**	**1,145,961**	**1,476,035**	**231,837**	**1,082,654**	**1,314,491**
Non-current liabilities		4,093	37,188	41,281	6,269	31,289	37,558
Trade and other payables	24	10,460	95,028	105,488	10,000	96,298	106,298
Other current liabilities		6,161	55,973	62,134	10,026	50,043	60,069
Segment liabilities		**20,714**	**188,189**	**208,903**	**26,295**	**177,630**	**203,925**

Note to the Financial Statements (Contd.)

As at 25th December,

28. Financial Instruments - Fair values and risk management

Financial assets	Note	2024 (Rs. ´000)	2023 (Rs. ´000)
Trade and other receivables *	17	225,474	173,771
Other financial assets	17.3.1	644	250
Financial assets at amortised cost - non - current	19.1	40,000	45,000
Financial assets at amortised - current	19.2	339,150	125,139
Cash in hand	18.1	475	475
Short term deposits	18.1	34,018	35,000
Cash at bank	18.1	36,883	52,060
Total financial assets		**676,644**	**431,695**
Financial liabilities			
Trade and other payables **	24	47,141	61,689
Dividend payables	26	12,616	7,581
Bank overdraft	18.2	108	4,415
Total financial liabilities		**59,865**	**73,685**

* Advances & Prepayment, Value Added Tax Receivable and Deposits & Other Receivables amounting to Rs. 46.3 Mn. (2023 - Rs. 28.2 Mn.) that are not financial assets are not included.

** Accruals & Other Payables and Value Added Tax Payable amounting to Rs. 58.3 Mn. (2023 - Rs. 44.6 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 25th December, 2024	Notes	Financial assets at amortised cost (Rs. ´000)	Financial liabilities at amotised cost (Rs. ´000)	Total (Rs. ´000)	Fair value Level 1 (Rs. ´000)	Level 2 (Rs. ´000)	Level 3 (Rs. ´000)	Total (Rs. ´000)
Financial assets								
Trade and other receivables *	17	225,474	-	225,474	-	-	-	-
Other financial assets non - current	17.3.1	644	-	644	-	-	-	-
Financial assets at amortised - non - current	19.1	40,000	-	40,000	-	-	-	-
Financial assets at amortised - current	19.2	339,150	-	339,150	-	-	-	-
Cash in hand	18.1	475	-	475	-	-	-	-
Short term deposits	18.1	34,018	-	34,018	-	-	-	-
Cash at bank	18.1	36,883	-	36,883	-	-	-	-
Total financial assets		**676,644**	**-**	**676,644**	**-**	**-**	**-**	**-**
Financial liabilities								
Trade and other payables **	24	-	47,141	47,141	-	-	-	-
Dividend payables	26	-	12,616	12,616	-	-	-	-
Bank overdraft	18.2	-	108	108	-	-	-	-
Total financial liabilities		**-**	**59,865**	**59,865**	**-**	**-**	**-**	**-**

Note to the Financial Statements (Contd.)

28.1 Accounting classification and fair value of financial instruments

As at 25th December, 2023		At amortised cost			Fair value			
	Notes	Financial assets	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rs. ´000)	(Rs. ´000)	(Rs. ´000)	(Rs. ´000)	(Rs. ´000)	(Rs. ´000)	(Rs. ´000)
Financial assets								
Trade and other receivables *	17	173,771	-	173,771	-	-	-	-
Other financial assets non - current	17.3.1	250	-	250	-	-	-	-
Financial assets at amortised cost as non - current	19.1	45,000	-	45,000	-	-	-	-
Financial assets at amortised as cost 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	-	-	-	-
Total financial assets		**431,695**	**-**	**431,695**	-	-	-	-
Financial liabilities								
Trade and other payables **	24	-	61,689	61,689				
Dividend payables	26	-	7,581	7,581	-	-	-	-
Bank overdraft	18.2	-	4,415	4,415	-	-	-	-
Total financial liabilities		**-**	**73,685**	**73,685**	**-**	**-**	**-**	**-**

