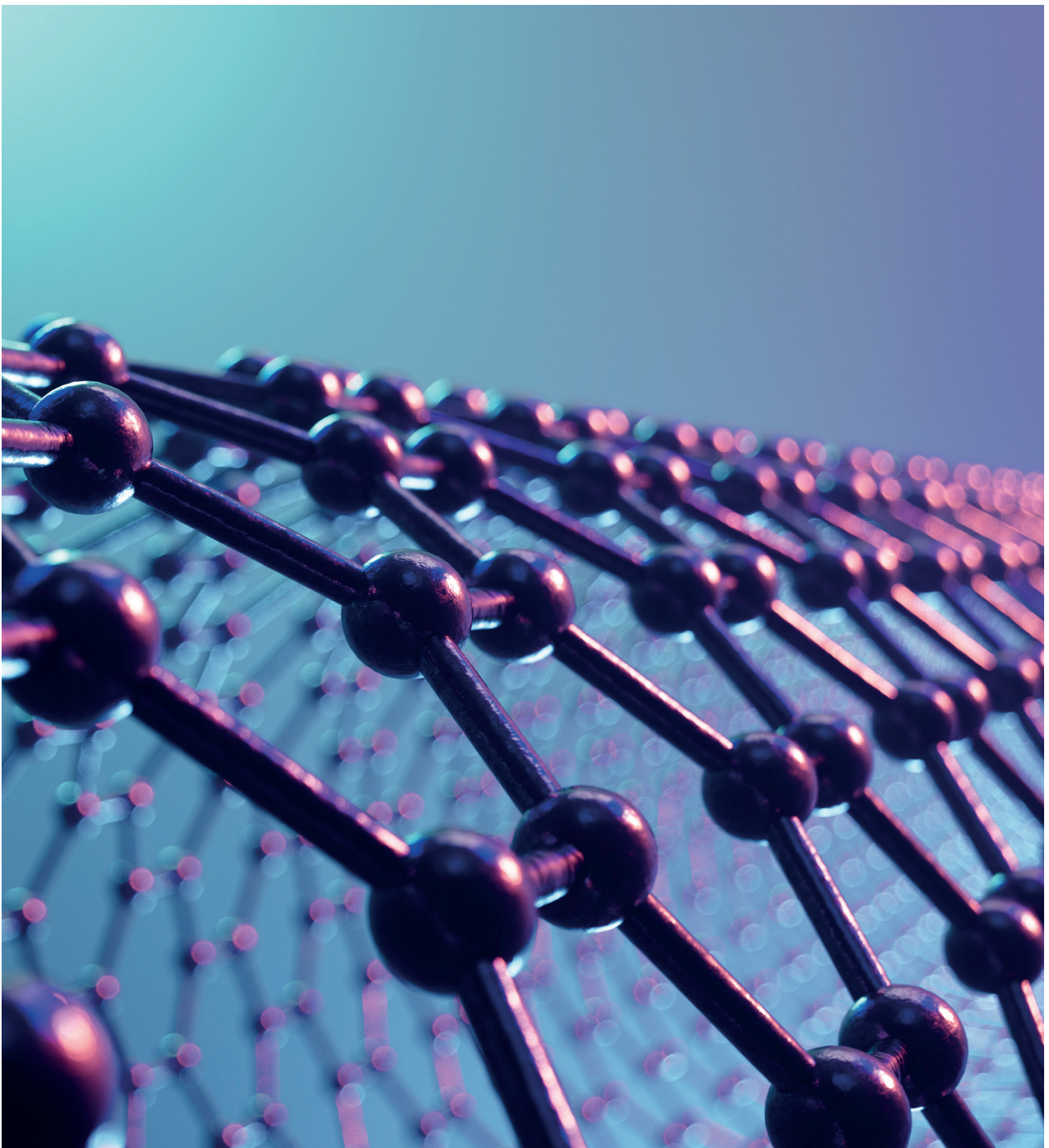




# ELEMENTS OF ENDURANCE

ANNUAL REPORT 2020/2021

CHEMANEX PLC



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# ELEMENTS OF ENDURANCE

Endurance is not just the ability to bear or brace. It is about thriving with grit to embrace glory. Last year, every element that made up our endurance was put to test, yet your company remained successful in turning obstacles into opportunity and setbacks into strength. Today, we have secured our formidable position as a leader in the manufacture and trade of chemicals and industrial intermediates, serving a robust portfolio of clients.

Our progress during the past year, stands to reflect our tenacity, agility and resilience, demonstrating our enduring edge. Despite navigating a volatile economic climate, we were able to foster strong relationships with our vendors and overseas principles while re-aligning our strategies to action a blueprint for growth. Moving ahead, we are confident that our elements of endurance will allow us to keep pace with future market dynamics while delivering product excellence.

## About Us

### Vision

To be a leading corporate in manufacturing and distributing value-added speciality compounds and intermediates.

### Values

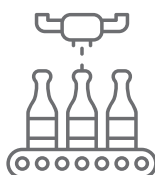
- Daring to Envision and Innovate
- Commitment towards Excellence
- One Family Unbroken
- A Deep-Rooted Culture of Professional Ethics
- Sustainability as Strength

## Chemanex at a Glance



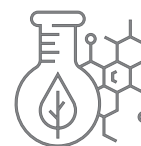
### Estate Chemicals

Supply chemicals for rubber estates.



### Packaging/Food Additives

Supply starches and related accessories for corrugated industry and additives for the food manufacturing.



### Coatings

Supply colour pigments and additives for paint and ink industries.



### Rubber

Supply raw materials for dry rubber product manufacturing industries.



### Home and Personal Care

Supply additives to manufacture hair /skin/ home care products.

# Financial Highlights

Year ended 31st March	Company			Group			
	2021	2020	Change %	2021	2020	Change %	
<b>Earnings Highlights &amp; Ratios</b>							
Revenue	Rs.'000s	441,401	395,850	11.51	441,401	395,850	11.51
Profit before Tax	Rs.'000s	60,605	314,230	(80.71)	34,621	237,288	(85.41)
Taxation	Rs.'000s	15,473	10,181	(51.98)	15,473	10,181	(51.98)
Profit attributable to Equity Holders	Rs.'000s	45,132	304,049	(85.16)	23,526	229,456	(89.75)
Total Comprehensive Income/(loss) for the year	Rs.'000s	739,089	(91,820)	904.93	718,104	(168,573)	525.99
Dividends	Rs.'000s	31,415	15,750	99.46	31,415	15,750	99.46
Earnings per Share	Rs.	2.87	19.31	(85.14)	1.50	14.58	(89.71)
Dividend Cover	No. of Times	1.44	19.31	(92.54)	0.75	14.58	(94.86)
Return on Shareholders' Equity	%	1.90	18.17	(89.57)	0.96	12.96	(92.61)
Pre-tax Return on Shareholders' Equity	%	2.55	18.78	(86.45)	1.41	13.41	(89.49)
Return on Assets	%	1.78	16.51	(89.25)	0.93	12.38	(92.49)
Interest Cover	No. of Times	6.47	35.54	(81.80)	8.20	24.42	(66.41)
Working Capital Cycle	days	170	192	11.45	170	192	11.45
<b>Balance Sheet Highlights &amp; Ratios</b>							
Total Assets	Rs.'000s	2,542,235	1,841,070	38.08	2,530,948	1,852,425	36.63
Total Debts	Rs.'000s	45,129	64,437	29.96	45,129	64,437	29.96
Shareholders' Funds	Rs.'000s	2,380,789	1,673,115	42.30	2,456,633	1,769,944	38.80
No. of Shares in Issue	000s	15,707	15,707	-	15,707	15,707	-
Net Assets per Share	Rs.	151.57	106.52	42.30	156.40	112.68	38.80
Debt/Equity	%	1.90	385.13	(99.51)	1.85	367.73	(99.50)
Debt/Total Assets	%	1.78	3.50	(49.28)	1.78	3.48	(48.74)
Current Ratio	No. of Times	18.26	12.50	46.04	41.94	27.95	50.01
<b>Market/Shareholder Information</b>							
Market Price per Share	Rs.	76.90	40.00	92.25	76.90	40.00	92.25
Market Capitalisation	Rs.'000s	1,207,892	628,292	92.25	1,207,892	628,292	92.25
Price Earnings Ratio	No. of Times	26.79	2.07	1,193.50	51.27	2.74	1,768.67
Dividend per Share	Rs.	2.00	1.00	100.00	2.00	1.00	100.00
Dividend Payout	%	69.69	5.18	1,245.64	1.33	6.86	(80.53)
Dividend Yield	%	2.60	2.50	4.03	2.60	2.50	4.03
ROCE	%	2.26	15.97	(85.84)	2.90	10.46	(72.28)



**R.76.90**  
Market price per share



**Rs.151.57**  
Net assets per share



**Rs.31.42Mn**  
Dividend paid

## Chairman's Review



**Your Company's strong financial position & asset base kept it in good stead to face the turbulence in the market and economy**

I am pleased to report on the performance of your Company and to share with you the Annual Report and Audited Financial Statements for the year ended 31st March 2021.

Chemanex PLC has been amongst the leading distributors of chemicals in Sri Lanka over many years. It has built up a base of loyal and satisfied customers and had a large portfolio of chemicals. In line with its strategy, Chemanex has acquired new agencies and increased its portfolio in speciality chemicals in the last few years. Chemanex PLC operates in tandem with the chemical division of its holding company CIC Holdings PLC thereby offering chemicals virtually to all industries in the country.

### **Operating Environment**

The unprecedented COVID-19 pandemic had a significant impact on the environment in which your company operates. This was characterised by lockdowns, slowdown in the economy, suspension of major construction and infrastructure projects and a drop in business confidence overall as the economy contracted by as much as 3.6% during the year. The subsequent disruptions in normal business activity and supply chains rendered the year under review a very complex period to navigate. However, I am proud to note that Chemanex was able to adapt to the new normal on the strength of its reputation and diverse customer portfolio, coupled with the fact that some industries, such as Personal Care & Estates, to which we supply chemicals, continued to function without interruption.

# Chemanex PLC performed well and it will continue to forge ahead to become a supplier of highly specialised chemicals in time.

## Company Performance

Overall the Company performed reasonably well but the anticipated growth could not be realised due to the impact of the pandemic and unfavourable conditions in the construction and paints industry. Although personal care as a sector showed an overall degrowth, the handwashing and sanitizer segment showed an upsurge due to demand for these products in the fight against the pandemic. On the other hand the starch products and chemicals for rubber-making industry in our portfolio have had a slow uptake once again due to market conditions. Your Company's strong financial position and asset base kept it in good stead to face the turbulence in the market and economy.

The Company share portfolio performed well during the year.

## Future Prospects

We are highly optimistic about the growth potential of Chemanex PLC as the business lines we are in presently are major thrust areas for the current government, which is placing great emphasis on plantations and agriculture and local manufacture. Other business lines of the Company such as coatings and food additives rely on a pick-up in economic activity and I believe that an improved economic climate in the year ahead will facilitate these sectors as well. It is apparent now that despite a rise in cases, the government is committed to ensuring economic activities are not affected, opting for localised lockdowns to limit damage to the economy overall as businesses become used to working in the new normal. Considering all these challenges that prevailed during the year under consideration, I have reason to believe Chemanex PLC performed well and that it will continue to forge ahead to become a supplier of highly specialised chemicals in time. Some of the potential risks we foresee ahead are that the existing foreign exchange shortage could lead to a restriction on raw material imports such as industrial chemicals.

Finally, the performance of the local and global economy will remain a key risk for returning to normalcy. I am pleased to note that Chemanex PLC adheres to best sustainable practices when it comes to handling chemical products as per environmental regulations. Doing the right thing is in our DNA as a part of the CIC Group, which has an overarching safety and environmental policy.

During the year the Company and its staff took steps to carry out its business and activities in a safe manner giving priority to the health and safety of employees in the pandemic situation. Advice from Health Authorities were followed stringently and activities continued to be monitored.

The year 2021/22 is widely expected to offer a more conducive operating climate for business and trade which is evident in industries restarting and exports picking up. We believe this will lead to higher sales as compared to the previous year, coupled with low interest rates which should stimulate further investments. Eventually, the nation's economic growth will be determined by how COVID-19 is managed while ensuring the impact on the economy is minimised. Our overarching thrust going ahead will be to broaden our presence in key specialist areas in the market.

## Acknowledgements

I would like to thank my colleagues on the Board for their support and our valued shareholders for the confidence they have placed in the company. The dynamic team at Chemanex PLC has demonstrated their pursuit of excellence amidst challenging circumstance. I would like to thank our suppliers, customers and all other valuable stakeholders who have partnered with us on this journey.



**P. R. Saldin**  
Chairman  
20th May 2021

## Board of Directors



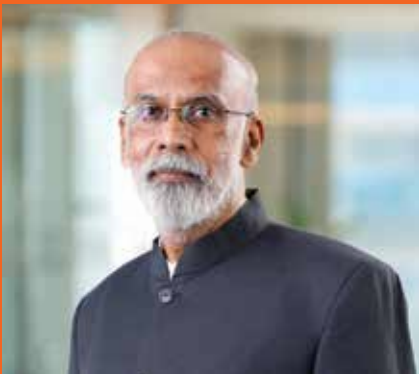
**Mr. P R Saldin**  
Non-Executive Chairman



**Mr. S Fernando**  
Director / Chief Executive Officer



**Mr. E M M Boyagoda**  
Non-Executive Independent Director



**Dr. S A B Ekanayake**  
Non-Executive Independent Director



**Ms. T Wegodapola**  
Company Secretary

**Mr. P R Saldin**  
Non-Executive Chairman

Mr. Rimoe Saldin was first appointed to the Board of Directors in 1999 and served as a Non-Executive Director till 2005. During this period he also served as a Director of CIC Holdings PLC. On leaving the CIC Group he functioned as Country Controller and Group Finance Director for Shell Sri Lanka and subsequently as Group Chief Operating Officer of Browns Group of Companies and Managing Director of Browns Investment PLC. While serving as Managing Director of Browns Investments PLC he served as a Director of Agstar PLC, Sierra Cables PLC, Free Lanka Capital Holdings PLC.

He is currently employed as Director of Paints & General Industries Ltd, the Ultimate Parent of Chemanex PLC and Director/Chief Executive Officer of Polypak Secco Ltd. He was re-appointed to the Board of Chemanex PLC on 8th February 2017 and appointed as the Chairman of Chemanex PLC on 9th April 2018. He also serves on the Board of Directors of CIC Holdings PLC, Polytex Properties & Investments Ltd, Akzo Nobel Paints Lanka (Pvt) Ltd, CISCO Speciality Packaging (Pvt) Ltd. He is also a Director of Hatton National Bank PLC and Chairman of Sithma Development (Pvt) Ltd.

Mr. Rimoe Saldin is a Fellow of the Institute of Chartered Accountants of Sri Lanka and an Associate of the Institute of Chartered Accountants of England and Wales in the United Kingdom. He is also a Fellow of the Chartered Institute of Management Accountants in the United Kingdom and a Certified Management Accountant, Australia. He is an alumni of the Asian Institute of Management, Manila, with over 20 years of top management level experience. He has a career spanning in the area of Finance, Human Resource Development, General Management and Operations.

**Mr. S Fernando**  
Director / Chief Executive Officer

Mr. Sermal Fernando was appointed as CEO of Chemanex PLC on 11th May 2018 and to the Board of Directors on 01st September 2019.

He also serves as Chief Operating Officer of CIC Holdings PLC, the parent company of Chemanex PLC and as a Non-Executive Director on the Boards of several unlisted companies of CIC Group.

Mr. Fernando holds a B.Sc. Degree in Physical Science from the University of Colombo and is a Fellow Member of Chartered Institute of Management Accountants UK with over 30 years of experience in Finance, General Management & Operations including 7 years of overseas experience and has spent over 20 years of his professional career with CIC Group of Companies.

**Mr. E M M Boyagoda**  
Non-Executive Independent Director

Mr. Mangala Boyagoda was appointed to the Board of Directors of Chemanex PLC on 14th May 2018.

Mr. Boyagoda is a Senior Banker, possessing over 35 years' experience holding key positions in the field of Financial Services. He is the former CEO of Standard Chartered Bank. He is the present Chairman of Wealth Lanka Management (Pvt) Ltd., Director of SAFE Holdings (Pvt) Ltd., Wealth Trust Securities Ltd., Asset Trust Management (Pvt) Ltd., Ceylon Hotels Corporation PLC, Sierra Constructions (Pvt) Ltd., Dankotuwa Porcelain PLC, Sri Lanka Gateway Industries (Pvt) Ltd., CA Crushing (Pvt) Ltd., Ceylinco General Insurance Ltd., Royal Fernwood Porcelain Ltd., Faber Capital Lank (Pvt) Ltd., United Hotels Co. (Pvt) Ltd., Cargills Bank Ltd., Ambeon Holdings PLC., Asset Holdings (Pvt) Ltd, CIESOT & Dhamma Parami Trust. He has served as a Consultant to the Asian Development Bank (ADB), the World Bank, the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka & the Securities and Exchange Commission of Bangladesh. He is a former President of the FOREX Association of Sri Lanka.

He holds a Master's Degree in Business Administration from the Irish International University (European Union).

**Dr. S A B Ekanayake**  
Non-Executive Independent Director

Dr. Anura Ekanayake was appointed to the Chemanex Board on 29th August 2016. He is a former Chairman of the Ceylon Chamber of Commerce, the Industrial Association of Sri Lanka and the International Natural Rubber Council. He has had an illustrious career in public service serving as a Senior Economist of the Mahaweli Authority, Director on the Boards of the State Plantations Corporation and JEDB, Director of Planning to the Ministry of Plantation Industries and Director General of the Ministry of Public Administration. He left his two decade long public service and joined Unilever Sri Lanka and served as Director – Human Resources and Corporate Relations for 8 years. He serves at present on a number of boards of listed companies and non-listed companies. Dr. Ekanayake, holds a B.A. (Hons) and MSc (Agriculture) from the University of Peradeniya and a Ph.D in Economics from the Australian National University. He is also a Fellow Member of the Institute of Certified Professional Managers.

**Ms. T Wegodapola**  
Company Secretary

Ms. Thilini Wegodapola joined CIC Group in 2007 and appointed as the Company Secretary of Chemanex PLC on 1st April 2016. An Attorney-at-Law and holds a Bachelor of Law (LLB) degree from the University of Colombo. She is also the Company Secretary to many unquoted subsidiaries of CIC Group. Presently serves as the General Manager – Legal of CIC Holdings PLC.

## Management Discussion & Analysis

A member of the CIC Group of Companies, Chemanex PLC is engaged in the manufacturing, marketing and distributing of value-added specialty compounds and intermediaries to a wide cross-section of local industries. Over the past few years, the Company has enhanced its market position by securing agencies for reputed global brands for paint and related specialty compounds, thereby establishing its presence as a one-stop shop and wide-ranging supplier to industries in Sri Lanka. Chemanex specialises in supply of pigments and additives for the Paints and Coating industry; Adhesives for Packaging and Chemicals for Estates, Dry rubber, Latex and Plastics and Home and Personal Care industries.



### Financial Review

In a commendable achievement, the Company recorded an increase in turnover, marking an improvement over the preceding year, which was severely impacted by the Easter Sunday attacks. As a result, Chemanex PLC recorded a turnover of Rs. 441Mn for the year under review compared to Rs. 396 Mn in the previous year, reflecting 11% increase.

The Company's profit after tax in 2020/21 was Rs. 45Mn against Rs.304 Mn in the previous year. The Group recorded profit after tax of Rs. 23Mn in the period under review as compared to Rs. 229 Mn in 2019/20 mainly due to reduction in other income against the challenging backdrop of pandemic-induced disruption in trade and commercial activity and delays in supply chain and logistics.

### Risk and Governance

The Company exercises the highest Risk and Governance controls across the enterprise in order to mitigate any

**The Company's operations were boosted by winning new agencies for speciality chemicals for paints, inks and plastics during the year under review.**

risks that may emerge. Its reasonable performance in the face of the negative impact of the pandemic reflects the Company's inherently strong risk and governance standards. The Company applies the highest scrutiny protocols while entering into new partnerships with suppliers and has over the years become a brand synonymous with quality. Chemanex PLC complies with all the guidelines on Corporate Governance under the Listing Rules published by the Colombo Stock Exchange (CSE).

### Operational Review

As a B2B supplier, Chemanex adapts to emerging trends and during the year seized new opportunities in the Latex and Plastics industries as demand rose in this category. Further, the Company's estate business flourished due to the fact that the estates operated without interruption through 2020/21, which had a positive impact on earnings from this sector for Chemanex which in turn ensured a steady supply of chemicals to the sector.

## Company's reasonable performance in the face of the negative impact of the pandemic reflects the Company's inherently strong risk and governance standards.

The Company's operations were boosted by winning new agencies for speciality chemicals for paints, inks and plastics during the year under review. As a result, the Company launched new products for paint, ink, plastic and dry rubber industries.

So, while the overall paints and pigment industry recorded a de-growth of 15%, the Company managed to capitalise on its agencies to achieve good growth in the segment. Our strategy of expanding the supply base and product range, penetrating new market segments and building sufficient stocks have positioned us at the forefront of the business.

Overall, the Company recorded a reasonable financial and operational performance in face of unprecedented challenges by leveraging on new partnerships, proactive marketing strategies and a dynamic sales team which operated in adherence to prescribed health protocols, with most employees working from home to ensure health and safety. The Company's strong customer base is served through a centralised warehouse and outsourced transport services in order to further enhance operational efficiencies.

### Segmental Performance

#### Estate Chemicals

The Estate sector remained operational through the 2020/21 financial year which benefitted Chemanex PLC as the Company holds a majority market share in the estate chemical segment for its bleaching agent. The Estate Chemical segment grew 5% to 8% during the year under review, thereby offering a steady pipeline of demand for the Company's products.

#### Rubber

The Company's supplies to the Dry Rubber segment were impacted by the pandemic situation with global logistics issues emanating from border closures etc. Due to the lockdowns and other restrictions, local industries using dry rubber to whom the Company supplies were unable to operate which led to a dip in demand. As a result the dry rubber industry segment declined by 15%. However, the latex and plastics segment showed a rise in demand by about 10% which was capitalised upon by the Company.

#### Coatings

The overall decline in the Paints and Coating industry continued from 2019/20 due to the Easter Sunday attacks into 2020/21 which was impacted due to the global pandemic. The industry witnessed de-growth of 15%. Despite the decline in the overall industry, the Company performed well by leveraging on its new product



## Management Discussion & Analysis



range in pigments and coatings, successfully achieving its bottom line target and top line numbers.

### Home and Personal Care

The Hand Sanitizer and Detergent segment performed well although the overall Home & Personal Care sector showed a de-growth. As essential tools in the fight against COVID-19, hand sanitizers and detergents which are needed in the cleaning products industry saw rising demand.

The Company's products saw steady demand from this segment. Notwithstanding slight disruption in stock levels during the year review, the Company was able to leverage on the demand in this sector and has now proactively ramped up sufficient stocks to cater to the rise in demand for our range of latex, estates and personal care products for the foreseeable future. The need for hygiene and sanitation requirements due to COVID-19 will be sustained well into the next financial year as well by all appearances.

### Packaging & Food Additives

While food additives is a promising new product segment and attracted demand in the previous year, some challenges in securing approvals from local institutes resulted in a stagnant performance for this segment during 2020/21. The Company looks forward with renewed optimism to recommence this business segment, supported by new suppliers.

### Stakeholder Engagement

As part of the CIC Group of Companies, Chemanex PLC also maintains a high standard of stakeholder engagement to ensure that it interacts responsibly with stakeholders which include Customers, Suppliers, Employees and the Community at large.

### Customers

The Company engages closely with all its stakeholders while meeting all financial and contractual obligations. Its stakeholder inclusive approach helps it balance the needs, interests and expectations of all its customers who can expect the highest quality standards as the Company represents some of the best global brands in each product category.

### Suppliers

In order to offer customers nothing but the best, the Company adopts a careful procurement strategy and partners only reputed and well-known global brands, making their products available in Sri Lanka.

**The Company applies the highest scrutiny protocols while entering into new partnerships with suppliers and has over the years become a brand synonymous with quality.**

### Employees

The employees at Chemanex PLC are a key asset for the Company and demonstrated resilience during the difficult year under review. The Company in turn ensured that the highest health and safety protocols were followed at all times to ensure employee safety. The Company ensures its staff receives the training and support needed to realise their true potential while receiving competitive remuneration and incentives.

### Community

Apart from operating at the forefront of the industry, Chemanex PLC also engages in social responsibility initiatives from time to time, fulfilling requests from the community for cultural and religious events.

### Future Outlook

The Company remains optimistic about business prospects in 2021 and beyond due to its newly-acquired agencies and upcoming new agencies and enhanced product portfolio. This is part of the re-strategising process over the last few years which saw the Company discontinuing some product lines and businesses.

Now that the Company has penetrated the market with its new product lines in additives, paint and plastics, we expect this business to expand. In addition the inclusion of the new European supplier, who is technically sound, will empower Chemanex PLC to give more technical support to customers to become a more critical partner in the growth of customers' businesses.

The Company is anticipating partnerships with more key overseas suppliers. Some of the issues we faced

**Our strategy of expanding the supply base and product range, penetrating new market segments and building sufficient stocks have positioned us at the forefront of the business.**



in the previous year such as delayed approvals and shipments and disrupted logistics, have been resolved.

Considering the global vaccination drive, the Company remains hopeful that the pandemic and its negative impacts will ease and both global and local economies will be on the path to recovery. Chemanex PLC positioning itself strongly in the specialty product niche and going ahead expects this to ensure its success into the long term.

# Corporate Governance

The Board of Directors of Chemanex PLC is committed to uphold the principles of corporate governance as directed by the rules of Colombo Stock Exchange.

## Board of Directors

Board is responsible for setting the financial and operational policies, reviewing and approving the strategic plans and annual budgets, monitoring of performance, approving financial statements and major transactions other than the transactions specified in section 185 (1) of the Companies Act. It also monitors risk profile of the Group and the effectiveness of financial controls and compliance.

**Table 1**

Name	Directorate	Board	Audit Committee	RPT Review Committee
P R Saldin	NED	6/6*	6/6	-
S Fernando	ED	6/6	-	-
E M M Boyagoda	NED / ID	6/6	6/6	5/5
S A B Ekanayake	NED / ID	6/6	6/6*	5/5*

NED - Non-Executive Director

ED - Executive Director

ID - Independent Director

\*Chairman of Respective Committees

## Audit Committee

Audit Committee consists of two (02) Non-Executive Independent Directors and one Non-Executive Director. The Chief Executive Officer and Finance Manager attend meetings by invitation.

The Committee reviews the financial information which is provided to shareholders, the financial controls, compliance with laws, regulations and ethics, risk management, performance guidelines, qualifications and independence of the external auditors and the performance of the internal audit reviews. Both the internal auditors and external auditors have direct access to the Audit Committee.

The Audit Committee met six (06) times during 2020/21 and the attendance is given above in Table 01.

Audit Committee Report is given in page 17

## Remuneration Committee

It was resolved by the Board of Directors of the Company at the Board Meeting held on 19th May 2015 that Remuneration Committee of CIC Holdings PLC (Parent Company of Chemanex PLC) will be applicable for Chemanex PLC.

## Directors' Remuneration

Total remuneration paid to executive and non-executive directors are given in page 54.

## Nominations Committee

It was resolved by the Board of Directors of the Company at the Board Meeting held on 19th May 2015 that Nominations Committee of CIC Holdings

Appointment of non-executive directors is based on the collective decision of the Board.

As per Article 24(6) of the Articles of Association, one-third of the directors of the Board must retire by rotation at every Annual General Meeting. The Chairman, Managing Director or Joint Managing Director is not subject to retirement by rotation, nor shall they be taken into account in determining the Directors to retire. The person who has served for the longest period shall retire but is eligible for re-appointment.

The Board met six (06) times during 2020/21 and the attendance is given below in Table 01.

PLC (Parent Company of Chemanex PLC) will be applicable for Chemanex PLC.

## Related Party Transactions Review Committee

The Committee consists of two Non-Executive Independent Directors.

The scope of the Committee is to provide independent review, approval and oversight of related party transactions on the terms set forth in greater detail in the Committee Charter.

The Committee met five (05) times during the year and the attendance is given above in Table 01.

Related Party Transaction Review Committee Report is given in page 18

## Compliance with the Rules of the Colombo Stock Exchange on Corporate Governance &amp; Related Party Transactions

Section	Subject	Description	Status	Details
7.10.1 (a)	Non-Executive Directors	At least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of the total number of Directors, whichever is higher	Compliant	3 Non-Executive Directors
7.10.2 (a)	Independent Directors	Where the Board includes only two Non-Executive Directors, both shall be Independent. In all other instances two or one third of Non-Executive Directors, whichever is higher	Compliant	2 Independent Directors
7.10.2 (b)	Independent Directors	Each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or Non-Independence	Compliant	Refer page 12 for Corporate Governance Report
7.10.3 (a)	Disclosure Relating to Directors	The Board shall make a determination annually as to the independence or non- independence of Non- Executive Directors.	Compliant	Regular evaluation is made against the criteria set out in section 7.10.4
7.10.3 (b)	Disclosure relating to Directors	In the event a director does not qualify as "independent" but if the Board is of the opinion that the Director is "Independent", the Board shall specify the criteria not met and the basis for its determination.	Not applicable	Both independent Directors qualify according to the criteria set out in Section 7.10.4
7.10.3 (c)	Disclosure relating to Directors	The Board shall publish in its Annual Report a brief resume of each Director	Compliant	Refer Page 7 for the profile of Board Members

## Corporate Governance

Section	Subject	Description	Status	Details
7.10.3 (d)	Disclosure relating to Directors	Upon the appointment of new Directors, the entity shall forthwith provide the Colombo Stock Exchange a brief resume of such Director	Compliant	Made regular information to the Colombo Stock Exchange upon the appointment of new directors.
7.10.5 (a)	Remuneration Committee	The Remuneration Committee shall comprise of minimum of two independent non-executive directors or of non-executive directors a majority of whom shall be independent, whichever is higher.	Compliant	Remuneration Committee of the Parent Company, CIC Holdings PLC, is applicable to Chemanex PLC, as decided by the Board of Directors on 19th May 2015.
7.10.5 (b)	Remuneration Committee	Functions of the Remuneration Committee	Compliant	Remuneration Committee of the Parent Company, CIC Holdings PLC, is applicable to Chemanex PLC, as decided by the Board of Directors on 19th May 2015.
7.10.5 (c)	Remuneration Committee	Disclosure in the Annual Report about the name of Directors comprising the Remuneration Committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Remuneration Committee of the Parent Company, CIC Holdings PLC, is applicable to Chemanex PLC, as decided by the Board of Directors on 19th May 2015.  Total remuneration paid to executive and non-executive directors are given in page 54.

Section	Subject	Description	Status	Details
7.10.6 (a)	Composition of the Audit Committee	<p>Minimum of two Independent Non-Executive Directors or Non-Executive Directors a majority of whom shall be Independent, whichever shall be higher</p> <p>One Non-Executive Director shall be appointed as Chairman of the Committee.</p> <p>The Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend Audit Committee meetings.</p> <p>The Chairman or one member of the Committee should be a Member of a recognised professional accounting body.</p>	Compliant	<p>The Audit Committee comprises of Non-Executive Directors, two of whom are Independent.</p> <p>The Chairman of the Audit Committee is a Non-Executive Director.</p> <p>The Chief Executive Officer and the Finance Manager attended Audit Committee meetings by invitation.</p> <p>One member of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka.</p>
7.10.6 (b)	Audit Committee	Functions of the Audit Committee	Compliant	Refer page 17 for the Audit Committee Report
7.10.6 (c)	Audit Committee	Disclosure in the Annual Report	Compliant	Refer page 17 for the Audit Committee Report
9.2.1	Related Party Transactions Review Committee	All Related party Transactions should be reviewed by the Related Party Transactions Review Committee.	Compliant	Refer page 18 for the Related Party Transactions Review Committee Report

## Corporate Governance

Section	Subject	Description	Status	Details
9.2.2	Composition of Related Party Transactions Review Committee	<p>The Committee should comprise a combination of Non-Executive directors and independent non-executive Directors. The composition may also include Executive Directors.</p> <p>One Independent Non-Executive Director shall be appointed as Chairman of the Committee.</p>	Compliant	<p>The Committee comprised of two Independent Non-Executive Directors.</p> <p>Chairman of the Committee is a Non-Executive Independent Director</p>
9.2.4	Frequency of Meetings and Minutes	<p>The Committee shall meet at least once a calendar quarter.</p> <p>The Committee shall ensure that the minutes of the meeting are properly documented and communicated to the Board of Directors.</p>	Compliant	Refer page 18 for the Related Party Transactions Review Committee Report
9.3.2 (c )	Disclosure in the Annual Report	Requirements Listed in the section	Compliant	Refer page 18 for the Report of the Related Party Transactions Review Committee
9.3.2 (d)	Disclosure in the Annual Report	A declaration by the Board of Directors in the Annual Report as an affirmative / negative statement of the compliance with the Rules pertaining to Related Party Transactions.	Compliant	Refer page 18 for the Report of the Related Party Transactions Review Committee

## Report of the Audit Committee

### Composition of the Committee

In accordance with the Listing Rules of the Colombo Stock Exchange, the Board appointed Audit Committee is comprised of Dr. S A B Ekanayake, Non-Executive Independent Director, Mr. P R Saldin, Non-Executive Director and Mr. E M M Boyagoda, Non-Executive Independent Director. Dr. S A B Ekanayake functions as the Chairman of the Committee.

### Activities during the year

Six (06) Audit Committee meetings were held during the year. The attendance of the Committee members is given on page 12

The Audit Committee assists the Board of Directors in the oversight of the effectiveness of the internal controls over financial reporting, including the integrity of the financial statements of the Company and the Group. The Committee also ensures qualifications and independence of the External Auditors and monitor the performance of the Internal Auditors. Another primary task of the Committee is to ensure the Company's and the Group's compliance with legal and regulatory requirements.

The Committee is also responsible for internal audit functions of the Company as well as annual independent audit of the Company's financial statements. The Committee reviews the future plans and activities of the Internal audit functions with the Management and the Internal Auditors and also ensures that there are no unjustified restrictions or limitations on the Internal audit functions. The Committee also reviews and approves

the appointment of External Auditors. On a regular basis the Committee summons the Senior Corporate Officers to report on the Company's adherence to the relevant procedures, rules and regulations. Consequently, the Committee reports to the Board regularly regarding the effectiveness of the Company's internal controls over financial reporting. After reviewing the Financial Statements, the Committee recommends the same to the Board to be published. The Committee also concentrates on the adequacy of disclosure in the Financial Statements as required by the Sri Lanka Accounting Standards, the Companies Act and other relevant financial reporting regulations.

After analysing the internal controls, the Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's investments and assets are protected. Monitoring of Compliance Reports were carried out to ensure the required compliance with statutory requirements. The Committee also noted that the internal controls within the Company are designed to provide reasonable but not concrete assurance to the Directors, in order to monitor the Group's financial position.

The Audit Committee is satisfied, based on the declaration from Messrs. Ernst & Young, and as far as the Audit Committee is aware that the auditors do not have any relationship or interest in the Company or its subsidiaries other than the remuneration paid to the Auditors as disclosed in page 24.

The Audit Committee has recommended to the Board of Directors, that Messrs. Ernst & Young, be re-appointed as Auditors for the financial year ending 31st March 2022 subject to the approval of shareholders at the Annual General Meeting to be held on 30th June 2021.

I would like to thank the members of the Audit Committee for their valuable contribution with their professional expertise.



**S A B Ekanayake**  
Chairman

Audit Committee  
20th May 2021

# Report of the Related Party Transactions Review Committee

## Composition of the Committee

In accordance with the Code of Best Practices on Related Party Transactions issued by the Colombo Stock Exchange, the Board appointed Related Party Transactions Review Committee was established on 15th December 2016. The Committee is comprised of Dr. S A B Ekanayake and Mr. E M M Boyagoda, Independent Non-executive Directors. Dr. S A B Ekanayake functions as the Chairman of the Committee.

## Terms of Reference of the Committee

Related Party Transactions Review Committee was formed by the Board during the year ended 31st March 2017 to assist the Board in reviewing all related party transactions of the Group. The Committee is responsible for,

- Developing and recommending the RPT policy consistent with guidelines of CSE for adoption by the Board of Directors of the Company and its subsidiaries.
- Making immediate market disclosures on applicable RPT as required by Section 9 of the continuing listing requirement of CSE.
- Providing information to the Board of Directors on the RPT of each of the Group Companies.
- Making appropriate disclosures on RPT in the Annual Report of the Company as required by the continuing listing requirement of CSE.

The Committee will be scheduling quarterly meetings to review and report to the Board on matters involving RPT falling under its terms of reference.

## Activities during the year

Five (05) committee meetings were held during the year to identify, review and recommend the related parties and the policy to the Board. The attendance of the Committee members is given on page 12. The Committee has reviewed the Related Party Transactions during the financial year and has communicated comments/ observations to the Board of Directors. The Committee has also reviewed in advance all proposed related party transactions and has communicated comments/observations to the Board of Directors. In addition, the Board of Directors was updated on the related party transactions of the subsidiaries on a quarterly basis.

Any member of the Committee who has an interest in a RPT under discussion shall refrain from participating in the review discussion. Upon completion of its review of the transaction, the Committee may determine to permit or prohibit the RPT.

All related party transactions which require immediate market disclosure will be pre-approved by the Committee. Any other RPT entered into without pre-approval of the Committee shall not be deemed to violate this policy or be invalid or unenforceable so long as the transaction is brought to the Committee within a reasonable and practical time period. Thereafter

it is entered into or after it becomes reasonable apparent that the transaction is covered by this policy. As such all RPT other than the exempted transactions will be reviewed either prior to the transaction being entered into or if the transaction is expressed to be conditional on such review prior to the completion of the transaction.



S A B Ekanayake  
Chairman

Related Party Transactions Review  
Committee  
20th May 2021

# FINANCIAL STATEMENTS

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# Annual Report of the Board of Directors on the State of Affairs of Chemanex PLC

The Directors have pleasure in presenting to the members the 48th Annual Report together with the Audited Financial Statements for the year ended 31 March 2021 of Chemanex PLC.

## General

Chemanex PLC, a public limited liability Company, was incorporated on 28th August 1974 under the Companies' Ordinance No.51 of 1938, quoted in the Colombo Brokers Association (now Colombo Stock Exchange) since 16th December 1974 and re-registered under the Companies Act No. 7 of 2007 on 6th August 2007.

The registered office of the Company is at No. 52, Galle Face Court 2, Colombo 3.

## Review of the Year

The Statement of Accounts was approved by the Board of Directors on 20th May 2021. The Chairman's Review (pages 4 to 5) in the Annual Report set out the state of affairs and performance of the Company and the Group during the year and notes to the Financial Statements incorporate events subsequent to the date of the Statement of Financial Position.

## Profits & Appropriations

For the year ended 31st March 2021

	Company Rs. '000	Group Rs. '000
Profit for the year after depreciation	60,605	34,621
From which a deduction is made for taxation and	(15,473)	(15,473)
For discontinued operations	-	4,378
Added de-recognition of financial assets due to disposal	379,721	379,721
To which must be deducted other comprehensive income	(9,979)	(9,979)
Total comprehensive income	414,874	393,268

## Principal Activities

Chemanex PLC is manufacturing and marketing value added specialty compounds and intermediates whilst acting as an agent and a distributor for the domestic market. During the year, the Company divested its long term investment in CIC Agri Businesses (Private) Limited as the Company rationalised its' business activities.

## Parent Company & Ultimate Parent Company

The Parent Company of the Group is CIC Holdings PLC. The Ultimate Parent Company is Paints and General Industries Limited.

## Subsidiaries

The Subsidiaries and their activities within the Group and their business activities are described in the Group Structure on page 89.

## Chemcel (Private) Limited

Chemcel (Private) Limited has been categorised as a discontinued operation during the financial year 2016/17 and is now under liquidation.

## Chemanex Exports (Private) Limited

With the Group ceasing its export business due to rationalisation

of business activities, Chemanex Exports (Private) Limited wound up its operations during the financial year 2018/19, and it is now under liquidation.

## Equity Accounted Investee

The Equity Accounted Investee within the Group and it's business activities are described in the Group structure on page 89 of this Report.

## Future Developments

The Group is focusing on its core business of Chemical trading in Sri Lanka. With the Government Policy of encouraging local manufacture, the Group is actively evaluating expansion and new opportunities. The Group is however moving forward carefully considering the current Pandemic situation.

## Financial Statements

The Financial Statements of the Company and the Group which are duly certified by the Manager – Finance and approved by the Board of Directors and signed by two directors of the Company in compliance with the requirements of Sections 151, 152, and 168 of the Companies Act No.07 of 2007 are given on pages 32 to 87 of the Annual Report.

	Company Rs. '000	Group Rs. '000
To which must be added the unappropriated profit brought forward from the previous years and	1,571,022	1,668,698
Transfer of general reserve	232,841	232,841
Making available for appropriation amount of	2,218,737	2,294,807
out of which a dividend of Rs.2.00 per share was paid	(31,415)	(31,415)
so that the unappropriated profit carried forward will be	2,187,322	2,263,392

### Dividends

For the year ended 31st March 2021 the Directors have recommended the payment of a final dividend of Rs.1/- per share amounting to Rs. 15,707,312/-

As required by Section 56(2) and 56(3) of the Companies Act No. 7 of 2007, the Board of Directors signed a certificate stating that in their opinion that the Company, based on the information available at present, satisfies 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 prior to recommending the final dividend of Rs.1/- per share for the year ended 31st March 2021 which it has to be approved by the shareholders at the Annual General Meeting to be held on 30th June 2021.

### Independent Auditor's Report

The Company's Auditors Messrs. Ernst & Young, Chartered Accountants performed the audit on the Consolidated Financial Statements for the year ended 31st March 2021 and the Independent Auditor's Report on the Financial Statements is given on pages 29 to 31 of the Annual Report as required by Section 168(1) (C) of the Companies Act No 07 of 2007.

### Significant Accounting Policies and Changes during the year

The Company and the Group prepared their Financial Statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS). The significant Accounting Policies adopted in the Financial Statement is given on pages 38 to 51 of the Annual Report as required by Section 168 (1)(d) of the Companies Act No. 7 of 2007. The Board of Directors wish to confirm that there were no changes to the Accounting Policies used by the Company and the Group during the year.