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, 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 17 to 18 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 25th December,	Note	2024 (Rs. ´000)	2023 (Rs. ´000)
Trade and other receivables *	17	225,474	173,771
Other financial assets - non - current	17.3.1	644	250
Financial assets at amortised - non - current	19.1	40,000	45,000
Financial assets at amortised - current	19.2	339,150	125,139
Short term deposits	18.1	34,018	35,000
Cash at bank	18.1	36,883	52,060
Total		**676,169**	**431,220**

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. 3.15 Mn. (2023 - 3.1Mn.) 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 Compnay 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 25th December,

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

	Note	2024 (Rs. ´000)	2023 (Rs. ´000)
Balance as at the beginning of the year		4,546	7,347
Net impairment charge / (reversal)	17.1	9,101	(2,801)
As at the end of the year		**13,647**	**4,546**

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.

Company applies experienced credit judgement taking in to account qualitative and quantitative factors that are indicative of the risk of default. Scale 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 counterparties.

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 25th December,		2024		2023	
	Note	Gross carrying amount (Rs. '000)	Loss allowance (Rs. '000)	Gross carrying amount (Rs. '000)	Loss allowance (Rs. '000)
Current (not past due)		168,725	56	133,054	145
1- 30 days past due		23,850	57	19,570	118
31- 60 days past due		3,681	28	3,509	40
61 - 90 days past due		1,867	48	9,458	299
91-180 days past due		2,044	218	61	3
181- 360 days past due		23,128	11,092	-	-
More than 360 days past due		2,148	2,148	3,941	3,941
Total trade receivables & Impairment	17	**225,443**	**13,647**	**169,593**	**4,546**

During the current financial period, the company extended its credit facility to customers to support with economic recovery, resulting in an increase in trade receivables to Rs. 225.4 million (2023: Rs. 169.5 million). The trade receivables impairment loss allowance increased to Rs. 13.6 million (2023: Rs. 4.5 million) due to a significant rise in the gross carrying amount of trade receivables in the 181 – 360 days past due delinquency bucket. The company is gradually recovering the overdue balance in the subsequent financial period and continues to maintain a business relationship with the customer.

As at 25th December,	Note	2024 (Rs. '000)	2023 (Rs. '000)
Balances with Banks / Financial assets at amortised cost			

The Company is also exposed to credit risk through its cash at bank balances/ financial assets (investments in fixed deposits/ treasury bills/ treasury bonds) The creditworthiness of the financial instruments is assessed using the credit ratings assigned to each Bank. This rating provides the Company an indication of the financial stability of the investment. The ratings are based on Fitch Ratings

b)	**Cash and cash equivalents**			
	Fitch rating			
	Bank balance (Including short term deposits)			
	A(lka)	18.1	70,901	87,060

Note to the Financial Statements (Contd.)

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

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 25th December.

		2024		2023	
	Note	Utilisation (Rs.'000)	Facility amount (Rs.'000)	Utilisation (Rs.'000)	Facility amount (Rs.'000)
Import loans	23.2	-	610,000	-	360,000
Bank overdraft	18.2	108	167,500	4,415	112,000
Total borrowing utilization vs facility		**108**	**777,500**	**4,415**	**472,000**

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 25th December, 2024			Contractual cash flow			
Line of credit	Note	Carrying amount (Rs.'000)	Total (Rs.'000)	One month (Rs.'000)	2 -12 Months (Rs.'000)	More than 12 Months (Rs.'000)
Bank overdraft	18.2	108	108	108	-	-
Trade payable and other payables	24	47,141	47,141	47,141	-	-
Dividend payables	26	12,616	12,616	12,616	-	-
Total line of credit		**59,865**	**59,865**	**59,865**	**-**	**-**

As at 25th December 2023			Contractual cash flows			
Line of credit	Note	Carrying amount (Rs.'000)	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 payable and other payables	24	61,689	61,689	61,689	-	-
Dividend payables	26	7,581	7,581	7,581	-	-
Total		**73,685**	**73,686**	**73,685**	**-**	**-**

Note to the Financial Statements (Contd.)