### Interests Register

The Interests Register is maintained by the Company as per the Companies Act No.7 of 2007. All Directors have made general declarations as provided for in Section 192 (2) of the said Act. The related entries were made in the Interest Register during the year under review.

The share ownership of the Directors is indicated on page 22 of the Annual Report.

Directors interest in contracts and remuneration paid to Directors, etc., have been included in the Interests Register which is made available for inspection under the Companies Act No. 7 of 2007 under reference. The details are given on page 76 and 77 of this Annual Report.

### Directors

The qualifications and experience of the Directors are provided on page 7 The following persons were Directors of the Company at the end of the financial year.

P R Saldin – Chairman  
S Fernando – Chief Executive Officer  
E M M Boyagoda  
S A B Ekanayake

### Appointments & Resignations

There were no appointments or resignations during the year.

### Retirement by rotation and re-election

- Dr. S A B Ekanayake retires in pursuant to Article 24(6) of the Articles of Association of the Company and being eligible, offers himself for re-election with the unanimous support of the Board.
- Mr. E M M Boyagoda retires in pursuant to Section 210 of the Companies Act No.7 of 2007.

Pursuant to Section 211 of the Companies Act No.7 of 2007, special notice of the following Ordinary Resolution has been received by the Company from a Member of the Company.

“That Mr. E M M Boyagoda, who reached the age of 70 years on

## Annual Report of the Board of Directors on the State of Affairs of Chemanex PLC

29th April 2021 be re-elected a Director of the Company and it is hereby declared that Section 210 of the Companies Act No.7 of 2007 shall not apply to Mr. E M M Boyagoda”.

Mr E M M Boyagoda being eligible offers himself for re-election with the unanimous support of the Board.

To resolve that Mr. E M M Boyagoda being eligible be recommended for re-election.

### Directors' Remuneration

Directors' remuneration in respect of the Company and the Group, for the financial year ended 31 March 2021 are given in Note 11 of the Financial Statements on page 54 of this Annual Report.

### List of Directors of Subsidiaries and Associates of the Company

Names of Directors of all Subsidiaries and Associates of the Company are given on page 89 of this Annual Report.

### Related Party Transactions

Related party transactions have been declared at meetings of the Directors and are detailed in Note 41 to the Financial Statements.

### Directors' Shareholding

The Directors together with their close family members' shareholding in the Company are as follows;

As at 31st March Name of Director	Type	2021 No. of Shares	2020 No. of Shares
P R Saldin	Non-Executive Chairman	-	-
S Fernando	Director/Chief Executive Officer	-	-
E M M Boyagoda	Non-Executive Independent Director	-	-
S A B Ekanayake	Non-Executive Independent Director	-	-

### Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company and the Group, which reflect a true and fair view of the state of the Company affairs. The Directors' Responsibility in relation to the Financial Statements is detailed on page 26

### Audit Committee

The following Non-Executive Directors of the Board are members of the Audit Committee.

Dr. S A B Ekanayake (Chairman),  
Mr. E M M Boyagoda and  
Mr. P R Saldin

Mr. S Fernando attends the meetings by invitation. Details of the Audit Committee are given on page 17

### Human Capital & Compensation Committee (Remuneration Committee) and the Nominations Committee

At the Board meeting of Chemanex PLC held on 19th May 2015, it was resolved that Remuneration Committee and the Nominations Committee of CIC Holdings PLC (Parent Company of Chemanex PLC) will be applicable for Chemanex PLC.

Remuneration Committee of the Parent Company is comprised of the following Directors;

Mr. P R Saldin – Chairman  
Mr. S H Amarasekera  
Mr. R S Captain  
Mr. S M Enderby  
Mr. M P Jayawardena

### Related Party Transactions Review Committee

The following Non-Executive Directors of the Board are members of the Related Party Transactions Review Committee.

Dr. S A B Ekanayake (Chairman) and  
Mr. E M M Boyagoda

Mr. S. Fernando attends the Meetings by invitation.

### Compliance with Section 9 of Listing Rules

The Directors confirm compliance with Section 9 of the Listing Rules in relation to Related Party Transactions.

### Enterprise Governance

Systems and procedures which are in place as good Enterprise Governance is an essential component in today's corporate culture.

The practices in this regard are given in Corporate Governance of this Annual Report on pages 12 to 16.

### **Vision, Mission & Corporate Conduct**

The Company's Vision and Mission are given on the page 2 of this Report. The business activities of the Company are conducted with the highest level of ethical standards in achieving its Vision and Mission. The Company issues a copy of its code of ethics to each and every employee who are required to abide by the Company's Code of Conduct.

### **Equitable Treatment to Shareholders**

The Company has made all endeavours to ensure equitable treatment to all shareholders.

### **Systems and Internal Controls**

The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of the financial information generated. However, any system can only ensure reasonable but not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board having reviewed the system of internal control, is satisfied with the Group's adherence to and effectiveness of these controls for the period up to the date of signing the Financial Statements.

### **Income Tax Expenses**

Income Tax expenses have been computed at the rates given in Note 12 to the Financial Statements. The Group has also provided deferred tax on all

known temporary differences under the liability method, as permitted by the Sri Lanka Accounting standards – LKAS 12 on "Income Taxes".

### **Revenue**

The revenue of the Group was Rs. 441Mn Mn. (2019/20 - Rs.396Mn). A detailed analysis of the Group revenue that identifies the contributions from different segments of the Group businesses is given in Note 6 to the Financial Statements.

### **Capital Expenditure**

Details of Property, Plant and Equipment and their movements during the year are listed in Note 16 to the Financial Statements. Capital Expenditure approved and contracted for are given in page 59.

### **Investments**

Details of investments and their movements during the year are listed in Notes 20, 21, 22 and 26 to the Financial Statements.

### **Reserves**

Total reserves of the Group stood at Rs. 2.33Bn as at 31st March 2021 (Rs. 1.64Bn as at 31st March 2020) details of which are given in the Statement of Changes in Equity.

### **Stated Capital**

The Stated Capital is the total of all amounts received by the Company in respect of the issue of shares. The Stated Capital of the Company amounts to Rs. 126.25Mn comprising 15,707,312 Ordinary Shares.

### **Share Information**

Information relating to earnings, dividends, net assets per share, market value of a share and information on share trading are stated under Shareholder and Investor Information.

### **Shareholding**

There were 1,408 registered shareholders holding 15,707,312 ordinary shares of the Company as at 31 March 2021. A list of top 20 shareholders is given on page 92 of this Report.

### **Environment Protection**

The Company has not engaged in any activity that is harmful to the environment.

### **Annual Report**

The Board of Directors approved the Consolidated Financial Statements on 20th May 2021. The appropriate number of copies of this Report will be submitted to the Colombo Stock Exchange and the Sri Lanka Accounting and Auditing Standards Monitoring Board. As required by Section 170 (1) of the Companies Act No. 07 of 2007, duly signed Financial Statements of the Company and the Group together with Auditor's Report will also be delivered to Registrar of Companies for registration within 20 working days after the Financial Statements of the Company and Group are signed.

### **Compliance with Laws & Regulations**

The Company has not engaged in any activity against the prevailing laws and regulations. Compliance with provisions in laws and regulations are confirmed to the Board at all Board Meetings.

### **Statutory Payments**

The Directors are satisfied that all statutory payments to the Government and other statutory institutions including employee-related payments have been made on time, to the best of their knowledge and belief.

## Annual Report of the Board of Directors on the State of Affairs of Chemanex PLC

### Human Resource

The Company's Human Resource Management Policies and Practices are designed to improve efficiency, effectiveness and productivity and also nurture collaborative teams that enrich the work and learning environment of all staff.

There were no material issues pertaining to employees and industrial relations of the Company for the period ended 31st March 2021.

### Going Concern

After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Corporate Governance Code, the Directors have reasonable expectation that the Company possesses adequate resources to continue to be in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

### Events after the Reporting Date

No material events have taken place after the reporting date which require an adjustment to or a disclosure other than those disclosed in Note 39 to the Financial Statements.

### Auditors' Remuneration and Interest in Contracts with the Company

The Company's auditors during the period under review were Messrs. Ernst & Young, Chartered Accountants. A sum of Rs.0.64 Mn was paid to them as consolidated audit fees during the year under review (Company- Rs.0.52 Mn) and a no other fees paid for was paid by the Company for other related services.

Based on the declaration from Messrs. Ernst & Young, and as far as the Directors are aware, the auditors do not have any relationship or interest in the Company or its subsidiaries other than those disclosed in the above paragraph.

### Re-Appointment of Auditors

The retiring auditors Messrs. Ernst & Young have intimated their willingness to continue in office and a resolution to re-appoint them as auditors and authorising the Directors to fix their remuneration will be proposed at the upcoming Annual General Meeting.

### Notice of Meeting

Notice of Meeting of the Forty Eighth Annual General Meeting is enclosed.

As required by Section 168(1)(k) of the Companies Act No.7 of 2007, the Board of Directors does acknowledge the contents of this Annual Report.

By Order of the Board



**P R Saldin**  
Chairman



**S A B Ekanayake**  
Director

20th May 2021

## Board of Directors' Statement on Internal Controls

### Requirement

The Code of Best Practice on Corporate Governance 2017 issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants, Sri Lanka, recommends Board to present a statement on internal controls.

### Responsibility

The Board of Directors is responsible for the adequacy and effectiveness of the Company's system of internal controls. However, such a system is designed to manage the group's key exposure areas within an acceptable risk profile rather than eliminating the risk of failure to achieve the group's objectives. Accordingly, the system of internal controls can only provide a reasonable assurance but not absolute against the material misstatement of management and financial information and records or against financial losses or fraud. The Board has established an ongoing process for identifying, evaluating and managing the significant exposures faced by the Company and this process includes enhancing the system of internal controls as and when there are changes for the business environment or regulatory framework.

The Board has assessed the internal control system taking into account principles for the assessment of internal control systems as given in that guidance. The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in implementation of the Board policies and procedures.

### Key Internal Control Processes

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting includes the following:

The Board sub-committees are established to assist the Board in ensuring the effectiveness of the group's operations and that they are in accordance with corporate objectives, strategy, and annual budget, policies and business environment.

The Company's internal audit functions provide comfort on the efficiency and effectiveness of the internal control system. It monitors compliance on policies and procedures and highlights significant findings in respect of noncompliance. The annual audit plan is reviewed and approved by the Audit committee.

The Audit Committee reviews internal control issues identified by the group's internal auditors/external auditors, regulatory authorities and the management and evaluates the adequacy of internal controls.

In assessing the internal control systems, the management of the Company continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company/ Group.

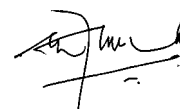
### Confirmation Statement

The Board of Directors of Chemanex PLC confirm that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting system and the preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange, requirements of Securities and Exchange Commission of Sri Lanka and other regulatory requirements.

By order of the Board



**P R Saldin**  
Chairman



**S Fernando**  
Chief Executive Officer



**S A B Ekanayake**  
Chairman - Audit Committee

20th May 2021

## Directors' Responsibility for Financial Reporting

The responsibility of the Directors in relation to the Financial Statements of the Company and its Subsidiaries is set out in the following statement.

As per the provisions of the Companies Act No.7 of 2007, the Directors are required to prepare the Financial Statements for each financial year and present them to a General Meeting of the Company. These Financial Statements consist of the following;

- i) An Income Statement, which presents a true and fair view of the profit or loss of the Company and its Subsidiaries for the financial year.
- ii) A Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company and its Subsidiaries as at the end of the financial year, which comply with the requirements of the Companies Act.

As per the Companies Act, the Directors of the Company are required to ensure, in preparing these Financial Statements that;

- i) the appropriate Accounting Policies have been selected and adopted in a consistent manner and material departures thereof, if any, have been disclosed and explained;
- ii) all applicable Accounting Standards, as relevant, have been followed;
- iii) judgments and estimates have been made which are reasonable and prudent;
- iv) that the Company has adequate resources to continue in operation to justify the application of going

concern basis in preparing these Financial Statements;

- v) the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and to ensure that the Financial Statements presented comply with the requirements of the Companies Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and to give proper consideration in this regard to establish appropriate internal control systems with a view to preventing and detecting frauds and any other irregularities.

The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their Audit Opinion. The Directors are of the view that they have discharged their responsibilities as set out in this statement.

### COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the Balance Sheet date have been paid or, where relevant provided for, except as specified in Note 37 to the Financial Statements covering contingent liabilities. Further,

as required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors confirms that the Company, based on the information available as at present, satisfies the solvency test immediately after the distribution and in accordance with Section 57 of the Companies Act No. 7 of 2007, have obtained a certificate from the Auditors, prior to recommending the final dividend of Rs. 1/- per share for this year, which is to be approved by the shareholders at the Annual General Meeting to be held on 30th June 2021.

By Order of the Board,



**T Wegodapola**  
Company Secretary

20th May 2021

## Chief Executive Officer's and Finance Officer's Responsibility Statement

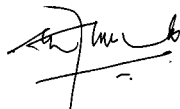
The Financial Statements are prepared in conformity with the requirements of the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act No. of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Listing Rules of the Colombo Stock Exchange.

The Board of Directors and the Management of the 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 controls 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. Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

The Financial Statements were audited by the Independent Auditors, Messrs Ernst & Young, Chartered Accountants.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the manner in which these Auditors are performing their responsibilities and to discuss auditing, internal control and reporting issues. To ensure complete independence, the Independent Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.



**S Fernando**  
Chief Executive Officer



**D D Wickramanayake**  
Manager – Finance

20th May 2021

**FINANCIAL CALENDER**

1st Quarter Financial Results	Released on 21/07/2020
2nd Quarter Financial Results	Released on 20/10/2020
3rd Quarter Financial Results	Released on 22/01/2021
4th Quarter Financial Results	Released on 21/05/2021
2019/20 Final Dividend Paid	12/10/2020
2020/21 Final Dividend Payment Date if approved at AGM	22/07/2021
48th Annual General Meeting	30/06/2021

# Independent Auditor's Report



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

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## TO THE SHAREHOLDERS OF CHEMANEX PLC

### Report on the audit of the financial statements

#### Opinion

We have audited the Financial Statements of Chemanex PLC ("the Company") and the consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the Statement of Financial Position as at 31st March 2021, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2021, and of their

financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for opinion

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the

Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

Key audit matters	How our audit addressed the key audit matters
<p><b>Valuation of Unquoted Equity Instruments Designated at Fair Value Through OCI (FVTOCI)</b></p> <p>The company has a 11% stake in CIC Feeds (Private) Limited, an unquoted company, amounting to Rs. 192.09 Mn, which accounts for 8% of the total assets of Chemanex PLC Group.</p> <p>The fair value of the said investment has been determined comparing market multiples derived from comparable industry peers.</p> <p>The fair value determination of the investment was identified to be a key audit matter due to;</p> <ul style="list-style-type: none"> <li>- the significance of the investment in the context of the Group's financial statements, and</li> <li>- the use of significant judgements and assumptions in the valuation methodology, particularly relating to the identification of comparable industry peers and the application of illiquidity discounts.</li> </ul>	<p><b>Our audit procedures to address this area of focus included the following;</b></p> <ul style="list-style-type: none"> <li>• We engaged our internal specialised resources to assess the reasonableness of the valuation methodology, independently developing expectations relating to comparable industry peers and illiquidity discounts, also assessing the sensitivity of assumptions applied.</li> <li>• We evaluated the adequacy of related disclosures given in 2.1.1 and 22.1 of the Financial Statements which contains the assumptions, sensitivity of the assumptions used, and the valuation methodology used.</li> </ul>
<p><b>Impairment of Equity Accounted Investees</b></p> <p>The company owns a 20.89% stake amounting to Rs. 46.6Mn in Rainforest Ecology (Private) Limited which is accounted for using the equity method.</p> <p>The impairment test in relation to equity accounted investees was identified to be a key audit matter due to;</p> <ul style="list-style-type: none"> <li>- the existence of significant indicators of impairment owing to operating losses incurred by the investee, coupled with significant business interruptions experienced by the investee due to the continuing impact of Covid 19; and</li> <li>- the methodology in the model applied being dependent on various assumptions such as forecasts based on business plans, terminal growth rate and discount rate that are derived from a combination of management's estimates and market data, which are subject to estimation uncertainty.</li> </ul>	<p><b>Our audit procedures to address this area of focus included the following;</b></p> <ul style="list-style-type: none"> <li>• We engaged our internal specialised resources to assist us in evaluating the reasonableness of the valuation methodology, independently developing expectations relating to the discount rate and terminal growth rate; and comparing independent expectations to those used by management.</li> <li>• We assessed the reasonableness of assumptions made in the business plans developed, particularly in the context of the continued impact of the COVID-19 outbreak on the investee, taking into account industry related expectations.</li> <li>• We evaluated the adequacy of the related disclosures given in note 21 in relation to significant assumptions applied in the impairment test performed.</li> </ul>

## Independent Auditor's Report

### OTHER INFORMATION INCLUDED IN THE 2021 ANNUAL REPORT

Other information consists of the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

### Responsibilities of the management and those charged with governance

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

In preparing the Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless

management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

### Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the

underlying transactions and events in a manner that achieves fair presentation.

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

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

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

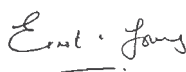
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters

in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4107.



20th May 2021  
Colombo

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principals: G B Goudian ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Notes	Company		Group	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Continuing operations</b>					
Revenue from contract with customers	6	441,401	395,850	441,401	395,850
Cost of sales		(337,924)	(313,276)	(337,924)	(313,276)
<b>Gross profit</b>		<b>103,477</b>	<b>82,574</b>	<b>103,477</b>	<b>82,574</b>
Other income	7	36,947	295,237	36,947	202,457
Distribution expenses		(38,132)	(52,454)	(38,132)	(52,454)
Impairment (loss)/reversal on trade receivables		767	(5,205)	767	(5,205)
Administrative expenses		(33,759)	(38,896)	(33,759)	(38,896)
Other expenses	8	(14,639)	(6,900)	-	-
<b>Results from operating activities</b>		<b>54,661</b>	<b>274,356</b>	<b>69,300</b>	<b>188,476</b>
Finance income	9.1	14,394	47,593	14,394	47,593
Finance costs	9.2	(8,450)	(7,719)	(8,450)	(7,719)
<b>Net finance income</b>	9	<b>5,944</b>	<b>39,874</b>	<b>5,944</b>	<b>39,874</b>
Share of (loss)/profit of equity accounted investees (net of tax)	10	-	-	(40,623)	8,938
<b>Profit before tax</b>	11	<b>60,605</b>	<b>314,230</b>	<b>34,621</b>	<b>237,288</b>
Income tax expense	12	(15,473)	(10,181)	(15,473)	(10,181)
<b>Profit from continuing operations</b>		<b>45,132</b>	<b>304,049</b>	<b>19,148</b>	<b>227,107</b>
<b>Discontinued operations</b>					
Profit from discontinued operations (net of tax)	13.1	-	-	4,378	2,218
<b>Profit for the year</b>		<b>45,132</b>	<b>304,049</b>	<b>23,526</b>	<b>229,325</b>
<b>Other comprehensive income</b>					
<b>Items that will never be re-classified to profit or loss</b>					
Actuarial losses on retirement benefit obligations	32.1	(403)	(136)	(403)	(136)
Income tax on other comprehensive income		(3,351)	38	(3,351)	38
Net gain/(losses) from fair value change in financial assets		697,711	(395,771)	698,332	(397,800)
<b>Other comprehensive income/(loss) for the year</b>		<b>693,957</b>	<b>(395,869)</b>	<b>694,578</b>	<b>(397,898)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>739,089</b>	<b>(91,820)</b>	<b>718,104</b>	<b>(168,573)</b>
<b>Profit attributable to:</b>					
Equity holders of the Company		45,132	304,049	23,526	229,456
Non - controlling interests		-	-	-	(131)
<b>Profit for the year</b>		<b>45,132</b>	<b>304,049</b>	<b>23,526</b>	<b>229,325</b>
<b>Total comprehensive income/(loss) attributable to:</b>					
Equity holders of the Company		739,089	(91,820)	718,104	(168,442)
Non - controlling interests		-	-	-	(131)
<b>Total comprehensive income/(loss) for the year</b>		<b>739,089</b>	<b>(91,820)</b>	<b>718,104</b>	<b>(168,573)</b>
<b>Earnings per share</b>					
Basic / Diluted earnings per share (Rs.)	14	2.87	19.31	1.50	14.58
<b>Earnings per share-continuing operations</b>					
Basic / Diluted earnings per share (Rs.)		2.87	19.31	1.22	14.43

Notes from pages 38 to 87 from an integral part of the Financial Statements.

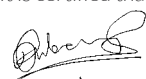
Figures in brackets indicate deductions.