"Gross inflows/outflows disclosed in the table above represents the contractual undiscounted cash flows. There were no covenants held by the Company on the loans obtained other than the normal payment settlement terms thats 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 foreign trade payables 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 foreign trade payables exposure as at 25th December;

As at 25th December,	2024	2023
	USD	USD
Foreign trade payables	**107,456**	**112,552**
Spot rate was US$ 1 Vs LKR	**300.98**	**332.31**

An increase or decrease of Sri Lankan Rupees as indicated below, against the major foreign currencies as at 25th 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 25th December,	2024 (Rs. ´000)	2023 (Rs. ´000)
Increase by 5%	(33,959)	(39,272)
Decrease by 5%	33,959	39,272
Increase by 15%	(37,193)	(43,012)
Decrease by 15%	37,193	43,012

(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.

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

Note to the Financial Statements (Contd.)

Fixed rate instruments	Note	2024 (Rs. ´000)	2023 (Rs. ´000)
Financial assets		413,168	205,139
Financial liabilities		-	-
		413,168	205,139
Variable rate instrument		-	-
Financial liabilities		-	-

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.

	2024 (Rs. ´000)	2023 (Rs. ´000)
Increase by 100 BP	-	-
Decrease by 100 BP	-	-

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 25th December,	Note	2024 (Rs. ´000)	2023 (Rs. ´000)
Gearing ratio			
Non - current liabilities		41,281	37,558
Current liabilities		167,622	166,367
Total liabilities		**208,903**	**203,925**
Cash and bank balances	17	(71,376)	(87,535)
Net debt		137,527	116,390
Equity		1,267,132	1,110,566
Gearing ratio		**11%**	**10%**

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. 164.8 Mn. (2023 – 81.7 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. 23.8 million and Rs. 30.5 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 11th June 2018, under section 177(1) of the Inland Revenue Act, No. 10 of 2006, amounting to Rs. 5.8 million. Subsequently, on 24th 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

Company has given a negative pledge over the Company's land and building including non - current financial assets, inventories and trade receivable for the following banks over the Loans and Overdrafts having a carrying value of Rs. 712.5 Mn. as at the year end (2023 - 712.5 Mn.):

Commercial Bank of Ceylon PLC

National Development Bank PLC

Seylan Bank PLC

Hatton National Bank PLC

30. Events after the reporting date

There were no material events occurred subsequent to the reporting date as at 25 December 2024 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. 36/-per share for the year ended 25th December 2024. (2023 - Rs. 27/-), which will be declared at the annual general Meeting to be held on 13th June 2025. In accordance with LKAS 10 Events after the reporting date, this proposed final dividend has not been recognized as a liability as at 25th December 2024.

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.

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per audited Financial Statements.

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 Executive Director of the Company. Directors' emoluments for the year ended 25th December 2024 amounted to Rs. 44.0 Mn. (2023 - 41.8 Mn.). Retirement benefit paid for the year ended 25th December 2024 Nill (2023 - Nill).

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. (2023 - 52.92%)

Company pays a lease rent and allowance amounting to Rs 8.5 Mn. to the Managing Director for the house owned and occupied by him as an employment benefit (2023 - 5.8 Mn. was paid as lease rent and allowance).

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 other than availed facilities under the loan scheme uniformly applicable to all staff under their employment capacity.

32. Comparative Information

The Company has consistently applied the accounting policies with those adopted in the previous functional year.

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 25th December,	2024	2023
Net assets attributable to ordinary shareholders (Rs. '000)	1,267,132	1,110,566
Weighted average number of ordinary shares in issue ('000)	1,500	1,500
Net assets per share (Rs.)	**844.75**	**740.38**

Information to Share Holders

(1) As at 25th December, 2024
No. of Shareholders – 900 (as at 25th December, 2023 – 789)

As at 25th December,

No of Shares held	2024			2023		
	No of Shareholders	No of shares	%	No of Shareholders	No of shares	%
1-1,000	859	91,175	6.08	754	79,214	5.00
1,001-10,000	30	99,204	6.61	24	86,587	6.00
10,001-100,000	8	292,244	19.48	8	316,822	21.00
100,001-1000,000	3	1017377	67.83	3	1,017,377	68.00
Over 1000,000	0	0	-	0	-	-
Total	**900**	**1,500,000**	**100**	**789**	**1,500,000**	**100**