# Statement of Financial Position

As at 31st March	Notes	Company		Group	
		2021 Rs:'000	2020 Rs:'000	2021 Rs:'000	2020 Rs:'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	16	38,339	37,191	38,339	37,191
Investment in sub-lease	17	-	14,547	-	14,547
Intangible assets	18	1,077	1,216	1,077	1,216
Deferred tax assets	19	26,056	19,147	26,056	19,147
Investment in subsidiaries	20	-	-	-	-
Equity accounted investees	21	46,569	61,208	46,569	87,192
Equity investment at fair value through OCI	22	192,089	185,660	192,089	185,660
		<b>304,130</b>	<b>318,969</b>	<b>304,130</b>	<b>344,953</b>
<b>Current assets</b>					
Inventories	23	114,092	61,864	114,092	61,864
Trade receivables	24	70,092	137,702	70,092	137,702
Other receivables	25	42,930	61,262	42,930	61,262
Equity investment at fair value through OCI	26	1,945,825	743,697	1,945,825	743,697
Cash in hand and at bank	27	18,166	470,576	18,166	470,576
		<b>2,191,105</b>	<b>1,475,101</b>	<b>2,191,105</b>	<b>1,475,101</b>
Assets relating to discontinued operations	13.2	47,000	47,000	35,713	32,371
		<b>2,238,105</b>	<b>1,522,101</b>	<b>2,226,818</b>	<b>1,507,472</b>
<b>Total assets</b>		<b>2,542,235</b>	<b>1,841,070</b>	<b>2,530,948</b>	<b>1,852,425</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the company</b>					
Stated capital	28	126,250	126,250	126,250	126,250
Capital reserves	29	-	-	3,000	3,000
Revenue reserves	30	2,254,539	1,546,865	2,327,383	1,640,694
		<b>2,380,789</b>	<b>1,673,115</b>	<b>2,456,633</b>	<b>1,769,944</b>
<b>Non-controlling interests</b>		-	-	(17,673)	(17,673)
<b>Total Equity</b>		<b>2,380,789</b>	<b>1,673,115</b>	<b>2,438,960</b>	<b>1,752,271</b>
<b>Non-current liabilities</b>					
Loans and borrowings	31.4	36,888	45,130	36,888	45,130
Retirement benefit obligations	32	2,000	1,099	2,000	1,099
		<b>38,888</b>	<b>46,229</b>	<b>38,888</b>	<b>46,229</b>
<b>Current liabilities</b>					
Trade payables	33	10,255	6,175	10,255	6,175
Income tax payable	34	3,047	-	3,047	-
Accruals and other payables	35	101,015	96,244	29,975	24,517
Loans and borrowings	31.3	8,241	19,307	8,241	19,307
		<b>122,558</b>	<b>121,726</b>	<b>51,518</b>	<b>49,999</b>
Liabilities relating to discontinued operations	13.2	-	-	1,582	3,926
		<b>122,558</b>	<b>121,726</b>	<b>53,100</b>	<b>53,925</b>
<b>Total liabilities</b>		<b>161,446</b>	<b>167,955</b>	<b>91,988</b>	<b>100,154</b>
<b>Total equity and liabilities</b>		<b>2,542,235</b>	<b>1,841,070</b>	<b>2,530,948</b>	<b>1,852,425</b>
<b>Net assets per share</b>		<b>151.57</b>	<b>106.52</b>	<b>156.40</b>	<b>112.68</b>

Notes from pages 38 to 87 from an integral part of the Financial Statements.

It is certified that the Financial Statements have been prepared in accordance with the requirements of the Companies Act No 07 of 2007.



D D Wickramanayake  
Manager - Finance

The Board of Directors is responsible for these Financial Statements.  
Signed for and on behalf of the Board



P R Saldin  
Chairman  
20th May 2021  
Colombo



S A B Ekanayake  
Director



T Wegodapola  
Company Secretary

## Statement of Changes in Equity

	Stated Capital Rs. '000	General Reserve Rs. '000	Fair Value Reserve Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
<b>Company</b>					
As at 01st April 2019	126,250	232,841	(16,023)	1,440,306	1,783,374
Profit for the year	-	-	-	304,049	304,049
Other comprehensive loss	-	-	(395,771)	(98)	(395,869)
De-recognition of financial assets due to disposal	-	-	154,796	(154,796)	-
<b>Total comprehensive income</b>	-	-	(240,975)	149,155	(91,820)
Adjustment due to share re-purchase	-	-	-	(2,689)	(2,689)
Dividends (Note 15)	-	-	-	(15,750)	(15,750)
Total contributions by and distributions to the owners of the Company	-	-	(240,975)	130,716	(110,259)
As at 31st March 2020	126,250	232,841	(256,998)	1,571,022	1,673,115
As at 01st April 2020	126,250	232,841	(256,998)	1,571,022	1,673,115
Profit for the year	-	-	-	45,132	45,132
Other comprehensive income	-	-	703,936	(9,979)	693,957
Transfers	-	(232,841)	-	232,841	-
De-recognition of financial assets due to disposal	-	-	(379,721)	379,721	-
Dividends (Note 15)	-	-	-	(31,415)	(31,415)
<b>Total comprehensive income</b>	-	(232,841)	324,215	616,300	707,674
As at 31st March 2021	126,250	-	67,217	2,187,322	2,380,789

	Stated Capital Rs. '000	Reserve on Scrip Issue Rs. '000	General Reserve Rs. '000	Fair Value Reserve Rs. '000
<b>Group</b>				
As at 01st April 2019	126,250	3,000	232,841	(17,841)
Profit/(loss) for the year	-	-	-	-
Other comprehensive loss	-	-	-	(397,800)
De-recognition of financial assets due to disposal	-	-	-	154,796
<b>Total comprehensive income</b>	-	-	-	(243,004)
Adjustment due to share re-purchase	-	-	-	-
Dividends (Note 15)	-	-	-	-
Liquidation of subsidiary	-	-	-	-
<b>Total contributions by and distributions to the owners of the Company</b>	-	-	-	(243,004)
As at 31st March 2020	126,250	3,000	232,841	(260,845)
As at 01st April 2020	126,250	3,000	232,841	(260,845)
Profit for the year	-	-	-	-
Other comprehensive income	-	-	-	704,557
Transfers	-	-	(232,841)	-
De-recognition of financial assets due to disposal	-	-	-	(379,721)
Dividends (Note 15)	-	-	-	-
<b>Total comprehensive income</b>	-	-	(232,841)	324,836
As at 31st March 2021	126,250	3,000	-	63,991

Notes from pages 38 to 87 form an integral part of the Financial Statements.

Figures in brackets indicate deductions.

Retained Earnings	Total	Non Controlling Interest	Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000
1,612,219	1,956,469	(17,695)	1,938,774
229,456	229,456	(131)	229,325
(98)	(397,898)	-	(397,898)
(154,796)	-	-	-
74,562	(168,442)	(131)	(168,573)
(2,689)	(2,689)	-	(2,689)
(15,750)	(15,750)	-	(15,750)
356	356	153	509
56,479	(186,525)	22	(186,503)
1,668,698	1,769,944	(17,673)	1,752,271
1,668,698	1,769,944	(17,673)	1,752,271
23,526	23,526	-	23,526
(9,979)	694,578	-	694,578
232,841	-	-	-
379,721	-	-	-
(31,415)	(31,415)	-	(31,415)
594,694	686,689	-	686,689
2,263,392	2,456,633	(17,673)	2,438,960

## Statement of Cash Flow

For the year ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Cash flow from operating activities</b>				
Cash generated from operations (Note A)	96,147	14,196	97,285	12,403
Interest paid	(2,769)	(615)	(2,769)	(615)
Retirement benefit costs paid	32	(509)	-	(509)
Income tax paid	34	(10,609)	(16,416)	(10,609)
Net cash inflow from operating activities	76,962	2,463	78,100	670
<b>Cash flow from investing activities</b>				
Proceeds from disposal of investments	26,22	946,069	173,068	946,069
Proceeds from disposal of equity accounted investees	-	250,000	-	250,000
Proceeds from disposal of property, plant & equipment	-	3	-	3
Dividend received from other companies	23,035	40,304	23,035	40,304
Acquisition of investments	26	(1,456,915)	(393,643)	(1,457,023)
Addition to property, plant & equipment	16	(41)	(41)	-
Interest income received	14,269	45,546	16,349	48,296
Net cash (outflow)/inflow from investing activities	(473,583)	115,278	(471,611)	118,028
Net cash (outflow)/inflow before financing activities	(396,621)	117,741	(393,511)	118,698
<b>Cash flow from financing activities</b>				
Settlement of lease liability	31.2	(18,392)	(19,343)	(19,343)
Share re-purchase payment	-	(2,689)	-	(2,689)
Dividends paid to equity holders of the parent	(31,415)	(15,750)	(31,415)	(15,750)
Net cash outflow from financing activities	(49,807)	(37,782)	(49,807)	(37,782)
Net (decrease)/increase in cash & cash equivalents during the period	(446,428)	79,959	(443,318)	80,916
Cash & cash equivalents at the beginning of the period	464,594	384,635	492,168	411,252
Cash & cash equivalents at the end of the period (Note B)	18,166	464,594	48,850	492,168

For the year ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Note A - Cash generated from operations</b>				
Profit before tax from continued operations	60,605	314,230	34,621	237,288
Profit before tax from discontinued operations	-	-	4,531	2,218
<b>Adjustments for:</b>				
Depreciation on property, plant & equipment	16	14	264	14
Impairment of investment in Rainforest Ecology (Private) Limited	8	14,639	6,900	-
Amortisation of right of use asset	16	12,626	8,784	12,626
Amortisation of intangible assets	18	139	139	139
Gain on disposal of property, plant & equipment	7	-	(3)	-
Gain on disposal of equity accounted investees	7	-	(249,800)	-
Provision for retirement benefit	32	498	335	498
(Reversal of provision)/ provision for impairment of trade receivable	24.2	(767)	5,205	(767)
(Reversal of provision)/ provision for write down of inventories	23.1	(3,480)	7,667	(3,480)
Rent payment waive off received	7	(615)	-	(615)
Dividend income	7	(23,035)	(40,304)	(23,035)
Interest income	9.1	(14,394)	(47,593)	(16,474)
Interest expense	9.2	8,450	7,719	8,450
Share of (profit)/ loss of equity accounted investees	10	-	-	40,623
Operating profit before working capital changes		54,680	13,543	57,131
Decrease in trade and other receivables		81,364	5,241	81,708
(Increase)/ decrease in inventories		(48,748)	2,919	(48,748)
Increase/(decrease) in trade and other payables		8,851	(7,507)	7,194
Cash generated from operations		96,147	14,196	97,285
<b>Note B - Analysis of cash &amp; cash equivalents at the end of the year</b>				
Cash in hand and at bank		18,166	470,576	48,850
Interest bearing short-term borrowings		-	(5,982)	-
	27.2	18,166	464,594	48,850

Notes from page no. 38 to page no. 87 form an integral part of the Financial Statements.

Figures in brackets indicate deductions.

# Notes to the Financial Statements

## 1. REPORTING ENTITY

### 1.1 Domicile and Legal Form

Chemanex PLC is a limited liability Company incorporated and domiciled in Sri Lanka. The Ordinary Shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The Company's registered office and the principal place of business is located at No.52, Galle Face Court 2, Colombo 03.

### 1.2 Principal Activities and Nature of Operations

The principal activities of the Company, subsidiaries and equity accounted investees are provided in the Annual Report of the Board of Directors on the State of Affairs of Chemanex PLC (Page 20).

### 1.3 Parent and Ultimate Parent Enterprise

The Parent Company of Chemanex PLC is CIC Holdings PLC, a company incorporated and domiciled in Sri Lanka. In the opinion of the Directors' the Company's ultimate parent undertaking and controlling party is Paints and General Industries Limited, also incorporated and domiciled in Sri Lanka.

### 1.4 Authorisation for Issue

The Board of Directors is responsible for these Financial Statements. The Financial Statements were authorised for issue in accordance with a resolution of the Board of Directors on 20th May 2021.

### 1.5 Comparative Information

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

In addition, the Group presents an additional Statement of Financial Position at the beginning of the receding period

when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in Financial Statements.

### 1.6 Materiality, aggregation, offsetting

#### 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 treated immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements'.

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

#### Offsetting

Assets and liabilities or income and expenses are not set off unless required or permitted by a Sri Lanka Accounting Standard.

## 2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Consolidated Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS/LKAS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

## 2.1 Judgments

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Consolidated Financial Statements.

### 2.1.1 Fair Value Measurement of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including market multiples derived from comparable industry peers.

Significant judgements are applied in the valuation methodology, particularly relating to the identification of comparable industry peers and the application of illiquidity discounts. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 21 for further disclosures.

## 2.2 Estimations and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year ended 31st March 2021 is included in the following notes.

The Group based its assumptions and estimates on parameters available when the Consolidated Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

- Note 19 - recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences can be utilised;
- Note 21 - determination of recoverable value of equity accounted investees in carrying out impairment test
- Note 42 - measurement of ECL allowance for trade receivables and contract assets: key assumptions in determining the weighted-average loss rate;

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Basis of Preparation

These Financial Statements, comprising both the Company's separate Financial Statements and the Consolidated Financial Statements of the Company and its Subsidiaries ("Group") and the Group's interest in equity accounted investees; comprise the Statements of Financial Position, Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows together with the Accounting Policies and Notes to the Financial Statements.

The Financial Statements of all the companies in the Group as mentioned in Notes 20 and 21 to the Financial Statements are prepared for a common financial year, which ends on 31st March.

##### 3.1.1 Statement of Compliance

These Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 which requires compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) promulgated by the Institute of Chartered Accountants of Sri Lanka and the

requirements of the Companies Act No. 7 of 2007.

#### 3.1.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis, except that equity investments are measured at fair value and the retirement benefits obligations are measured at the present value of the defined benefit plans as explained in the respective notes to the Financial Statements.

#### 3.1.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lanka Rupees, which is the Group's functional currency. The Sri Lankan Rupee remains the common functional and presentation currency for all entities in the Group. All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand (Rs. '000), unless stated otherwise.

#### 3.2 Basis of Consolidation

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

ChemaneX PLC holds 69.5% of equity in Chemcel (Private) Limited. The Board of Directors are in the process of discussing commercial viability of operations of the company. Provided such discussion leads to the determination that the project is not viable, it is likely that the company would be subject to liquidation.

The Board has decided to cease its' export business entirely since it has been deemed to be non-viable. Consequently, the company will exit from its' investments in ChemaneX Exports (Private) Limited by way of sale or winding up. Company also ceased its' paints business in a managed manner.

The assets relating to Chemcel (Private) Limited and ChemaneX Exports (Private)

Limited have therefore been designated as assets relating to discontinued operations in the preparation of the Consolidated Financial Statements. Liabilities pertaining to these businesses have been presented separately within current liabilities as liabilities relating to discontinued operations. The operational results of Chemcel (Private) Limited and ChemaneX Exports (Private) Limited have been presented as 'Discontinued Operations' in the Statement of Profit or Loss and Other Comprehensive Income.

#### 3.2.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee which includes; The contractual arrangement with the other vote holders of the investee, Rights arising from other contractual arrangements and The Group's voting rights and potential voting rights over the investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

## Notes to the Financial Statements

Summarised financial information in respect of subsidiaries that have non-controlling interests that are material to the reporting entity (i.e., the Group) are disclosed separately when applicable.

### 3.2.2 Non-Controlling Interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

The acquisition of an additional ownership interest or a disposal of ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognised in equity of the parent. No adjustment is made to goodwill as a result of such transactions.

### 3.2.3 Loss of Control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value as at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an FVOCI depending on the level of influence retained.

### 3.2.4 Equity Accounted Investees

An associate is an entity in which the Group has significant influence, but no control over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not have the control over those policies.

The Group determines significant influence by taking into account similar considerations necessary to determine control over subsidiaries.

The Group's investment in associate is accounted for using the equity method and are recognised initially at cost which includes the transaction cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The Statement of Profit or Loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate is eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the

recoverable amount of the associate its carrying value, and then recognises the loss as 'Share of profit of an associate' in the income statement.

When the Group's share of losses exceeds its interest in the associate, the carrying amount of that interest, including any long term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Group discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and accounts for the investment in accordance with the Group's accounting policy for financial instruments. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

There are no significant restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

Details of the associates within the Group are provided in Note 21 to the Financial Statements.

### 3.2.5 Intra-Group Transactions

Pricing policies of all intra-group sales are identical to those adopted for normal trading transactions, which are at market prices.

### 3.2.6 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains

arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 3.3 Measurement of Fair Values

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group has an established control framework with respect to the measurement of fair values.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair

value hierarchy based on the inputs used in the valuation techniques as follows,

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

Further information about the assumptions made in measuring fair values included in the following notes;

- Note 22, 26 –Equity investment at fair value through OCI (Current and non-current)

### 3.4 Foreign Currency Transactions

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the income statement. Tax charges and credits

attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

## 3.5 Revenue

### 3.5.1 Revenue Streams

The Company generates revenue primarily from sale of goods under revenue from contracts with customers.

### 3.5.2 Disaggregation of Revenue from Contract with Customers

Revenue from contract with customers (including revenue related to a discontinuing operation) is disaggregated by primary geographical market, major products and timing of revenue recognition under Note 06.

### 3.5.3 Performance Obligations and Revenue Recognition Policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or services to a contract.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

## Notes to the Financial Statements

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Sale of Goods	The Company operates in different Segments and engaged in varieties of sale of goods under each Segments.	The revenue is recognised at the point of at which control over goods has been transferred to customer which is the point of dispatch / collection by the customer on local sales and at the point of loading the goods onto the relevant carrier at the port of the seller for export sales.

### 3.5.4 Rendering of Services

Revenue from services is recognised as the services are provided. Revenue from service contracts that cover period of greater than 12 months is recognised in the profit and loss in proportion to the service delivered at a reporting date. In respect of services invoiced in advance amounts are deferred until provision of the service.

### 3.5.5 Interest Income

Interest income is recognised in profit or loss as it accrues and is calculated by using the effective interest rate method.

### 3.5.6 Dividend Income

Dividend Income is recognised when the Group's right to receive the payment is established.

### 3.5.7 Rental Income

Rental income arising from renting out of leased premises are recognised as revenue on a straight-line basis over the term of the lease or agreement.

### 3.5.8 Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

### 3.5.9 Others

Other income is recognised on an accrual basis.

Net gains and losses on the disposal of property, plant & equipment and other non-current assets including investments have been accounted for in profit or loss, having deducted from proceeds on

disposal, the carrying amount of the assets and related selling expenses.

### 3.6 Finance income and finance costs

The Group's finance income and finance costs include

- Interest income,
- Interest expenses
- Foreign currency gain or loss on financial assets and liabilities,

Interest income or expense is recognised using the effective interest method. 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 assets; or
- The amortised cost of the financial liability.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether the foreign currency movements are in net gain or net loss position.

### 3.7 Tax

#### 3.7.1 Current Income Tax

Current tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates

and tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends; if any.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### 3.7.2 Deferred Tax

Deferred tax is recognised in respect of the temporary differences between the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognised for all taxable temporary differences, except for:

- Temporarily differences on the initial recognition of asset or liability in a transaction that is not a business combination and, at the time of the transaction, that affects neither the accounting profit nor taxable profit or loss;
- Temporary differences associated with investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates (and tax laws) enacted or substantively enacted at the reporting date. However, the Group's management having applied proposed tax rates, have determined that it is probable that formal amendments to the IRA will be made.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. 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 realised.

### 3.7.3 Income and Deferred Tax Rate

The Ministry of Finance has instructed on January 31, 2020 and March 05, 2020, that the revised income tax rates proposed to the Inland Revenue Act, No. 24 of 2017 (IRA) by Circular No. PN/IT/2020-03 (Revised), be implemented with effect from January 01, 2020, pending formal amendments being made to the IRA.

The Group's management having applied proposed revision of income tax rates, have determined that it is probable that formal amendments to the IRA will be made. The management concluded that Circular No. PN/IT/2020-03 (Revised) is more likely to be enacted in the near future and therefore, income tax rates and proposed basis of quantifying current income tax stipulated in the said Circular to be effective from 01/01/2020 have been used to calculate the income tax provision of the 2020/21 financial year of the Group.

Further, as per the Guideline issued by Financial Reporting Standards Implementation and Interpretation Committee (IFRIC) of CA Sri Lanka on 23.04.2021, regarding the "Application of Tax Rates in Measurement of Current and Deferred Tax in LKAS-12", Financial Statements having a period and after 26th March 2021, should use the proposed tax rules and rates in the Bill for determination of current and deferred tax.

Accordingly, the Company and the Group have decided to apply the revised income tax rates for both income tax and deferred tax computation for the period ended 31st March 2021.

Management has used its judgment on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length

prices and selection of appropriate pricing mechanisms. The Group has complied with the arm's length principles relating to transfer pricing as prescribed in the Inland Revenue Act.

### 3.8 Discontinued Operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

#### 3.8.1 Assets and Liabilities relating to Discontinued Operations

Assets and Liabilities relating to Discontinued Operations are presented separately in the statement of financial position.

### 3.9 Property, Plant & Equipment

#### 3.9.1 Initial Recognition and Measurement

Items of property, plant & equipment are measured at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes expenditure that is directly attributable to the acquisition of the

## Notes to the Financial Statements

asset and includes the cost of replacing part of the property, plant & equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

When significant parts of property, plant & equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

### 3.9.2 Subsequent Costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

### 3.9.3 Depreciation

Items of property, plant & equipment are depreciated on a straight-line basis over the estimated useful lives of the each component.

Items of property, plant & equipment are depreciated from the month that they are installed and are ready for use, or in respect of internally constructed assets, from the month that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- Buildings 10 - 20 years
- Plant and machinery 6 years
- Computers and allied equipment 3 years
- Motor Vehicles 4 years
- Furniture & Fittings 4 years

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

### 3.9.4 De-recognition

An item of property, plant & equipment is de-recognised upon disposal of or when no future economic benefits are expected from its use or disposal. Gains and losses arising on de-recognition of assets are determined by comparing the proceeds from the disposal with the carrying amount of property, plant & equipment and are recognised net within "Other Income" in profit or loss.

### 3.10 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### 3.10.1 Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### I) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is

available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings  
02 to 03 years and 19 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

##### II) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (Note 31).

### III) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of building, machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### 3.10.2 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over

the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### 3.11 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### 3.12 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Expenditure on internally generated intangible assets, excluding capitalised development costs, is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Except for goodwill, intangible assets with finite lives are amortised on a straight-line basis in profit or loss over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period, residual value and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period and adjusted accordingly. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as

appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

#### 3.12.1 ERP Implementation Cost

The initial cost incurred for ERP implementation has been capitalised and amortised over a period of 10 years.

#### 3.13 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects

## Notes to the Financial Statements

current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal

is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following asset has specific characteristics for impairment testing:

### 3.13.1 Intangible Assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

## 3.14 Financial Instruments

### 3.14.1 Financial Assets

#### (A) Initial Recognition and Measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is trade receivable without a significant financing component) or financial liabilities initially measured at fair value plus for an item not at FVTPL, transaction costs that are directly attributable to its acquisitions or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (B) Classification and Subsequent Measurement

On initial recognition a financial asset is classified as measured at: amortised cost, FVOCI-debt investment; FVOCI-equity investments; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group 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 changes in the business model.

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

- It is held within the business model whose objective is to hold asset 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.

A debt investment is measured at FVOCI if it meet both of the following conditions and is not designated as at FVTPL:

- It is held within the business model whose objective is achieved both collecting contractual cash flows and selling financial assets: and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment- by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This included all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### (C) Financial assets – Business model assessment

The Group 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 include;

- 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 income, maintain a particular interest rate profile, matching the duration of the financial asset to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the asset;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risk 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 business are compensated – eg: 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 reason for such sales are expectations about future sales activity.

Transfers of financial assets to third parties in transaction that do not qualify for de- recognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on fair value basis are measured at FVTPL.

**(D) Financial assets – assessment whether contractual cash flows are solely payments of principal and interest:**

For the purpose of this assessment, "principal" is defined as the fair value of

the financial asset on initial recognition, "interest" is defined as the 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 cost (example 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 Group considers the contractual terms of the instrument. This include assessing whether the financial assets 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 assessment, the Group considers:

- Contingent events that would change the amount and the timing if cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features: and
- Terms that limit the Group's claim to cash flows form specified assets (example non resource features)

A prepayment feature is consistent with the solely payments of principles and interests criterion if the prepayment amounts substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayments at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion

if the fair value of the prepayment feature is insignificant at initial recognition.

**(E) Financial asset- subsequent measurement and gain and losses:**

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gain and losses including any interest or dividend income, are recognised in profit or loss.

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 re recognition is recognised in profit or loss.

Debt investment at FVTOCI. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gain and losses and impairment are recognised in profit or loss. Other net gain and losses are recognised in OCI capital. On de-recognition, gain and losses accumulated in OCI capital are reclassified to profit or loss.

Equity investment at FVTOCI : These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

**3.14.2 Financial liabilities- classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for-trading, it is

## Notes to the Financial Statements

a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expenses, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gain and losses are recognised in profit or loss. Any gain or loss recognition is also recognised in profit or loss.

### 3.14.3 De recognition

#### (A) Financial asset

The Group de recognises a financial asset when the contractual rights to the cash flow from the financial assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

The Group enters into transaction whereby it transfers assets recognised in its Statements of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

#### (B) Financial liabilities

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also de recognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On de-recognition of a financial liability the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### 3.14.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when and only when the Group currently has the legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### 3.14.5 Impairment

#### (A) Non- Derivative Financial Assets

Financial instruments and contract assets

The Group recognises a loss allowance for ECLs on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI; and
- Contract assets.

The Group measures loss allowances at an amount equal to life time ECLs, except for the following which are measured at 12 months ECLs:

- Debt securities that are determined to have no 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 the initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to life time ECLs.

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

The Group assumes that a credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers financial asset to be in default when:

- The borrower unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security " if any is held"; or
- The financial asset is more than 365 days past due.

The Group considers a debt security to have no credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Group considers this to be A- or higher.

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

12 months 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 Group is exposed to credit risk.

#### Measurement of ECLs

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

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

**(B) Credit-Impaired Financial Assets**

At each reporting date, the Group assess whether the financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit impaired" when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

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

- Significant financial difficulty of the borrower or the issuer
- A breach of contract such as default or being more than 365 days being past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower enter bankruptcy or other financial reorganisation or
- The disappearance of the active market for a security because of financial difficulty

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 asset. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

**3.14.6 Write off**

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovery of financial asset in its entirety or a portion thereof. For corporate customers, the Group 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 Group expects no significant recovery from the written off. However, financial

assets that are written off could still be subject to enforcement activities in order to comply with the Group procedures for recovery of amounts due.

**3.15 Inventories**

Inventories are measured at the lower of cost or net realisable value. The cost of finished goods is computed, based on the weighted average cost method and includes material, labour and appropriate share of production overheads, based on normal operating capacity. In the case of purchased inventories, cost includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. The cost of raw material is computed at weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provision for obsolete and slow moving inventory

Specific provision are made giving considerations to the condition of inventory held by the Company/Group.

**3.16 Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that an outflow of economic benefits will be required to settle the obligations.

**3.17 Employment benefits****Defined Benefit Plans**

A defined benefit plan is a post-employment benefit plan, other than a defined contribution plan. The liability recognised in the financial statements in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted

to determine its present value. Any unrecognised past service costs are deducted.

The calculation is performed annually by a qualified actuary using the projected unit credit method.

The Group recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

Provision has been made for retirement gratuities from the first year of service of all employees, in conformity with LKAS 19 "Employee Benefit". However, under the Payment of Gratuity Act No.12 of 1983, the liability to an employee arise only on completion of five years of continued service.

The cost of defined benefit plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the weighted average cost of capital. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases are based on expected future inflation rates for the respective country.

Defined Contribution Plan - Employees' Provident Fund/ Mercantile Services Provident Society and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which

## Notes to the Financial Statements

an entity pays fixed contributions into a separate entity and has no further legal or constructive obligation to pay further amounts. The Group contributes 12%, 12% and 3% of gross emoluments of employees to the Employees' Provident Fund, Mercantile Services Provident Society and the Employees' Trust Fund respectively. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

### Short-Term Benefits

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

### 3.18 Expenditure Recognition

- (a) Expenses are recognised 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.

- (b) 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 Group's performance and hence such presentation method is adopted.

### 3.19 Earnings Per Share

The Group presents basic Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted number of ordinary shares outstanding during the period.

### 3.20 Cash Flow Statement

The cash flow statement has been prepared using the indirect method.

### 3.21 Segment Reporting

The Group has the following four strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

A summary describing the operations of each reportable segment is given in pages 2 and 52.

Segment results that are reported to the Group's CEO (the chief operating decision

maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated expenses comprise mainly corporate assets (primarily the Company's head office), head office expenses and tax assets and liabilities.

## 4. CHANGES IN ACCOUNTING STANDARDS

The following amendments and improvements which are effective for annual periods beginning on or after 1 January 2020 do not expect to have a significant impact on the Group's financial statements.

- Amendments to SLFRS 16 COVID-19 Related Rent Concessions
- Amendments to SLFRS 3: Definition of a Business
- Amendments to LKAS 1 and LKAS 8 Definition of Material
- Conceptual Framework for Financial Reporting

### New Accounting Standards issued but not effective as at the reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st April 2021 or at a later date. The Group intends to adopt these standards, if applicable, when they become effective.

New or amended standards	Summary of the requirement	Possible impact on consolidated financial statements
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37)	The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. At the date of the initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate.	The comparatives are not restated. The Group has determined that all contracts existing at 31 March 2021 will be completed before the amendments become effective.
Interest Rate Benchmark reform (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16)	Change in basis for determining cash flows The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate reform by updating the effective interest rate of the financial asset or financial liability.	The Group has determined that no significant modification gain or loss will arise as a result of applying the amendments of these changes.

New or amended standards	Summary of the requirement	Possible impact on consolidated financial statements
2018 Conceptual Framework instead of the 1989 Framework (Amendments to SLFRS 3)	<p>They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.</p>	<p>This Amendments are not expected to have a material impact on the Consolidated Financial Statements of the Group / financial statements of the company in the foreseeable future.</p>
Property, Plant & Equipment: Proceeds before Intended Use (Amendments to LKAS 16)	<p>In March 2021, the ICASL adopted amendments to LKAS16-Property, Plant &amp; Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant &amp; equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.</p> <p>The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant &amp; equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.</p>	<p>This Amendments are not expected to have a material impact on the Consolidated Financial Statements of the Group/ Financial Statements of the Company in the foreseeable future.</p>
Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)	<p>In March 2021, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:</p> <ul style="list-style-type: none"> <li>• What is meant by a right to defer settlement</li> <li>• That a right to defer must exist at the end of the reporting period</li> <li>• That classification is unaffected by the likelihood that an entity will exercise its deferral right</li> <li>• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification</li> </ul> <p>The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively</p>	<p>This Amendments are not expected to have a material impact on the Consolidated Financial Statements of the Group / Financial Statements of the Company in the foreseeable future.</p>

## Notes to the Financial Statements

### 5. INDUSTRY SEGMENT INFORMATION

#### (a) Segmental Revenue

For the year ended 31st March	Group	
	2021 Rs.'000	2020 Rs.'000
Rubber and plastic	202,417	163,185
Coating and packaging	128,374	137,447
Home and personal care	110,610	94,772
Services	-	446
Total revenue from external customers	441,401	395,850

#### (b) Segmental Results

For the year ended 31st March	Group	
	2021 Rs.'000	2020 Rs.'000
Rubber and plastic	19,764	(8,394)
Coating and packaging	(195)	(10,059)
Home and personal care	12,784	4,026
Services	-	446
Segment results	32,353	(13,981)
Other income	36,947	202,457
Finance income (net)	5,944	39,874
Share of profits/(loss) of equity accounted investees	(40,623)	8,938
Profit before tax	34,621	237,288
Income tax expense	(15,473)	(10,181)
Profit from continued operations	19,148	227,107
Profit from discontinued operations	4,378	2,218
Profit for the year	23,526	229,325
Profit attributable to:		
Equity holders of the Company	23,526	229,456
Non-controlling interests	-	(131)
	23,526	229,325

As at 31st March	Capital Expenditure		Depreciation		Total Assets	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Assets						
Rubber and plastic	-	-	77	202	92,054	103,072
Coating and packaging	41	-	51	134	72,311	75,905
Home and personal care	-	-	26	67	49,925	58,996
Investments/other	-	-	-	-	2,316,659	1,614,452
	41	-	153	403	2,530,948	1,852,425

As at 31st March	Retirement Benefit Obligations		Trade and Other Payables	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rubber and plastic	594	263	4,152	4,781
Coating and packaging	1,233	776	5,934	593
Home and personal care	173	60	169	801
Investments/other	-	-	29,975	24,517
	2,000	1,099	40,230	30,692

## 6 REVENUE FROM CONTRACT WITH CUSTOMERS

For the year ended 31st March	Company/Group	
	2021	2020
	Rs.'000	Rs.'000
Revenue	441,401	395,850

### 6.1 Disaggregation of revenue from contracts with customers

For the year ended 31st March	Company/Group	
	2021	2020
	Rs.'000	Rs.'000
Rubber and plastic	202,417	163,185
Coating and packaging	128,374	137,447
Home and personal care	110,610	94,772
Services	-	446
Timing of revenue recognition		
Products transferred at a point in time	441,401	395,850

## 7 OTHER INCOME

For the year ended 31st March	Company		Group	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Dividend income -quoted	23,035	40,304	23,035	40,304
Net gain on disposal of property, plant & equipment	-	3	-	3
Direct sales commission	3,176	3,838	3,176	3,838
Net gain on disposal of investment	-	249,800	-	157,020
Rent income	10,029	-	10,029	-
Sundry income	707	1,292	707	1,292
Total	36,947	295,237	36,947	202,457

## 8 OTHER EXPENSES

For the year ended 31st March	Company		Group	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Impairment of investment in Rainforest Ecolodge (Private) Limited	14,639	6,900	-	-
Total	14,639	6,900	-	-

## Notes to the Financial Statements

### 9 FINANCE INCOME (NET)

#### 9.1 Finance Income

For the year ended 31st March	Company/Group	
	2021	2020
	Rs.'000	Rs.'000
Staff loans	62	36
Interest on sub-leasing	125	2,047
Interest on treasury bills	-	1,604
Deposits	14,207	43,906
	14,394	47,593

#### 9.2 Finance Cost

For the year ended 31st March	Company/Group	
	2021	2020
	Rs.'000	Rs.'000
Short-term loans and overdrafts	317	428
Interest on leasing	5,681	7,104
Foreign exchange loss	2,452	187
	8,450	7,719
Finance Income (Net)	5,944	39,874

### 10 SHARE OF PROFIT/(LOSS) OF EQUITY ACCOUNTED INVESTEEES (NET OF TAX)

For the year ended 31st March	Group	
	2021	2020
	Rs.'000	Rs.'000
Rainforest Ecolodge (Private) Limited	(40,623)	-
Commercial Insurance Brokers (Private) Limited	-	8,938
Total	(40,623)	8,938

### 11 PROFIT/(LOSS) BEFORE TAX IS STATED AFTER CHARGING ALL EXPENSES INCLUDING THE FOLLOWING:

For the year ended 31st March	Company	
	2021	2020
	Rs.'000	Rs.'000
Directors' emoluments and retirement benefits	-	-
Depreciation of property, plant & equipment	12,640	9,048
Directors' fees	4,800	4,800
Staff training and development	-	18
Legal fees	51	325
Auditors' remuneration		
Statutory audit fees	520	477
Audit related fees	301	285
Non-audit fees	-	281
Professional fees	238	196
Provision for inventories/ (reversal of provision for inventories)	(3,480)	7,667
Personnel costs * (Note11.1)	10,460	12,959

### 11.1 Personnel Costs

For the year ended 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
Salaries	8,377	10,487
EPF/MSPS - defined contribution plan	1,003	1,636
ETF- defined contribution plan	250	306
Bonus	332	195
Provision for retirement benefits	498	335
<b>Total</b>	<b>10,460</b>	<b>12,959</b>
Number of employees as at the end of the year	14	15

### 12 INCOME TAX EXPENSES

For the year ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Current tax expenses on ordinary activities for the year				
Current tax expenses on profit for the year ( Note 12.2)	16,197	6,266	16,197	6,266
Capital gain tax	9,673	5,260	9,673	5,260
Under/(over) provision in respect of previous years	(137)	5,718	(137)	5,718
Transferred to other comprehensive income	(9,673)	-	(9,673)	-
	16,060	17,244	16,060	17,244
Deferred tax reversals				
Origination of temporary differences (Note 12.1)	(587)	(7,063)	(587)	(7,063)
	(587)	(7,063)	(587)	(7,063)
<b>Total</b>	<b>15,473</b>	<b>10,181</b>	<b>15,473</b>	<b>10,181</b>

#### 12.1 Deferred Tax Expense

For the year ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Income Statements				
Deferred tax expense arising from :				
Property, plant & equipment	38	55	38	55
Intangible assets	18	97	18	97
Retirement benefit obligations	(75)	48	(75)	48
Accumulated tax losses	-	11,961	-	11,961
Right-of-use-assets	(1,218)	23,280	(1,218)	23,280
Net investment in sub-lease	(4,073)	10,689	(4,073)	10,689
Provision for impairment of trade receivables	3,105	(17,032)	3,105	(17,032)
Lease liability	5,536	(36,161)	5,536	(36,161)
Provision for slow moving inventory	(3,918)	-	(3,918)	-
	(587)	(7,063)	(587)	(7,063)
Other Comprehensive Income				
Deferred tax reversal arising from :				
Actuarial losses on retirement benefit Obligations	(97)	(38)	(97)	(38)
Investment in fair value through OCI	(6,225)	-	(6,225)	-
	(6,322)	(38)	(6,322)	-
<b>Total</b>	<b>(6,909)</b>	<b>(7,101)</b>	<b>(6,909)</b>	<b>(7,101)</b>

## Notes to the Financial Statements

### 12.2 Reconciliation of the Accounting Profit and Taxable Profit

For the year ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Profit before tax-continuing operations	60,605	314,230	34,621	237,288
Profit before tax-discontinued operations	-	-	4,531	2,218
	<b>60,605</b>	<b>314,230</b>	<b>39,152</b>	<b>239,506</b>
Share of loss /(profit) of equity accounted investee	-	-	40,623	(8,938)
Other sources of income	-	(249,800)	-	(157,020)
Disallowable expenses	36,103	39,283	21,597	32,493
Tax deductible expenses	(19,228)	(10,702)	(19,228)	(10,702)
Capital allowances	(393)	(738)	(393)	(738)
Tax exempt income	-	(30,553)	-	(30,674)
Tax loss utilised during the year	-	(34,954)	(4,027)	(37,597)
Taxable profit	<b>77,087</b>	<b>26,766</b>	<b>77,724</b>	<b>26,330</b>
Income tax @ 14%	3,225	1,365	3,225	1,365
Income tax @ 24%	12,972	4,901	13,125	4,901
Current tax expense on continued operations	16,197	6,266	16,197	6,266
Current tax expense on discontinued operations	-	-	153	-
	<b>16,197</b>	<b>6,266</b>	<b>16,350</b>	<b>6,266</b>
Accumulated tax losses				
Tax loss brought forward	-	42,717	4,057	49,396
Adjustment to brought forward tax losses	-	(7,763)	(30)	(7,742)
Tax loss utilised during the year	-	(34,954)	(4,027)	(37,597)
Tax loss carried forward	-	-	-	4,057
Effective tax rate	21%	23%	21%	24%

**12.3** As per the Inland Revenue Act No. 24 of 2017 and proposed amendments there to, Chemanex PLC and all other companies within the Group, excluding those which enjoy a tax holiday or concessionary rate taxation are liable to income tax at 24%. Further the Group used proposed revised income tax rates with effect from 01 January 2020.

Though the legislative process relating to the amendment to laws needs to be completed in order for the tax rate to be considered as substantively enacted as at the reporting date, based on the Guideline issued by CA Sri Lanka on 23.04.2021 with relating to the Application of Tax Rates in Measurement of Current Tax and Deferred Tax in LKAS 12, the Company and the Group have used the proposed tax rates in the Bill for the determination of the current tax and the deferred tax.

**12.4** Group's tax expense is based on the taxable profit of each Company in the Group. At present the tax laws of Sri Lanka do not provide for Group Taxation.

**12.5** Irrecoverable Economic Service Charge (ESC) has been charged to the profit or loss.

### 13 DISCONTINUED OPERATIONS

Chemnex Exports (Private) Limited and Chemcel (Private) Limited have been classified under discontinued operations due to the Board decision of winding up of the business.

#### 13.1 Profit after tax From Discontinued Operations

For the year ended 31st March	Group	
	2021 Rs.'000	2020 Rs.'000
Other income	2,584	121
Administrative expenses	(133)	(653)
Finance income (net)	2,080	2,750
Profit before tax from discontinued operations	4,531	2,218
Tax expense	(153)	-
Profit for the year from discontinued operations	4,378	2,218

#### 13.2 Assets and Liabilities Relating to Discontinued Operations

For the year ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Assets</b>				
Investments	47,000	47,000	3,957	3,228
Other receivables	-	-	1,072	1,569
Cash in hand and cash at bank	-	-	30,684	27,574
	47,000	47,000	35,713	32,371
<b>Liabilities</b>				
Trade and other payables	-	-	1,582	3,926
	-	-	1,582	3,926

Investment in Chemcel (Private) Limited, amounting to Rs.0.17Mn has been fully impaired.

#### 13.3 Cash Flows Generated From Discontinued Operations

For the year ended 31st March	Group	
	2021 Rs.'000	2020 Rs.'000
Net cash from investing activities	3,110	957
Net cash inflow	3,110	957

#### 13.4 Earnings per Share:

For the year ended 31st March	Group	
	2021 Rs.	2020 Rs.
Basic / diluted earnings per share for the year, from discontinued operations (Rs.)	0.28	0.14

## Notes to the Financial Statements

### 14 EARNINGS PER SHARE

For the year ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Profit attributable to equity holders of the Company	45,132	304,049	23,526	229,456
The share capital is as follows :				
<b>Ordinary Shares</b>				
Number of shares	15,707,312	15,707,312	15,707,312	15,707,312
Basic / diluted earnings per share (Rs.)	2.87	19.31	1.50	14.58

#### Basic Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to Ordinary Shareholders and the weighted average number of shares outstanding during the year.

#### Diluted Earnings per Share

The calculation of diluted earnings per share is based on the profit attributable to Ordinary Shares outstanding after adjustment for the effect of all potential dilutive Ordinary Shares.

There were no potentially dilutive Ordinary Shares at any time during the year/previous year.

### 15 GROSS DIVIDENDS

For the year ended 31st March	2021 Rs.'000	2020 Rs.'000
<b>Interim Dividend</b>		
Interim dividend paid per share Rs. Nil (2019/20 - Nil)	-	-
<b>Final Dividend</b>		
Final dividend proposed and paid Rs.2.00 (2019/20) per share (2018/19 - Rs.1.00 per share)	31,415	15,750
	31,415	15,750
<b>Total</b>	<b>31,415</b>	<b>15,750</b>

During the year, Rs.2.00 dividend was paid to the shareholders (2019/20- Rs. 1.00).