Categories of Shareholders	2024			2023		
	No of Shareholders	No of shares	%	No of Shareholders	No of shares	%
Local Individuals	702	1,173,503	78.23	743	1,173,503	78.23
Local Institutions	193	326,163	21.74	41	326,163	21.74
Foreign Individuals (non resident)	5	334	0.03	5	334	0.022
Foreign Institutions	-	-	-	-	-	-
Total	**900**	**1,500,000**	**100.00**	**789**	**1,500,000**	**100.00**
Shares held by public	**1800**	**388,800**	**25.92**	**785**	**464,990**	**30.99**

	2024 Rs.	2023 Rs.
(2) Major shareholders as at 25th December,		
Market capitalisation	1,094,625,000	975,000,000
Float adjusted market capitalisation	181,135,937	258,780,750

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		
- Highest Price	730.00	767.50
- Lowest Price	630.50	510.50
Closing Price as at Dece.	729.75	650.00
(4) Dividend pay out (%)	39%	27%

(5) Dividend payments

Interim dividend - Rs. 27/- per share paid on 14th November 2024
Proposed final dividend Rs. 36 /- per share to be declared and payable in June 2025. (2023 - final dividend Rs. 27/- per share)

Information to Share Holders (Contd.)

(2) Major shareholders as at 25th December,

Names	2024		2023	
	No. of Shares	%	No. of Shares	%
Mr. H. A. D .U. G. Gunasekara	638,622	42.57	638,622	42.57
Estate of Late Mr Shabbir Husain Abbas Gulamhusein	223,560	14.90	223,560	14.90
People's Leasing & Finance PLC/Mr. H. A. D. U. G. Gunasekara	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	34,089	2.27
Mr. K. Gunaratnam (Decd)	29,548	1.97	29,548	1.97
Mr. U. I. Suriyabandara	18,476	1.23	18,476	1.23
Mrs. L. A. M. Gunasekara	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
Est. of Lat 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. Hathramani (Deceased)	4,900	0.33	4,900	0.33
Mrs. Rathnakumari Someswaran Asministratrix of The Estate of Mr. Someswaran	3,646	0.24	3,646	0.24
Mr. G. C. Goonetilleke	3,100	0.21	3,100	0.21
Mrs. S. Vignarajah	2,601	0.17	2,601	0.17
Mr. S. Vasudevan	1,900	0.13	1,900	0.13
Mr. J. P. Paul	1,900	0.13	1,900	0.13
Mr. A. A. Noordeen	1,900	0.13	1,900	0.13
Mr. S. Sivapalan	1,823	0.12	1,823	0.12
	1,406,617		**1,406,617**	