Directors have recommended the payment of a final dividend of Rs.1.00 per share on Ordinary Shares for the year ended 31st March 2021. This proposed dividend has not yet been recognised as a liability as at 31.03.2021.

This would result in a total dividend per share of Rs.1.00 (2019/20 - Rs.2.00) once it is approved at the Annual General Meeting. These were distributed to shareholders out of the dividend received.

**16 PROPERTY, PLANT & EQUIPMENT****A. Company/Group**

	Buildings Rs.'000	Plant & Machinery Rs.'000	Equipment Rs.'000	Computers Rs.'000	Furniture & Fittings Rs.'000	Motor Vehicles Rs.'000	Total 2021 Rs.'000	Total 2020 Rs.'000
Freehold								
Cost/Valuation								
At the beginning of the year	459	838	5,254	12,732	173	8,491	27,947	28,040
Additions	-	-	41	-	-	-	41	-
Disposals/write off	-	-	-	-	-	-	-	(93)
At the end of the year	459	838	5,295	12,732	173	8,491	27,988	27,947
Depreciation/Impairment								
At the beginning of the year	459	838	5,247	12,726	173	8,491	27,934	27,763
Depreciation	-	-	8	6	-	-	14	264
Disposals/write off	-	-	-	-	-	-	-	(93)
At the end of the year	459	838	5,255	12,732	173	8,491	27,948	27,934
Right-of-use asset								
Cost/Valuation								
At the beginning of the year	45,962	-	-	-	-	-	45,962	45,962
Transferred from investment in sub-lease	13,747	-	-	-	-	-	13,747	-
At the end of the year	59,709	-	-	-	-	-	59,709	45,962
Depreciation/Impairment								
At the beginning of the year	8,784	-	-	-	-	-	8,784	-
Amortisation	12,626	-	-	-	-	-	12,626	8,784
At the end of the year	21,410	-	-	-	-	-	21,410	8,784
Carrying value as at								
31st March 2021	38,299	-	40	-	-	-	38,339	-
Carrying value as at								
31st March 2020	37,178	-	7	6	-	-	-	37,191

(i) Property, plant &amp; equipment has not been pledged as securities for bank facilities.

(ii) No borrowing cost was capitalised during the year.

## Notes to the Financial Statements

### B Leased plant & equipment

During the year 2020/21, Company de-recognised its investment in sub-lease of Rs.13.75Mn and recognised it as a right-of-use asset.

### C Carrying Value Base

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
At Cost	38,339	37,191
Total	38,339	37,191

D One unit of condominium property located at No 01, 1st Lane, Nelumpura, Thelawala, Moratuwa has been categorised under building.

### E Cost of fully depreciated property, plant & equipment still in use at the reporting date as follows:

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
Buildings	459	459
Plant & Machinery	838	838
Equipment	5,254	5,182
Computers	12,732	12,723
Furniture & Fittings	173	173
Motor Vehicles	8,491	8,491
Total	27,947	27,866

## 17 INVESTMENT IN SUB-LEASE

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	14,547	23,630
Sub lease interest income	125	2,047
Rent income received	(925)	(11,130)
Transferred to right -of - use asset	(13,747)	-
At the end of the year	-	14,547

Group had sub-lead office premises which was on lease term to two companies. During the year, those lease agreements were renewed with new terms which lead to de- recognition of the sub-lease due to the period of the agreement was short term.

### A Amounts recognised in profit or loss

Sub-lease interest income recognised by the Group during 2020/21 was Rs.0.13Mn (2019/20- Rs.2.05Mn) and was included in finance income.

**18 INTANGIBLE ASSETS**

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
Software cost capitalised	1,216	1,355
Amortisation for the year	(139)	(139)
Net software cost capitalised	1,077	1,216

**A** The Company capitalised the ERP implementation cost of Rs.1.39Mn which is amortised over 10 years.

**19 DEFERRED TAX**

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	19,147	12,046
Amount origination of temporary differences		
Recognised in profit or loss	587	7,063
Recognised in other comprehensive income	6,322	38
At the end of the year	26,056	19,147
Deferred tax assets	26,056	19,147

The Group recognised deferred tax asset of Rs.26.06Mn ( 2020- Rs. 19.15Mn) as at the reporting date, since the management is confident that the deferred tax asset would be realised in the future due to the availability of taxable profits in future periods.

**A Movement in Deferred Tax Assets**

The analysis of deferred tax asset is as follows:

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	153	3,731
Deferred tax assets to be recovered after 12 months	25,903	15,416
Deferred tax assets	26,056	19,147

## Notes to the Financial Statements

### B Movements in Deferred Tax Balances

The analysis of deferred tax assets and deferred tax liabilities is as follows;

2021 Company/Group	Net balances as at 1-Apr Rs.'000	Recognised in Profit or loss Rs.'000	Recognised in OCI Rs.'000	Balance as at 31 March		
				Net	Deferred tax assets	Deferred tax liabilities
				Rs.'000	Rs.'000	Rs.'000
Property plant & equipment	30	(38)	-	(8)	-	8
Intangible assets	(107)	(18)	-	(125)	-	125
Retirement benefit obligation	308	75	97	480	(480)	-
Right-of-use-asset	(10,410)	1,218	-	(9,192)	-	9,192
Net investment in sub-lease	(4,073)	4,073	-	-	-	-
Impairment of trade receivables	17,032	(3,105)	-	13,927	(13,927)	-
Lease liability	16,367	(5,536)	-	10,831	(10,831)	-
Investment in fair value through OCI	-	-	6,225	6,225	-	(6,225)
Inventory provision	-	3,918	-	3,918	(3,918)	-
Net tax assets/(liabilities)	19,147	587	6,322	26,056	(29,156)	3,100

2020 Company/Group	Net balances as at 1-Apr Rs.'000	Net balances as at 1-Apr Rs.'000	Recognised in retained earnings Rs.'000	Recognised in OCI Rs.'000	Balance as at 31 March		
					Net	Deferred tax assets	Deferred tax liabilities
					Rs.'000	Rs.'000	Rs.'000
Property plant & equipment	85	-	(55)	-	30	(30)	-
Intangible assets	(10)	-	(97)	-	(107)	-	107
Accumulated tax losses	11,961	-	(11,961)	-	-	-	-
Retirement benefit obligation	318	-	(48)	38	308	(308)	-
Right-of-use-asset	-	12,870	(23,280)	-	(10,410)	-	10,410
Net investment in sub-lease	-	6,616	(10,689)	-	(4,073)	-	4,073
Impairment of trade receivables	-	-	17,032	-	17,032	(17,032)	-
Lease liability	-	(19,794)	36,161	-	16,367	(16,367)	-
Net tax assets/(liabilities)	12,354	(308)	7,063	38	19,147	(33,737)	14,590

**C Deferred Tax Effects of Temporary Differences**

The analysis of deferred tax assets and deferred tax liabilities is as follows;

Company/Group	2021		2020	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property plant & equipment	(35)	(8)	107	30
Intangible assets	521	(125)	382	(107)
Retirement benefit obligation	2,000	480	1,098	308
Right-of-use-asset	38,300	(9,192)	37,178	(10,410)
Net investment in sub-lease	-	-	14,547	(4,073)
Impairment of trade receivables	58,028	13,927	60,829	17,032
Lease liability	45,129	10,831	58,455	16,367
Investment in fair value through OCI	62,250	6,225	-	-
Inventory provision	16,324	3,918	-	-
	222,517	26,056	172,596	19,147

**D Unrecognised Deferred Tax Assets**

As at 31st March Group	2021		2020	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Accumulated tax losses expire	-	-	4,057	1,136

**E Unremitted income from subsidiaries and associates.**

The Group has determined that the undistributed profits of its subsidiaries or associates will not be distributed in the foreseeable future.

## Notes to the Financial Statements

### 20 INVESTMENT IN SUBSIDIARIES

As at 31st March	No. of shares	Percentage of holding	2021 Rs.'000	2020 Rs.'000
Company				
Chemanex Exports (Private) Limited	860,000	100%	47,000	47,000
Chemcel (Private) Limited	82,041	70%	172	172
			47,172	47,172
Transferred to assets classified as held for distribution (Note 13.2)			(47,172)	(47,172)
Total			-	-

- The subsidiaries of the Company are incorporated in Sri Lanka.
- In 2017/18, in accordance with SLFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" Company classified its investment in Chemanex Exports (Private) Limited and Chemcel (Private) Limited as Discontinued Operations.
- The main activities of the subsidiary companies are given in page 89.
- The Group has assessed each subsidiary that has non-controlling interests based on contribution made to the Group revenue, Group profit, total assets and net assets and have determined that such non-controlling interests are not material to the Group.

### 21 EQUITY ACCOUNTED INVESTEEES

As at 31st March	No. of shares	Percentage of holding	Company		Group	
			2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Unquoted						
Rainforest Ecology (Private) Limited	9,950,968	20.89%	99,510	99,510	46,569	87,192
Provision for impairment of investment in Associate			(52,941)	(38,302)	-	-
			46,569	61,208	46,569	87,192

As at 31st March	Group 2021 Rs.'000	Group 2020 Rs.'000
At the beginning of the year	87,192	171,234
Share of profit/(loss)	(40,623)	8,938
Disposal	-	(92,980)
At the end of the year	46,569	87,192

- The equity accounted investee of the Company is incorporated in Sri Lanka and the registered business place is located at No 50, Nawam Mawatha, Colombo 02.
- Company has neither contingent liabilities nor capital commitments in respect of the equity accounted investees.
- During the year Company impaired its investment amounting to Rs.14.64Mn (2019/20-Rs.6.9Mn). The impairment test was carried out through the determination of the investment's Value In Use. Key assumptions applied in the impairment test included the discount rate applied (13.84%) and terminal growth rate (2%).
- The main activities of the equity accounted investees are given in page 89.
- In 2019/20, Company disposed its investment in Commercial Insurance Brokers (Private) Limited for Rs.250Mn and it generated a profit of Rs.249.80Mn at the Company level and Rs.157.02Mn at the Group level.

(vi) Summarised financial information of equity accounted investees is as follows:

For the year ended 31st March	2021	2020
	Rs.'000	Rs.'000
Revenue	37,024	77,681
Expenses	(96,261)	(96,284)
Loss after tax	(59,237)	(18,603)
Non-current assets	368,534	392,148
Current assets	18,049	43,187
Total assets	386,583	435,335
Non-current liabilities	133,345	102,363
Current liabilities	30,312	37,291
Total liabilities	163,657	139,654
Net assets	222,926	295,681

## 22 EQUITY INVESTMENT AT FAIR VALUE THROUGH OCI

The Company designated the investments shown below as equity investments at FVOCI because these equity investments represent investments that the Company intends to hold for strategic purpose.

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
Carrying value at the beginning of the year	185,660	245,710
Fair value gain/( loss)	6,429	(60,050)
Disposal	-	-
Carrying value at the end of the year	192,089	185,660

As at 31st March Company/Group	2021		2020	
	No. of Shares	Fair value Rs.'000	No. of Shares	Fair value Rs.'000
Unquoted				
CIC Agri Businesses (Private) Limited	-	-	2,680,001	-
CIC Feeds (Private) Limited	500,000	191,939	500,000	185,510
Equity Investments Lanka (Private) Limited	15,000	150	15,000	150
		192,089		185,660

During the year Company disposed its investment in CIC Agri Businesses (Private) Limited to CIC Holdings PLC for a consideration of Rs.200.33Mn while generating the full amount as a disposal gain. This was fully impaired in the Company Financial Statements and was previously presented under "level 3" of the fair value measurement hierarchy.

Further, based on the valuation performed, per share value of CIC Feeds (Private) Limited increased by Rs.12.88 resulting a fair value gain of Rs.6.43 which is recognised in other comprehensive income (2020 - reduced by Rs.120.1 resulting a fair value loss of Rs.60.05 Mn).

During the year no dividend income was received from these investments.

## Notes to the Financial Statements

### 22.1 Description of significant unobservable input to valuation of CIC Feeds (Private) Limited

Significant unobservable input used in the fair value measurements categorised within level 3 of the fair value hierarchy, together with the quantitative sensitivity analysis as at 31 March 2021 is as follows:

Financial asset	Valuation technique	Unobservable inputs	Range of unobservable inputs and the sensitivity
Non listed equity investment: CIC Feeds (Private) Limited	Market multiples derived from comparable industry peers	Illiquidity discount applied of 6.5%	1% increase in the illiquidity discount would reduce the investment value by Rs.2.053Mn (2020- Rs.1.89Mn) and 1% reduction in the illiquidity discount would increase the investment value by Rs.2.053Mn (2020-Rs.1.89Mn).

### 23 INVENTORIES

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
Raw materials and consumables	24,349	11,738
Finished goods	127,031	93,008
	151,380	104,746
Provision for obsolete and slow moving inventories (Note 23.1)	(37,288)	(42,882)
Total	114,092	61,864

Inventories are stated at cost or net realisable value, which ever is lower. The breakup of the carrying value on inventories are as follows:

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
At cost	114,092	61,864
At net realisable value	-	-
Total	114,092	61,864

### 23.1 Provision for Obsolete and Slow Moving Inventories

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	42,882	54,838
Provision/(reversal) made during the year	(3,480)	7,667
Write-off made during the year	(2,114)	(19,623)
Provision relating to continuing operations	37,288	42,882

During the year reversal of inventory provision is due to reduction in age-based provision.

Bank facilities have been obtained on negative pledge of inventories

**24 TRADE RECEIVABLES**

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
Trade receivables from Group Companies (Note 24.1)	4,036	10,800
Other trade receivables	168,961	232,608
Total	172,997	243,408
Less: Provision for impairment for trade receivables (Note 24.2)	(102,905)	(105,706)
Total	70,092	137,702

\*Bank facilities have been obtained on negative pledge of trade receivables.

**24.1 Trade Receivable from Group Companies**

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
CIC Holdings PLC	259	470
CIC Dairies (Private) Limited	-	3,758
Link Natural Products (Private) Limited	3,655	4,802
CIC Agri Businesses (Private) Limited	122	1,770
	4,036	10,800

**24.2 Provision for Impairment for Trade Receivables**

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	105,706	100,501
Provision/(reversal) made during the year	(767)	5,205
Write-off during the year	(2,034)	-
At the end of the year	102,905	105,706

**24.3 Trade Receivables Currency-Wise**

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
Sri Lankan Rupees	172,997	243,408
Total	172,997	243,408

## Notes to the Financial Statements

### 25 OTHER RECEIVABLES

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Non trade receivable from Group companies (Note 25.1)	457	2,145	457	2,145
Other non trade receivables (Net)	10,525	24,137	10,525	24,137
VAT receivable	31,207	27,817	31,207	27,817
Income tax receivable (Note 34)	-	6,270	-	6,270
Loans to employees	741	893	741	893
<b>Total</b>	<b>42,930</b>	<b>61,262</b>	<b>42,930</b>	<b>61,262</b>

#### 25.1 Non Trade Receivable from Group Companies

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Chemcel (Private) Limited	8,401	8,401	-	-
Unipower (Private) Limited	384	1,872	384	1,872
CIC Lifesciences (Private) Limited	11	32	11	32
CISCO Speciality Packaging (Private) Limited	4	46	4	46
CIC CropGuard (Private) Limited	58	195	58	195
	8,858	10,546	457	2,145
Less: Provision for impairment	(8,401)	(8,401)	-	-
<b>Total</b>	<b>457</b>	<b>2,145</b>	<b>457</b>	<b>2,145</b>

A) Receivable from Chemcel (Private) Limited is being fully impaired. Credit terms and conditions of the other related party non-trade receivables are similar to the terms and conditions provided for non-related party customers. There are security deposits received from customers whom the Company rent out its leased premises, including related companies.

### 26 EQUITY INVESTMENT AT FAIR VALUE THROUGH OCI

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
Carrying value at the beginning of the year	743,697	858,843
Additions	1,456,915	393,643
Fair value gain/(loss)	490,949	(335,721)
Disposal	(745,736)	(173,068)
<b>Carrying value at the end of the year</b>	<b>1,945,825</b>	<b>743,697</b>

## 26.1 Company/Group

As at 31st March	Company/Group 2021			Company/Group 2020		
	No. of Shares	Market price/share Rs.	Fair value Rs.'000	No. of Shares	Market price/share Rs.	Fair value Rs.'000
Quoted						
Lanka Orix Leasing Company PLC	312,692	292.00	91,306	11,000	90.80	999
Hatton National Bank PLC	1,261,667	126.00	158,970	1,234,069	105.10	129,701
National Development Bank PLC	-	-	-	106,977	66.20	7,081
John Keells Holdings PLC	11,417,835	148.50	1,695,549	5,250,569	115.40	605,916
Total			1,945,825			743,697

During the year Company disposed 106,977 and 831,025 shares of National Development Bank PLC and Lanka Orix Leasing Company PLC respectively.

## 27 CASH AND CASH EQUIVALENTS

### 27.1 Favourable cash and cash equivalents

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Cash and bank balances	18,166	8,243	18,166	8,243
Short term deposits	-	462,333	-	462,333
	18,166	470,576	18,166	470,576

### 27.2 Unfavourable cash and cash equivalents

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Bank overdrafts	-	(5,982)	-	(5,982)
	-	(5,982)	-	(5,982)
Cash and cash equivalents classified as assets held for distribution	-	-	30,684	27,574
Cash and cash equivalents for the purpose of cash flow statements	18,166	464,594	48,850	492,168

## 28 STATED CAPITAL

	2021		2020	
	No. of Shares	Rs. '000	No. of Shares	Rs. '000
Ordinary Shares				
As at the beginning of the year	15,707,312	126,250	15,707,312	126,250
As at the end of the year	15,707,312	126,250	15,707,312	126,250

In 2019/20, as resolved by the Board of Directors of Chemanex PLC to repurchase a maximum of 1,575,000 of its Ordinary Shares at a price of Rs.63/- per share on a Pro Rata basis of 1 share for every 10 shares held, Company repurchased 42,688 shares at a sum of Rs.2,689,344. This reduced the number of shares to 15,707,312 and no impact on the stated capital. Effective date of the transaction was 06 December 2019.

The holders of Ordinary Shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Company.

## Notes to the Financial Statements

### 29 CAPITAL RESERVES

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	-	-	3,000	3,000
At the end of the year	-	-	3,000	3,000

Capital reserves consist of reserve on scrip issue which is originated from post-acquisition scrip issue made by a subsidiary.

### 30 REVENUE RESERVES

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Summary				
General reserves	-	232,841	-	232,841
Retained earnings	2,187,322	1,571,022	2,263,392	1,668,698
Fair value reserves	67,217	(256,998)	63,991	(260,845)
	2,254,539	1,546,865	2,327,383	1,640,694

Revenue reserves comprises of retained earnings and fair value reserves.

General reserve is the amount appropriated by the Board of Directors.

The fair value reserve arises on the fair value change of financial assets recognised in the other comprehensive income.

### 31 LOANS AND BORROWINGS

#### 31.1 Loans and Borrowings

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
Lease liability relating to right- of- use asset (Note 31.2)	45,129	58,455
Bank overdraft	-	5,982
Total	45,129	64,437

#### 31.2 Lease Liability Relating to Right - of -Use Asset

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	58,455	70,694
Interest charge	5,681	7,104
Rent waive off received	(615)	-
Repayments during the year	(18,392)	(19,343)
At the end of the year	45,129	58,455
Less: Repayable within one year	(8,241)	(13,325)
Repayable after one year	36,888	45,130

**31.3 Loans and Borrowings Repayable Within One Year from the Year End**

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
Lease liabilities relating to right- of- use asset	8,241	13,325
Bank overdrafts	-	5,982
<b>Total</b>	<b>8,241</b>	<b>19,307</b>

**31.4 Loans and Borrowings Repayable After One Year from the Year End**

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
Lease liabilities	36,888	45,130
	<b>36,888</b>	<b>45,130</b>

**32 RETIREMENT BENEFIT OBLIGATIONS**

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
<i>Present value of the gratuity</i>		
At the beginning of the year	1,099	1,137
Current service cost	383	204
Benefits paid	-	(509)
Interest cost	115	131
Actuarial losses	403	136
<b>At the end of the year</b>	<b>2,000</b>	<b>1,099</b>

**32.1** Retirement benefit cost is recognised in the following line items in the Statements of Profit or Loss and Other Comprehensive Income.

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
Distribution expenses	495	99
Administrative expenses	3	236
	<b>498</b>	<b>335</b>
Other comprehensive income	403	136
<b>Total</b>	<b>901</b>	<b>471</b>

The gratuity liability of the Company, and the Group is based on the actuarial valuation carried out by Acturial and Management Consultants (Private) Limited, a firm of professional actuaries. The liability is not externally funded and it is a non-contributory defined benefit plan.

## Notes to the Financial Statements

**32.2** LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefits that employees have earned in return for their service in the current and prior periods and discount that benefit using projected unit credit method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

	2021	2020
Rate of discount	8%	10.5%
Salary increase	7%	10%
Staff turnover rate -upto age 49	2%	33%
Staff turnover rate -after age 49	0%	0%

Assumptions regarding future mortality are based on a 67/70 mortality table, issued by Institute of Actuaries, London.

The demographic assumptions underlying the valuation with respect to retirement age, early withdrawals from the services and retirement on medical grounds

### 32.3 Sensitivity of Assumptions Used

A change in discount rate and in salary increase would change the present value of the retirement benefit obligations as follows:

As at 31st March 2021	Increase by 1%		Decrease by 1%	
	Discount Rate Rs.'000	Future Salary Growth Rs.'000	Discount Rate Rs.'000	Future Salary Growth Rs.'000
Company/Group - the present value change in retirement benefit obligations	(204)	238	236	(208)

## 33 TRADE PAYABLES

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
Bills payable	4,081	5,042
Other trade payables	6,174	1,133
Total	10,255	6,175

### 33.1 Currency - Wise Trade Payables

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
US Dollars	3,619	3,756
Euros	462	-
Sri Lankan Rupees	6,174	2,419
Total	10,255	6,175

**34 INCOME TAX PAYABLE/(RECEIVABLE)**

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	(6,270)	(12,905)
Provision made during the year	25,733	17,244
Payment made during the year	(16,416)	(10,609)
At the end of the year	3,047	(6,270)
Income tax payable/(receivable)	3,047	(6,270)

**35 ACCRUALS AND OTHER PAYABLES**

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Other payables to Group Companies (Note 35.1)	74,080	74,394	3,040	2,667
Other payables	26,174	19,737	26,174	19,737
Accruals	761	2,113	761	2,113
Total	101,015	96,244	29,975	24,517

**35.1 Other payables to Group Companies**

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Chemanex Exports (Private) Limited	71,040	71,727	-	-
CIC Holdings PLC	3,040	2,667	3,040	2,667
Total	74,080	74,394	3,040	2,667

**36 CAPITAL COMMITMENTS**

There are no material capital commitments, which have been approved or contracted for as at the reporting date.

**37 CONTINGENT LIABILITIES**

The Group has received a claim of USD 668,154 in 2016/17 on the alleged premise that a product supplied did not conform to technical specifications. The Group having sought legal advice has refuted the claim and no provision for any related liability has been made in these Financial Statements.

**38 LEASES**

Refer accounting policy in Note 3.10.

**38.1 Leases as lessee (SLFRS 16)**

Chemanex PLC has entered into lease agreements with CIC Holdings PLC and O L M Macan Macar Limited to use their office premises. Macan Macar premises has been further rented out to Unipower (Private) Limited, CIC CropGuard (Private) Limited and CAL Exports Lanka (Private) Limited.

**38.1.1 Right-of-use-assets**

Right-of-use-assets related to leased properties that do not meet the definition if investment property are presented as property, plant and equipment. (See Note 16)

## Notes to the Financial Statements

### 38.1.2 Amounts recognised in profit or loss

	2021	2020
	Rs.'000	Rs.'000
Interest on lease liabilities	5,681	7,104
Income from sub-leasing right-of-use assets presented in "finance income"	125	2,047

### 38.1.3 Amount recognised in statement of cash flows

	2021	2020
	Rs.'000	Rs.'000
Settlement of lease liability	(18,392)	(19,343)

### 38.1.4 Extension options

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within the control.

### 38.1.5 Maturity analysis- contractual undiscounted cash flows

	2021	2020
	Rs.'000	Rs.'000
Less than one year	12,719	19,007
Less than one year and not later than five years	23,403	31,355
More than five years	49,868	53,913
Total undiscounted lease liability	85,990	104,275

## 38.2 Leases as Lessor

The Group leases out its leased properties. All leases are classified as operating leases from a lessor perspective with the exception of a sub-lease, which the Group has classified as a finance sub-lease.

### 38.2.1 Finance lease

During 2020, the Group has sub-leased a building that has been presented as part of right-of-use asset-property, plant and equipment.

During 2021, the Group recognised interest income on lease receivable of Rs.0.13Mn (2020 Rs. 2.05 Mn). This investment in sub-lease was derecognised due to the modification of lease period for a short term and hence it is being reclassified to right-of-use asset.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2021	2020
	Rs.'000	Rs.'000
Less than one year	-	7,231
One to two years	-	5,299
Two to three years	-	3,974
Total undiscounted lease receivables	-	16,504
Unearned finance income	-	(1,957)
Net investment in the lease	-	14,547

### 38.2.2 Operating lease

The Group rented out a building that has been presented as part of the right-of-use asset. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets and the lease period is also for a shorter term.

Rental income recognised by the Group during 2021, was Rs.10.03Mn.

Undiscounted lease payments to be received within less than five months after the year end is Rs.3.22Mn.

## 39 EVENTS AFTER THE REPORTING DATE

The Board of Directors has recommended a final dividend of Rs. 1.00 per share amounting to Rs.15.71Mn on the issued capital of Ordinary shares which is payable on 22nd July 2021 if approved by the Shareholders at the Annual General Meeting.

Other than the above, no other events have taken place which require adjustments to or disclosure in the Financial Statements.

## 40 CORONAVIRUS (COVID-19) PANDEMIC

The outbreak of the COVID-19 pandemic and the measures adopted by Government to mitigate the pandemics spread and economic stability have moderately impacted the Group.

### 40.1 Going Concern Basis of Accounting

Since, most of the business segments operate in essential service category the COVID-19 Pandemic had a moderate impact on the Company's general business routines and the Company evaluated the resilience of its businesses considering factors such as profitability, cash reserves, and potential sources of financing facilities: if required and possibility of differing non-essential capital expenditure. Having considering the above, management is satisfied that the Company has adequate resources to continue in operational existence for foreseeable future.

### 40.2 Valuation of Impairment of Non-Financial Assets

#### 40.2.1 Expected credit loss

Company at each business unit level a disciplined approach has been adopted to optimise the collection via rigid credit control management process. Company did not extend the credit terms other than in the normal business terms.

#### 40.2.2 Liquidity risk

The Company has negotiated financial liabilities with better terms and has adopted a control over the expenditure. Therefore, the Company is confident that there are no material uncertainties that may cast significant doubt on its ability to continue as going concern which arise due to the liquidity risk.

#### 40.2.3 Other risks and strategies

In addition to the liquidity risk and the credit risk, pandemic also impacted on the Sri Lankan Rupee which had a sharp decline against the US Dollar. Anyway Company would continue to manage the risk through various currency risk management strategies.

The Company has not determined an impairment on property, plant & equipment as at the reporting date due to the COVID-19 pandemic, and the operations are carrying forward under the business continuity plan as per Company's Covid-19 risk management strategy, allowing operations to function through alternate working arrangements, whilst strictly adhering to and supporting government directives. Where it is not feasible to operate in full or partial capacity in the immediate to short term under the current environment, the management has taken necessary steps to safeguard the assets.

The Company has evaluated all guidelines issued by the Government as well as international best practices and has developed health and safety guidelines to ensure suitable working arrangements and safe conditions for employees, customers and other stakeholders.

## Notes to the Financial Statements

There are no changes to the followings Disclosures;

- Financial assets at fair value through OCI
- Right- of-use assets
- Investment in subsidiaries
- Investment in equity accounted investees
- Inventory
- Trade and other receivables

### 41 RELATED PARTY DISCLOSURE

The Company carried out transactions in the ordinary course of the business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures', except for the transactions that the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rates.

#### 41.1 Parent and Ultimate Controlling Party

Ultimate Parent Company of the Group is Paints and General Industries Limited and the Parent Company of the Group is CIC Holdings PLC.

#### Transactions with Paints and General Industries Limited

	2021	2020
	Rs.'000	Rs.'000
Sale of goods	4.09	4.35
Trade receivables	0.90	0.37

#### Transactions with CIC Holdings PLC

Dividend paid	15.88	7.94
Sale of goods	0.62	1.24
Rent paid	12.16	12.13
Secretarial fees received	-	0.45
Staff cost paid	5.82	4.53
Staff cost received	1.78	1.67
Service charges paid	14.04	20.44
Non trade payable	3.04	2.67

Company disposed 16.92% of shares of CIC Agri Businesses (Private) Limited owned by it to its holding company CIC Holdings PLC on 10 August 2020 for a consideration of Rs.200.33Mn.

Company has neither given or obtained corporate guarantees from its parent company or ultimate parent company.

#### 41.2 Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

#### KMP of the Company

The Board of Directors (including Executive and Non-Executive) of the Company have been classified as KMP of the Company.

#### KMP of the Group

The Board of Directors (including Executive and Non-Executive) of the Company and the Board of Directors of the holding company have been classified as KMP of the Group. The officers who are only Directors of subsidiaries and not of the company have been classified as KMP for that subsidiary.

**41.3 Transactions with KMP****a) Loans to Directors**

No loans have been granted to the Directors of the Company/ Group

**b) Key Management Personnel Compensation**

The details of compensation are given in note 11 to the Financial Statements.

**c) Other Transactions with Key Management Personnel**

The names of Directors of Chemanex PLC, who are also Directors of subsidiary and the equity accounted investee, are stated on page 89.

**d) Details of Directors and their spouses' shareholdings are given in the Annual Report of the Directors' on the Affairs of the Company on page 22.****e) Transactions in the ordinary course of the business with the entities where Board of Directors of the Company and the Holding Company and their close family members have substantial holdings/influence.**

Company	Name of the Director	Nature of the transaction	2021	2020
			Rs.'000	Rs.'000
Polypak Secco Limited	P.R Saldin	Payments to purchase of goods	387	288

There were no other transactions with Key Management Personnel other than those disclosed above.

**41.4 Transactions with subsidiaries and fellow subsidiaries.**

- (i) Companies within the Group engage in trading transactions under normal commercial terms and conditions.
- (ii) Company provides office space to some fellow subsidiaries and charge rent. Further it pays rent to the parent company for utilising its premises.
- (iii) Company has neither given or obtained corporate guarantees from its subsidiaries or fellow subsidiaries.

**41.4.1 Recurring transactions**

Company	Relationship	Nature of the Transaction	2021	2020
			Rs. Mn	Rs. Mn
Chemanex Exports (Private) Limited	Subsidiary	Reimbursement of expenses	0.69	0.55
CIC Agri Businesses (Private) Limited	Fellow	Sales	3.50	7.53
	Subsidiary	Dividend paid	0.89	0.45
CIC Dairies (Private) Limited	Fellow	Sales	-	3.48
	Subsidiary			
Link Natural Products (Private) Limited	Fellow	Sales	18.68	20.79
	Subsidiary			
CIC CropGuard (Private) Limited	Fellow	Service charges	0.13	0.12
	Subsidiary	Rent income received	1.88	-
CISCO Specialty Packaging (Private) Limited	Fellow	Service charges	0.04	0.04
	Subsidiary			
CIC Lifesciences Limited	Fellow	Service charges	0.13	0.12
	Subsidiary			
Unipower (Private) Limited	Fellow	Service charges	0.20	1.65
	Subsidiary	Rent income received	3.53	5.30

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31st March 2020 audited Financial Statement, which required additional disclosures in the 2020/21 Annual Report under Colombo Stock Exchange Listing Rules 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

## Notes to the Financial Statements

### 41.4.2 Non-recurrent related party transactions

Other than the share disposal transaction disclosed in Note 41.1, 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 at 31st March 2020 audited Financial Statements, which required additional disclosures in the 2020/21 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

## 42 FINANCIAL INSTRUMENTS

### Risk Management

The Group's principal financial liabilities comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has trade and other receivables and cash and cash equivalents that derive directly from its operations. The Group also holds equity instruments as investments. Therefore, the Group is exposed to market risk, credit risk and liquidity risk.

### Risk Management Framework

The Group's senior management oversees the management of these risks. The Group's senior management is supported by the Board of Directors that advises on financial risks and appropriate financial risk governance framework for the Group. The Board of Directors review and agree on policies for managing most of these risks which are summarised below.

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

As at 31st March	Company/Group	
	2021 Rs.'000	2020 Rs.'000
Exposure to credit risk		
Equity securities-fair value through OCI	2,137,914	929,357
Trade receivable	70,092	137,702
Other receivable	42,930	61,262
Cash at bank	18,066	470,476
Total	2,269,002	1,598,797

### Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and area in which customers operate, as these factors may have an influence on credit risk.

The senior management has established a credit policy under which each new customer is analysed individually for creditworthiness before the group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Senior Management; Customers that fail to meet the Group's benchmark credit worthiness may transact with the company only on a prepayment basis.

A significant percentage of the Company's customers are transacting with the Company for more than four years. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are institutes, government or distributors, their geographic location, industry, aging profile, maturity and existence of previous financial difficulties, customers that are graded as 'high risk' are placed on a restricted customer list and monitored by the management, and future sales are made on a prepayment basis.

The Company is closely monitoring the economic environment in the country and is taking actions to limit its exposure to customers in the country experiencing particular economic volatility.

The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for group of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics of those receivables and future macro economic conditions.

The Company is closely monitoring the economic environment in the country and is taking necessary measures to limit its exposure to customers experiencing particular economic volatility.

As at 31st March	Group	
	2021 Rs.'000	2020 Rs.'000
Domestic	70,092	137,702
Total	70,092	137,702

#### Impairment losses

All trade receivables that are past due, have been considered for impairment as at 31 March 2021

The movement in the allowance for impairment of trade receivables is disclosed in Note No. 24.2

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contracts assets for customers as at 31 March 2021.

As at 31st March	2021			2020		
	Gross Rs.'000	impairment Rs.'000	Net receivable Rs.'000	Gross Rs.'000	impairment Rs.'000	Net receivable Rs.'000
Corporate and Government	127,354	(61,298)	66,056	190,863	(63,961)	126,902
Distributors	41,607	(41,607)	-	41,745	(41,745)	-
Others	4,036	-	4,036	10,800	-	10,800
	172,997	(102,905)	70,092	243,408	(105,706)	137,702

#### Equity securities

The Company has recognised its equity securities at its fair value.

#### Cash and cash equivalents

The Company held cash and cash equivalents of Rs.18.16Mn as at 31 March 2021, (2020: Rs. 470.58Mn) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A to AA+, based on rating agency ratings. Following table depicts the credit ratings of the financial institutions where the Group holds deposits.

Bank	Rating
Commercial Bank PLC	AA-
Hatton National Bank PLC	AA-

## Notes to the Financial Statements

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities.

The Company and the Group held the following short term financial liabilities as at 31st March 2021  
(Refer Note 38.1.5 for the maturity analysis of undiscounted cash flows of the lease liability)

As at 31st March 2021	Company				
	On Demand	Less than	90-365	1-5	>5
	Rs.,000	90 days	days	years	years
	Rs.,000	Rs.,000	Rs.,000	Rs.,000	Rs.,000
Trade payables	-	10,255	-	-	-
Accruals and other payables	-	101,015	-	-	-
Lease liabilities	-	-	8,241	10,755	26,133

As at 31st March 2020	Company				
	On Demand	Less than	90-365	1-5	>5
	Rs.,000	90 days	days	years	years
	Rs.,000	Rs.,000	Rs.,000	Rs.,000	Rs.,000
Trade payables	-	6,175	-	-	-
Accruals and other payables	-	96,244	-	-	-
Lease liabilities	-	-	13,325	17,896	27,234
Bank overdraft	5,982	-	-	-	-

As at 31st March 2021	Group				
	On Demand	Less than	90-365	1-5	>5
	Rs.,000	90 days	days	years	years
	Rs.,000	Rs.,000	Rs.,000	Rs.,000	Rs.,000
Trade payables	-	10,255	-	-	-
Accruals and other payables	-	29,975	-	-	-
Lease liabilities	-	-	8,241	3,378	33,510

As at 31st March 2020	Group				
	On Demand	Less than	90-365	1-5	>5
	Rs.,000	90 days	days	years	years
	Rs.,000	Rs.,000	Rs.,000	Rs.,000	Rs.,000
Trade payables	-	6,175	-	-	-
Accruals and other payables	-	24,517	-	-	-
Lease liabilities	-	-	13,325	17,896	27,234
Bank overdraft	5,982	-	-	-	-

### Market risk

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

Summary of the Group's investment in equity market is as follows

As at 31st March	Group	
	2021 Rs.'000	2020 Rs.'000
Equity Securities - FVOCI	2,137,914	929,357

The Group manages the equity price risk through diversification and by managing through pre-approved ratios between cash and equity investments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors reviews and approves all equity investment decisions.

For such investments classified at FVOCI, 1% increase in the price index, would have increased the equity by Rs.19.45Mn at the Group level (2020: Rs.7.43Mn increase) and equal change to the opposite side would have decreased the equity by Rs.19.45Mn (2020: Rs.7.43Mn decrease).

### Currency risk

The Company is exposed to currency risk on sales, purchases that are denominated in a currency other than the respective functional currencies of entities. The currencies in which these transactions primarily are denominated are Euro, USD and Sterling Pound.

Effects of currency rate fluctuations of imported materials and finished goods are transferred in a reasonable manner keeping in line with the prices in the market.

### Exposure to currency risk

The summary quantitative data about the Groups' exposure to currency risk as reported to the management of the Group is as follows:

As at 31st March in thousands	2021		2020	
	EUR	USD	EUR	USD
Trade payables	(2)	(18)	-	(20)

Followings are the exchange rate used for the translation of transaction denominated in foreign currencies.

	Period end spot rate- Selling	
	As at 31 March 2021 Rs.	As at 31 March 2020 Rs.
	US Dollar	202.04
Euro	237.40	213.56

	2021			2020		
	Selling rate	Buying rate	Average rate	Selling rate	Buying rate	Average rate
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
US Dollar	202.04	197.62	199.04	192.45	187.36	188.62
Euro	237.41	229.87	233.09	213.56	205.27	207.96

## Notes to the Financial Statements

### Sensitivity Analysis

A reasonably possible strengthening (weakening) of the USD and Euro against all other currencies at reporting date would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

2021	Profit or loss		Equity net of tax	
	Strengthening	Weakening	Strengthening	Weakening
	Rs.000	Rs.000	Rs.000	Rs.000
US Dollar (5% movement)	181	(181)	181	(181)
Euro (5% movement)	23	(23)	23	(23)
2020				
US Dollar (5% movement)	188	(188)	188	(188)

### Interest rate risk

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was as follows:

As at 31st March	2021	2020
	Rs.'000	Rs.'000
Fixed rate instruments		
Financial assets	-	462,333
Variable rate instruments		
Financial assets	18,166	8,243
Financial liabilities	-	(5,982)
	18,166	2,261

### Cash sensitivity for variable rate instruments

A reasonably change of 100 basis points in interest rate at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant:

2021	Profit or loss		Equity net of tax	
	Strengthening	Weakening	Strengthening	Weakening
	Rs.000	Rs.000	Rs.000	Rs.000
Variable rate instrument				
Cash flow sensitivity (Net)	182	(182)	182	(182)
2020				
Variable rate instrument				
Cash flow sensitivity (Net)	23	(23)	23	(23)

### Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain 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 seeks to maintain a balance between the higher returns that might be possible with higher levels borrowings and the advantages and security afforded by a sound capital position.