Ten Years at a Glance

	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	2024 Rs.' 000
Year ended 25th December,										
Trading Results										
Revenue	773,939	761,242	700,396	874,392	955,829	1,026,165	1,596,759	1,677,744	1,612,878	1,650,274
Profit before taxation	130,072	135,404	71,823	65,567	104,067	151,473	203,092	222,033	356,938	342,899
Taxation	(38,778)	(38,661)	(21,215)	(16,883)	(29,057)	(43,355)	(31,387)	(60,292)	(110,054)	(103,577)
Profit for the year	**91,294**	**96,743**	**50,608**	**48,684**	**75,010**	**108,118**	**171,705**	**161,741**	**246,884**	**239,322**
As at 25th December,										
Equity & Liabilities										
Non current assets	145,124	182,116	189,375	236,670	283,734	309,793	348,038	371,499	394,029	380,833
Current assets	390,388	436,122	439,407	450,879	460,518	500,486	804,079	973,774	920,462	1,095,202
	535,512	**618,238**	**628,782**	**687,549**	**744,252**	**810,279**	**1,152,117**	**1,345,273**	**1,314,491**	**1,476,035**
Capital	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Reserves	395,558	468,927	492,708	525,604	577,500	643,907	769,888	893,608	1,095,566	1,252,132
Total Equity	**410,558**	**483,927**	**507,708**	**540,604**	**592,500**	**658,907**	**784,888**	**908,608**	**1,110,566**	**1,267,132**
Non current liabilities	20,620	17,912	20,588	54,792	59,501	32,089	24,358	30,727	37,558	41,281
Current liabilities	104,334	116,399	100,486	92,154	92,251	119,283	342,872	405,938	166,367	167,622
	535,512	**618,238**	**628,782**	**687,549**	**744,252**	**810,279**	**1,152,118**	**1,345,273**	**1,314,491**	**1,476,035**
Working capital	286,054	319,723	338,920	358,725	368,267	381,203	461,207	567,836	754,095	927,580
Key indicators										
Earnings per share (basic) (Rs.)*	60.86	64.50	33.74	32.46	50.01	72.08	114.47	107.83	164.59	159.55
Cash flow from operating activities	97,741	185,491	44,883	(4,999)	131,559	188,545	111,131	76,854	437,463	357,717
Net assets per share (Rs.)*	273.71	322.62	338.47	360.40	395.00	439.27	523.26	605.70	740.38	844.75
Market price per share (Rs.)	600.00	510.20	400.10	400.00	400.00	700.00	852.00	614.00	650.00	729.75
Annual sales growth (%)	12	(2)	(8)	25	9	7	56	5	(4)	2
Dividend paid/payable (gross) (Rs.)	25,500	28,500	19,500	18,000	31,500	43,500	37,500	48,000	67,500	94,500
Dividend per share (Rs.)	17.00	19.00	13.00	13.00	21.00	29.00	25.00	32.00	45.00	63.00
Return on shareholders' equity (%)	22	20	10	9	13	16	22	18	22	19
Price earning ratio (times)	10	8	12	12	8	10	7	6	4	5
No of employees	41	41	41	40	44	41	43	40	38	39

Environment Management Approach

Union Chemicals Lanka PLC (UCLL) is committed to fostering a sustainable future through innovative research and the development of eco-friendly solutions for our customers. Our dedication to sustainability has been recognized with several prestigious accolades: **"Best Enterprise – Industry/Manufacturing Sector – Large Category" and "Best Energy Efficient Enterprise" at the Western Province Entrepreneur Awards 2024; "The Winner Award" in the Manufacturing – Chemical, Ceramic, & Glass sector; and "The Runner-up Award" in the medium category at the National Business Excellence Awards 2024, organized by the National Chamber of Commerce. Additionally, we were honored with the Bronze Award in the Chemical Industry category at the Presidential Environment Awards 2024.** These achievements reflect our unwavering commitment to environmental stewardship and our leadership in promoting sustainable practices within the industry.







Developing an innovative culture has been a vital differentiator that has enabled our expansion into new markets, improved sustainability, and resilience against changing business environments. By leveraging innovative technology, quality, and aesthetics, we have consistently utilized our production and creative capabilities to engage consumers effectively. We are dedicated to provide more technologically advanced, user-friendly, and environmentally sustainable products in alignment with consumer preferences. In spite of challenging economic conditions, we have maintained our creative initiatives to strategically position ourselves, ensuring that we can navigate the market downturn and emerge with a competitive edge.

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 1.08m3/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

At UCLL, we prioritize cultivating strong and meaningful relationships with our customers, suppliers, and the broader community. We regard these stakeholders as integral partners in our journey toward continuous progress and innovation. By strategically aligning our interactions, we aim not only to foster mutual growth and success but also to create lasting value that benefits all parties involved. Together, we are committed to building an environment that drives collective achievements and enhances our impact on the community.

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 Gallawatta, 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 inhouse 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

25th December, 2024

BOARD OF DIRECTORS

Mr. K. M. Dissanayake - Chairman
Mr. H. A. D. U.G. Gunasekera - Managing Director
Mr. U. L. Pushpakumara
Prof. B.A. J. K. Premachandra
Mr. W. K. P. Malwattege

AUDIT AND RISK COMMITTEE

Mr. W. K. P. Malwattege - Chairman
Mr. K. M. Dissanayake
Prof. B.A. J. K. Premachandra

REMUNERATION COMMITTEE

Mr. W. K. P. Malwattege - Chairman
Mr. K. M. Dissanayake
Prof. B.A. J. K. Premachandra

RELATED PARTY TRANSACTION REVIEW COMMITTEE

Prof. B.A. J. K. Premachandra - Chairman
Mr. U. L. Pushpakumara
Mr. K. M. Dissanayake
Mr. W. K. P. Malwattege

NOMINATIONS AND GOVERNANCE COMMITTEE

Mr. W. K. P. Malwattege - Chairman
Mr. K. M. Dissanayake
Prof. B.A. J. K. Premachandra

INVESTORS' RELATIONS OFFICER

Mr. U. L. Pushpakumara

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.