The Company monitors capital using an adjusted net debt to equity ratio, which is adjusted net debt divided by adjusted equity. For this purpose, adjusted net debt is defined as total liabilities (which includes interest bearing borrowings and obligations under finance leases excluding lease liability under SLFRS 16) plus unaccrued proposed dividends, less cash and equivalents. Adjusted equity comprises all components of equity other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

The Company's and Group's adjusted net debt to equity ratio at the end of the reporting period was as follows;

As at 31st March	Company	
	2021 Rs.'000	2020 Rs.'000
Total Debts	15,707	37,396
Less: Cash and cash equivalents	(18,166)	(470,576)
Net debt	(2,459)	(433,180)
Total equity	2,380,789	1,673,115
Adjusted equity	2,365,082	1,641,701
Net debt to adjusted equity ratio (Times)	(0.00)	(0.26)

As at 31st March	Group	
	2021 Rs.'000	2020 Rs.'000
Total Debts	15,707	37,396
Less: Cash and cash equivalents	(18,166)	(470,576)
Net debt	(2,459)	(433,180)
Total equity	2,438,960	1,752,271
Adjusted equity	2,423,253	1,720,857
Net debt to adjusted equity ratio (Times)	(0.00)	(0.25)

## Notes to the Financial Statements

### Accounting classification and fair value

The value of financial assets and liabilities, together with carrying amounts shown in the statement of financial position as follows:

#### Company

	Fair Value through OCI	Financial assets at amortised cost	Other financial liabilities	Carrying amount	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31/03/2021					
Cash and cash equivalent	-	18,166	-	18,166	18,166
Trade receivables	-	70,092	-	70,092	70,092
Other receivables	-	42,930	-	42,930	42,930
Equity investments at fair value through OCI	2,137,914	-	-	2,137,914	2,137,914
	2,137,914	131,188	-	2,269,102	2,269,102
Trade payables	-	-	(10,255)	(10,255)	(10,255)
Other payables	-	-	(101,015)	(101,015)	(101,015)
Lease liabilities	-	-	(45,129)	(45,129)	(45,129)
	-	-	(156,399)	(156,399)	(156,399)
As at 31/03/2020					
Cash and cash equivalent	-	470,576	-	470,576	470,576
Trade receivables	-	137,702	-	137,702	137,702
Other receivables	-	61,262	-	61,262	61,262
Equity investments at fair value through OCI	929,357	-	-	929,357	929,357
	929,357	669,540	-	1,598,897	1,598,897
Trade payables	-	-	(6,175)	(6,175)	(6,175)
Other payables	-	-	(96,244)	(96,244)	(96,244)
Lease liabilities	-	-	(58,455)	(58,455)	(58,455)
Bank overdraft	-	-	(5,982)	(5,982)	(5,982)
	-	-	(166,856)	(166,856)	(166,856)

## Group

	Fair Value through OCI	Financial assets at amortised cost	Other financial liabilities	Carrying amount	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31/03/2021					
Cash and cash equivalent	-	18,166	-	18,166	18,166
Trade receivables	-	70,092	-	70,092	70,092
Other receivables	-	42,930	-	42,930	42,930
Equity investments at fair value through OCI	2,137,914	-	-	2,137,914	2,137,914
	2,137,914	131,188	-	2,269,102	2,269,102
Trade payables	-	-	(10,255)	(10,255)	(10,255)
Other payables	-	-	(29,975)	(29,975)	(29,975)
Lease liabilities	-	-	(45,129)	(45,129)	(45,129)
	-	-	(85,359)	(85,359)	(85,359)
As at 31/03/2020					
Cash and cash equivalent	-	470,576	-	470,576	470,576
Trade receivables	-	137,702	-	137,702	137,702
Other receivables	-	61,262	-	61,262	61,262
Equity investments at fair value through OCI	929,357	-	-	929,357	929,357
	929,357	669,540	-	1,598,897	1,598,897
Trade payables	-	-	(6,175)	(6,175)	(6,175)
Other payables	-	-	(24,517)	(24,517)	(24,517)
Lease liabilities	-	-	(58,455)	(58,455)	(58,455)
Bank overdraft	-	-	(5,982)	(5,982)	(5,982)
	-	-	(95,129)	(95,129)	(95,129)

## Notes to the Financial Statements

As at 31st March	Level 01		Level 02		Level 03	
	2021	2020	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company						
Recurring fair value measurements-						
Assets measured at fair value						
Equity Investment	1,945,825	-	-	743,697	192,089	185,660
	1,945,825	-	-	743,697	192,089	185,660
Non - recurring fair value measurements-						
Net asset classified as held for sale and distribution	-	-	-	-	47,000	47,000

As at 31st March	Level 01		Level 02		Level 03	
	2021	2020	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group						
Recurring fair value measurements-						
Equity Investment	1,945,825	-	-	743,697	192,089	185,660
Equity Investment classified within assets relating to discontinued operations	3,957	-	-	3,228	-	-
	1,949,782	-	-	746,925	192,089	185,660
Reconciliation of level 3 fair values						

Level 3 recurring fair values

As at 31st March	Note	Equity securities Rs.'000
Balance as at 01 April 2019	22	245,710
Gain included in OCI		
Net change in fair value (unrealised)		(60,050)
Balance as at 31 March 2020		185,660
Balance as at 01 April 2020		185,660
Gain included in OCI		
Net change in fair value (unrealised)		6,429
Disposals		-
Balance as at 01 April 2021		192,089

**Sensitivity Analysis**

For the fair values of equity securities, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

31st March 2021	OCI net of Tax	
	Increase Rs.'000	Decrease Rs.'000
Adjusted illiquidity discount by 1%	(2,053)	2,053

**Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. Impact of COVID-19 is disclosed in a separate note to the Financial Statements.

## Ten Year Group Performance

Income Statement	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS
	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Revenue	441,401	395,850	460,005	723,582	823,690	1,444,004	1,286,887	1,195,200	1,165,135	931,096
Gross Profit	103,477	82,574	90,410	141,552	169,159	265,191	207,672	215,096	188,902	160,158
Financing income/(cost)	5,944	39,874	42,294	39,976	(6,059)	(5,463)	(12,520)	(42,594)	(44,879)	(21,699)
Share of profit of equity accounted investees	(40,623)	8,938	12,861	13,093	9,609	20,667	(18,260)	(9,399)	(2,852)	262
Profit before taxation	34,621	237,288	101,816	379,010	58,474	79,208	18,804	308,447	(2,818)	(20,118)
Income tax expense	(15,473)	(10,181)	(8,986)	4,951	(27,346)	(27,056)	(6,622)	(17,316)	(20,800)	(21,602)
Profit/(loss) for the year from discontinued operations	4,378	2,218	28,750	(154,265)	39,384	(6,229)	7,684	(25,144)	(23,604)	-
Profit after taxation	23,526	229,325	121,580	229,696	70,512	45,923	19,866	265,987	(47,222)	(1,484)
Non-controlling interest	-	(131)	2,118	(29,428)	3,719	6,042	7,927	(16,080)	(27,703)	(15,792)
Profit attributable to equity holders of the Company	23,526	229,456	119,462	259,124	66,793	39,881	11,939	282,067	(19,519)	14,308

### Balance Sheet

#### Net Assets

Property, plant & equipment	38,339	37,191	277	1,850	232,413	233,998	146,201	154,302	471,899	488,633
Investment in sub-lease	-	14,547	-	-	-	-	-	-	-	-
Investment property	-	-	-	-	40,247	-	-	-	707	86,977
Deposit on leasehold property	-	-	-	-	-	-	-	-	16,152	13,678
Intangible assets	1,077	1,216	1,355	-	-	-	-	-	32,686	32,686
Investments	238,658	272,852	416,944	462,605	435,618	359,475	342,618	802,894	258,849	255,437
Deferred tax assets	26,056	19,147	12,354	22,154	12,277	13,073	12,742	17,966	18,032	21,790
Net current assets	2,173,718	1,453,547	1,510,391	1,656,475	1,235,958	1,255,431	1,241,892	722,136	647,398	588,605
	2,477,848	1,798,500	1,941,321	2,143,084	1,956,513	1,861,977	1,743,453	1,697,298	1,445,723	1,487,806
Non- Current liabilities	(38,888)	(46,229)	(1,137)	(10,990)	(44,150)	(47,582)	(43,099)	(62,517)	(67,900)	(61,029)
	2,438,960	1,752,271	1,940,184	2,132,094	1,912,363	1,814,395	1,700,354	1,634,781	1,377,823	1,426,777

#### Stated Capital & Reserves

Stated Capital	126,250	126,250	126,250	126,250	126,250	126,250	126,250	126,250	126,250	126,250
Capital reserves	3,000	3,000	3,000	3,000	238,170	238,170	268,959	225,538	145,330	160,698
General reserves	-	-	-	-	-	-	232,841	232,841	232,841	232,841
Revenue reserves	2,327,383	1,640,694	1,828,629	1,990,975	1,505,438	1,413,363	1,037,836	1,021,415	747,875	784,228
Shareholders' funds	2,456,633	1,769,944	1,957,879	2,120,225	1,869,858	1,777,782	1,665,886	1,606,044	1,252,296	1,304,017
Non controlling interest	(17,673)	(17,673)	(17,695)	11,869	42,507	36,611	34,448	28,737	125,527	122,760
Total Equity	2,438,960	1,752,271	1,940,184	2,132,094	1,912,365	1,814,393	1,700,334	1,634,781	1,377,823	1,426,777

#### Ratios

Return on shareholders' Equity %	1%	13%	6%	12%	3%	2%	1%	18%	-2%	1%
Annual Sales growth %	11.51	(13.95)	(36.43)	(12.15)	(42.96)	12.21	7.67	2.58	25.13	(5.78)
Return on Assets	0.93	12.38	6.03	10.17	3.36	2.16	0.42	13.29	(0.99)	0.75
Current ratio (No of times)	41.94	27.95	20.82	15.47	9.62	5.69	5.61	2.60	2.23	2.40

#### Share Information

Market value of a share (Rs.)	76.90	40.00	59.00	63.50	55.00	63.00	75.00	81.90	74.00	101.50
Earning per share (Rs.)	1.50	14.58	7.58	16.45	4.24	2.93	0.76	17.91	(1.24)	0.91
Price earnings ratio (No. of times)	51.27	2.74	7.78	3.86	12.97	21.50	98.68	4.85	(59.68)	111.73
Net assets value per share (Rs.)	156.40	112.68	124.31	134.62	118.72	112.88	104.28	100.49	79.51	82.79
Earnings yield %	1.95	36.45	12.86	25.91	7.71	4.65	0.67	21.87	(1.67)	0.90
Dividend yield %	2.60	2.50	3.39	3.15	5.45	3.17	1.33	1.22	1.35	1.48
Dividend cover (No. of times)	0.75	14.58	3.79	9.79	4.15	2.93	0.50	17.91	(1.24)	0.61
Dividend per share (Rs.)	2.00	1.00	2.00	2.00	3.00	2.00	1.00	1.00	1.00	1.50

## Group Structure

Company	Percentage Holding	Principal Activity	Directors	Stated Capital Rs. '000
<b>Subsidiaries</b>				
Chemanex Exports (Private) Limited	100	Manufacture & export of chemicals (currently under liquidation)	M. P. Jayawardena S. Fernando	50,000
Chemcel (Private) Limited	69.5	Manufacture & export of speciality chemicals (currently under liquidation)	B. R. L. Fernando S. Fernando	723
<b>Equity Accounted Investees</b>				
Rainforest Ecolodge (Private) Limited	20.89	Eco tourism	E. P. A. Cooray N. J. H. M. Cooray J. E. P. Kehelpannala S. M. Hapugoda G. A. Aloysius M. P. Jayawardena S. Amalean N. A. N. Jayasundara D. C. Fernando D. R. Nordmann K. G. Punchihewa	476,247

# Information to Shareholders and Investors

## 1 STOCK EXCHANGE LISTING

Date of Listing in Colombo Stock Exchange (CSE) : 16-Dec-74

Abbreviation in Colombo Stock Exchange : "CHMX.N"

Stated Capital - No. of Ordinary Shares : 15,707,312

## 2 CHEMANEX SHARES IN THE CSE

	2021		2020	
Highest price (Rs.)	1/27/21	114.00	8/6/19	66.00
Lowest price (Rs.)	5/11/20	38.00	3/13/20	38.10
Average price (Rs.)		83.42		59.68
Last traded price (Rs.)		76.90		40.00
No. of transactions		8,107		509
No. of shares traded		5,213,333		988,546
Value of shares traded (Rs.'000)		434,920		59,000
Market capitalisation (Rs.'000)		1,207,892		628,292

## 3 ANALYSIS OF SHAREHOLDERS AS AT 31ST MARCH

Range of Shareholding	2021			2020		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1000	1,031	235,065	1.50	905	203,433	1.30
1001 - 10000	289	1,016,941	6.47	227	788,845	5.02
10001 - 100000	77	2,329,011	14.83	64	2,194,972	13.97
100001 - 1000000	9	2,559,539	16.30	7	2,953,306	18.80
Over 1000000	2	9,566,756	60.91	2	9,566,756	60.91
Total	1,408	15,707,312	100.00	1,205	15,707,312	100.00

Range of Shareholding	2021			2020		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	1,363	4,178,438	26.60	1,152	3,401,418	21.65
Institutions	45	11,528,874	73.40	53	12,305,894	78.35
Total	1,408	15,707,312	100.00	1,205	15,707,312	100.00
Resident	1,393	15,612,994	99.40	1,186	15,562,384	99.08
Non-Resident	15	94,318	0.60	19	144,928	0.92
Total	1,408	15,707,312	100.00	1,205	15,707,312	100.00

## 4 DISTRIBUTION OF SHARES AS AT 31ST MARCH

The following table of Distribution of Shares as of 31 March 2021, has been furnished to Colombo Stock Exchange (CSE) and Securities & Exchange Commission (SEC) in accordance with CSE Listing Rule 7.13.

**NON - PUBLIC SHAREHOLDERS****Name of the Non - Public Shareholders**

	2021		2020	
	No. of shares held	No. of shares as a percentage of the total no. of shares in issue	No. of shares held	No. of shares as a percentage of the total no. of shares in issue
CIC Holdings PLC	7,939,373	50.55	7,939,373	50.55
CIC Holdings PLC/Trustees for Charitable & Educational Trust Fund	1,627,383	10.36	1,627,383	10.36
CIC Agri Businesses (Private) Limited	446,604	2.84	446,604	2.84
Total Shareholding of Non-Public Shareholders	10,013,360	63.75	10,013,360	63.75

**PUBLIC SHAREHOLDERS****Public Shareholder As at March**

	2021		2020	
	No. of Public Shareholders	Public Shareholding(%)	No. of Public Shareholders	Public Shareholding(%)
Public Shareholding	1,405	36.25	1,202	36.42

**5 DIRECTORS' SHAREHOLDING AS AT 31 MARCH**

Any of the Directors did not hold shares of the Company as at 31st March 2021 and 31st March 2020.

**6 FLOAT ADJUSTED MARKET CAPITALISATION**

Type	No of shares	Share price (Rs.)	Capitalisation (Rs.)
Shares held by public	5,693,952	76.90	437,864,909

As the float adjusted market capitalisation is below Rs. 2.5Bn, Chemanex PLC complies under option 5 with the minimum public holding requirement.

## Information to Shareholders and Investors

### 7 TWENTY LARGEST SHAREHOLDERS

Name of the Non Public Shareholders

		2021		2020	
		No. of Shares	%	No. of Shares	%
1	CIC Holdings PLC	7,939,373	50.55	7,939,373	50.55
2	CIC Holdings PLC/ Charitable & Education Trust Fund	1,627,383	10.36	1,627,383	10.36
3	National Development Bank PLC/ Sakuvi Investment Trust (Private) Limited	538,366	3.43	538,366	3.43
4	CIC Agri Businesses (Private) Limited	446,604	2.84	446,604	2.84
5	Mr. S.K Wickremesinghe Trust (Guarantee) Limited	400,000	2.55	400,000	2.55
6	Mr. S.K Wickremesinghe	315,245	2.01	315,245	2.01
7	Mr. S. Srikanthan & Mrs. S. Srikanthan	300,000	1.91	400,000	2.55
8	Mr. D.A.De Zoysa	184,740	1.18	190,400	1.21
9	Mr. M.J. Ismail	165,579	1.05	-	-
10	Hatton National Bank PLC / Mr. S. Paraman	107,742	0.69	-	-
11	Bank of Ceylon Account No.01	101,263	0.64	100,000	0.64
12	Mrs. P.L. Karunasena	85,000	0.54	-	-
13	Bensons Limited	83,286	0.53	83,286	0.53
14	Mrs. M.C.Abeyasekera	81,546	0.52	81,546	0.52
15	Acuity Partners (Private) Limited / Mr. S. Vasu	80,000	0.51	-	-
16	Mr. K.L.S. Sahabandu	70,000	0.45	-	-
17	Mr. H.R. Peiries	69,525	0.44	69,525	0.44
18	Dr. H.S.D. Soysa	68,429	0.44	68,429	0.44
19	Mr. Z.G. Carimjee	66,568	0.42	66,568	0.42
20	Mrs. H.G.S. Ansell	65,097	0.41	65,097	0.41
		12,795,746	81.46	12,391,822	78.89

### 8 MOVEMENT IN SHARE CAPITAL

Type of Issue	Year of Issue	Ratio	Number of Shares 000
Initial Capital	1974	-	40
Bonus	1976	1:01	80
Bonus	1977	1:01	160
Rights	1983	1:01	320
Rights	1986	9:16	500
Rights	1989	1:02	750
Debenture	1990	1:02	1,125
Rights	1991	1:4:5	1,375
Rights	1992	1:2:75	1,875
Rights	1993	1:03	2,500
Rights	1995	1:05	3,000
Bonus	1998	1:06	3,500
Bonus/Rights	2005	1:6 / 1:5	5,250
Sub division	2008	1:03	15,750
Share re purchase	2020	1:10	15,707

# Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Forty Eighth Annual General Meeting of Chemanex PLC will be held by way of audio visual means on Wednesday the 30th day of June 2021 at 9.30 a.m. centered from 199, Kew Road, Colombo 2 for the following purposes;

## AGENDA

1. To receive and adopt the Statements of Accounts of the Company and of the Group for the year ended 31st March 2021 together with the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To re-elect Dr. S A B Ekanayake who retires in terms of Article 24(6) of the Articles of Association of the Company.
4. To re-elect Mr. E M M Boyagoda who retires in pursuant to Section 210 of the Companies Act No.7 of 2007.  
Pursuant to Section 211 of the Companies Act No.7 of 2007, special notice of the following Ordinary Resolution has been received by the Company from a Member of the Company.  
"That Mr. E M M Boyagoda, who reached the age of 70 years on 29th April 2021 be re-elected a Director of the Company and it is hereby declared that Section 210 of the Companies Act No.7 of 2007 shall not apply to Mr. E M M Boyagoda".
5. To vote a sum as donations.
6. To re-appoint M/s. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.

By order of the Board of,  
CHEMANEX PLC

T Wegodapola  
Company Secretary  
20th May 2021

## Notes

- A Member entitled to participate and vote at the meeting is entitled to appoint a proxy to virtually participate and vote in his/her place in the manner provided for by completing the form of proxy.
- A proxy need not be a Member of the Company.
- The Board of Directors, having taken note of the health and safety guidelines issued by Health Authorities in view of the COVID-19 pandemic and the Colombo Stock Exchange issuing guidelines to listed entities to hold Shareholder Meetings virtually, has decided to hold the Annual General Meeting (AGM) through Audio or Audio/Visual means in conformity with the regulatory provisions of the Company.
- Shareholders who wish to participate in the Annual General Meeting through the online platform are kindly requested to complete and forward the Annexure 1- Registration of Shareholder Information to the email address agm@chemanex.lk with the email subject titled "CNX AGM 2021" or post it to the registered address of the Company to be received not less than 3 days before the date of the meeting. Shareholders are requested to provide their email address in the space provided in Annexure 1 to enable us to forward the web link so that they may participate in the meeting through the online platform.
- The Chairman and certain members of the Board, the Company Secretary and key officials essential for the administration of formalities and conduct the meeting will be physically present at the place of meeting.
- Voting on the items listed in the Agenda will be registered via the online platform or a designated ancillary online application. All such procedures will be explained to the shareholders prior to the commencement of the meeting.
- Shareholders who wish to appoint a member of the Board of Directors as his/ her proxy to represent them at the AGM may do so by completing the Form of Proxy. In such event the email address of the proxy holder will not be required.
- Shareholders may send their questions/ comments on the items listed in the Agenda of the Notice Convening the AGM by email to agm@chemanex.lk or by post to the Company Secretary, 52, Galle Face Court 2, Colombo 3 to be received not less than 3 days before the date of the meeting.
- The instrument appointing a proxy should be deposited at the Registered Office of the Company at 52, Galle Face Court 2, Colombo 3 or scanned and emailed to agm@chemanex.lk not less than 48 hours before the date of the meeting.
- Only registered shareholders and registered proxy holders will be permitted to log in and participate in the AGM online.
- The date fixed for the AGM will not be affected even if a public holiday is declared on such a date since arrangements will be in place to proceed via online platform.



# Form of Proxy

## ANNUAL GENERAL MEETING

I/We .....

of .....

being a member/members of Chemanex PLC hereby appoint:

Prawira Rimoe Saldin	of Colombo or failing him
Shermal Fernando	of Colombo or failing him
Ekanayake Mudiyansele Mangala Boyagoda	of Colombo or failing him
Sumithra Anura Bandara Ekanayake	of Colombo or failing him

.....  
 \*as my/our Proxy to \*speak and/to vote for \*me/us on \*my/our behalf at the Forty Eighth Annual General Meeting of Chemanex PLC to be held at 9.30 a.m. on 30th June 2021 and at any adjournment thereof.

.....  
 Date

.....  
 Signature

**\*Note: Please delete the inappropriate words**

### Instructions as to Completion of Form of Proxy

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and by signing in the space provided. Please fill in the date of signature.
2. A Shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A shareholder who appoints a Director as his/her proxy to represent him/her need not fill the email address of the proxy holder.
3. In the case of Corporate Shareholder, the Form of Proxy must be completed under the Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association.
4. If the Form of Proxy is signed by an attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy.
5. The completed Form of Proxy should either be;
  - (i) addressed to the "Company Secretary" and posted or hand delivered to the registered office of the Company; No.52, Galle Face Court 2, Colombo 3;
  - or
  - (ii) scanned and emailed to the email address: agm@chemanex.lk with the email subject titled "Proxy - Chemanex PLC" not less than 48 hours before the time appointed for the holding of the AGM, together with the following information.

CDS Account Number of the Shareholder(s)	
Shareholder's contact number/s	
Email address to which the on-line link should be forwarded to for the proxy holder's participation at the AGM	
Proxy holder's NIC number	

### Chemanex PLC

No.52, Galle Face Court 2  
 Colombo 3.



# Corporate Information

## Name of the Company

ChemaneX PLC

## Company Registration Number

PQ 64

## Legal Form

A Public Quoted Company with limited liability incorporated in Sri Lanka on 28 August 1974. Re-registered under the Companies Act No. 7 of 2007 on 6 August 2007.

## Registered Office

No. 52, Galle Face Court 2, Colombo 3.

## Board of Directors

P R Saldin (Chairman)  
S Fernando (Chief Executive Officer)  
E M M Boyagoda  
S A B Ekanayake

## Company Secretary

T. Wegodapola

## Auditors

Ernst & Young  
Chartered Accountants  
201, De Saram Place, Colombo 10.

## Bankers

Commercial Bank of Ceylon PLC  
Standard Chartered Bank PLC  
Hatton National Bank PLC

## Legal Advisers

Nithya Partners  
Attorneys-at-Law  
97A, Galle Road, Colombo 3.

## Audit Committee

S. A. B. Ekanayake (Chairman)  
P. R. Saldin  
E. M. M Boyagoda

## Related Party Transactions Review Committee

S. A. B. Ekanayake (Chairman)  
E. M. M Boyagoda



No. 52, Galle Face Court 2,  
Colombo 3.  
[www.chemanex.com](http://www.chemanex.com)