Seylan Bank PLC
Seylan Towers,
90, Galle Road,
Colombo 03.

DFCC Bank PLC
73/5, Galle Road,
Colombo 3.

Hatton National Bank
No. 47, T B Jayah Mawatha,
Colombo 10.

REGISTERED OFFICE

05th Floor, 4 Tickell Road,
Colombo 08.

FACTORY

Maithri Mawatha,
Ekala,
Ja-ela.

WEBSITE

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ucll@ucll.lk

TELEPHONE

+94 112 472 924-5

FAX

+94 112 472 926

Form of Proxy

I/We the undersigned ……

…… of ……

…… being a member/members of Union Chemicals Lanka PLC (the Company) do hereby appoint ……

…… of …… whom failing KOSALA MUNASINGHE DISSANAYAKE, whom failing HENADIRA APPUHAMILAGE DON UPANANDA GAMINI GUNASEKERA, whom failing UKWATTE LIYANAGE PUSHPAKUMARA, whom failing BAMUNU ARACHCHIGE JAGATH KUMARA PREMACHANDRA whom failing WASANTHA KUMARA PEIRIS MALWATTEGE as my/our Proxy to represent me/us * …… to vote on my/our behalf at the THIRTY SEVENTH (37th) ANNUAL GENERAL MEETING of the Company to be held on Friday, 13th June, 2025 at 10.30 a.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof. I / We the undersigned hereby authorise my/our proxy to vote on my/our behalf in accordance with the preference indicated below:-

		For	Against
1.	To receive and consider the Audited Financial Statements for the year ended 25th December, 2024 together with the Reports of the Auditors' thereon and the Annual Report for the said year.	☐	☐
2.	To declare a Final Dividend of Rs.36/- per share for the Year Ended 25th December, 2024 as recommended by the 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.	☐	☐
	(iii) To elect Professor Bamunu Arachchige Jagath Kumara Premachandra, Director, in terms of Article 91 of the Articles of Association of the Company.	☐	☐
	(iii) To elect a, Director, Mr Wasantha Kumara Pieris Malwattege, Director, in terms of Article 91 of the Articles of Association of the Company.	☐	☐
	(iv) To pass the Ordinary Resolution set out in the Notice of the Annual General Meeting pertaining to the re-appointment of Mr. Henadira Appuhamilage Don Upananda Gamini Gunasekera who is 72 years of age, as a Director of the Company.	☐	☐
	(v) To pass the Ordinary Resolution set out in the Notice of the Annual General Meeting pertaining to the re-appointment of Mr. Kosala Munasinghe Dissanayake who is 70 years of age, as a Director of the Company.	☐	☐
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.	☐	☐

As witness my/our hand this ……day of ……..Two Thousand and Twenty Five.

……
Signature of Shareholder

Notes :

If you wish your Proxy to speak at the Meeting you should insert the words "to speak and" in the place indicated with an asterisk and initial such insertion.

Please indicate with an "x" in the space provided how your Proxy is to vote. If there is in the view of the Proxy holder doubt (by reason of the way in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder shall vote as he thinks fit.

A Proxy holder need not be a member of the Company. Instructions as to completion appear on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. To be valid this 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 appointed for the holding of the Meeting.

2. The instrument appointing a Proxy shall in the case of an individual be signed by the appointor or by his Attorney and in the case of a Company/Corporation, the Proxy Form must be executed under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association or other constitutional documents.

3. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy if it has not already been registered with the Company.

4. The full name and address of the Proxy holder and of the Shareholder appointing the Proxy holder should be entered legibly in the Form of Proxy.

Web: www.ucll.lk
E-mail: ucll@ucll.lk

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