UNION CHEMICALS LANKA PLC

Converting Science to Technology

35 Years Anniversary

For 35 years, Union Chemicals has been pushing the boundaries by converting science to technology, to slove challenges, and driving forward as one team to deliver a sustainable future for our stake holders.

ANNUAL REPORT 2022

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

UNION CHEMICALS LANKA PLC
Converting Science to technology

Content

Our IMS Policy

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

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

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

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

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

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

Our Philosophy

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

Vision

To be the most respected Chemical Company in South Asia.

Mission

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

Values

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

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the thirty fifth (35th) Annual General Meeting of Union Chemicals Lanka PLC will be held at Organisation of Professional Associations of Sri Lanka, 275, 75 Prof Stanley Wijesundera Mawatha, Colombo 07, on Monday, 12th June, 2023 at 10.30 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements for the year ended 25th December, 2022 together with the Reports of the Auditors' thereon and the Annual Report for the said year.

2. To declare a Final Dividend of Rs. 17/- per Share for the Year Ended 25th December 2022, as recommended by Directors

3.

   i. To re-appoint as a Director, Mr. Soma Russel Noel de Zilwa who was 76 years on 28th January, 2023 and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act).

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

   "RESOLVED THAT Mr. Soma Russel Noel De Zilwa who is 76 years years of age be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. Soma Russel Noel De Zilwa".

   ii. To re-elect, Mr. Kosala Munasinghe Dissanayake, Director, who retires by rotation in terms of Article 84 of the Articles of Association of the Company.

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

5. To authorise the Directors to determine and make donations.

(Sgd).
BY ORDER OF THE BOARD
JACEY & COMPANY
SECRETARIES

12th May, 2023
Colombo

NOTE:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS/HER STEAD.

2. A PROXY NEED NOT BE A MEMBER OF THE COMPANY

3. THE COMPLETED FORM OF PROXY MUST BE DEPOSITED AT THE SECRETARIES OFFICE OF THE COMPANY AT NO.9/5, THAMBIAH AVENUE, COLOMBO 07 NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.

Chairman's Message

Dear Shareholder

While we celebrated our 35th anniversary in 2022, it should be emphasized that throughout our company's history, our success has been due to our steadfast commitment to create solutions for our customers, build a strong workforce, and deliver financial performance for our shareholders while ensuring environmental safeguards in all our operations.

I am pleased to welcome all of you to the 35th Annual General Meeting of the Company and present on behalf of my fellow directors, the annual report together with the audited Financial Statements of the Company for the financial year ended in 25th December 2022.

In order to address the issues such as rising energy prices and inflation, Board and the management have worked closely throughout the year to minimize the negative impacts to our business resulting from the prevailing global economic turmoil.

I am happy to note that our business strength combined with professional and dedicated UCLL team, enabled us to deliver a positive operational performance during this challenging period.

Economy

The discussion for the loan with the International Monetary Fund (IMF) began in June 2022, two months after Sri Lanka announced its international debt default due to the forex crisis in mid-April 2022. After months of negotiations, the IMF, under a preliminary agreement, has sanctioned a loan of $2.9 billion to Sri Lanka, which is grappling with its worst-ever economic crisis.

As a part of the intervention measures, tax reforms including more progressive personal income tax and broadened tax base for corporate income tax and VAT are being effected.

Agriculture sector shrank 4.6 percent last year, while industries contracted 16 percent, and services dropped 2 percent from the previous year.

Sri Lanka's economy shrank 11.8 percent in the July-September quarter from a year ago, the second-worst quarterly contraction ever for the country.

Depreciation of Sri Lankan Rupee against the US Dollar is another key factor that adversely impacted our performance.

It should be noted that all these factors have adversely impacted the local semi luxury market, in which Union Chemicals operates.

Company Performance

Given the need to manage the business dynamically in the wake of the far-reaching effects of the post COVID -19 pandemic situation the Company took the prudent decision early in the year to focus on volume-led competitive growth with underlying operating profit as the best means of maximising value. The financial results confirm that these objectives have been met, with an improvement to our bottom line.

The performance of the Company is analyzed in detail in the Financial Review in page 03. The revenue of the Company for the year has increased by 5% to Rs. 1.6 Bn, over the last year's performance.

Future Outlook

The year 2023 will also bring significant challenges with high-level of uncertainty continuing. Unlike the beginning of 2022, the pent-up demand that followed the coronavirus pandemic will be no longer there and the global economic downturn will dampen growth worldwide.

But we have done the background work and prepared ourselves to guide us on the right track in the coming year. We will continue to reduce our cost to be competitive as we expect prices to remain significantly above pre-crisis levels in the long term.

Even though market conditions will remain tough and the consequences of economic crisis will remain for some time, the Company has already shown that, with its robust category of product portfolio and proactive leadership, it has the ability to emerge stronger while withstanding the shocks.

Dividends

Company paid Rs. 15/- per share as interim dividend in November 2020, and a final dividend of 17/- per share to the shareholders will be proposed at the Annual General Meeting. Resulting in a total dividend payment of Rs. 48.0 Mn. to shareholders for the 2022 business year, which reflects the high importance the company places in providing a return on investment to our shareholders even in difficult times.

Acknowledgment

I thank wholeheartedly my colleagues on the Board of Directors for their valuable advice and support during the year. I wish to congratulate the Managing Director for his visionary leadership and astute management skills. I also appreciate the assistance extended by Dow Chemical Company and other suppliers, Government Institutions and Banks.

On behalf of the Board, let me also express our profound appreciation to the hardworking workforce of Union Chemicals Lanka PLC and the many other Company stakeholders with for their continued support during a most difficult and challenging year.

(Sdg).

Dr. Azeez M Mubarak
Chairman
12th May 2023

Financial Review

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

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

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

Sri Lanka's economy faces its harshest economic downturn in 2022 as it seeks to adjust to a severe bout of macroeconomic instability. In April 2022, the country announced its intentions to default on foreign debt settlements in the face of dwindling foreign reserves and acute shortages of imported essentials. The shortages, amidst galloping cost of living pressures, generated widespread public and social unrest in the country.

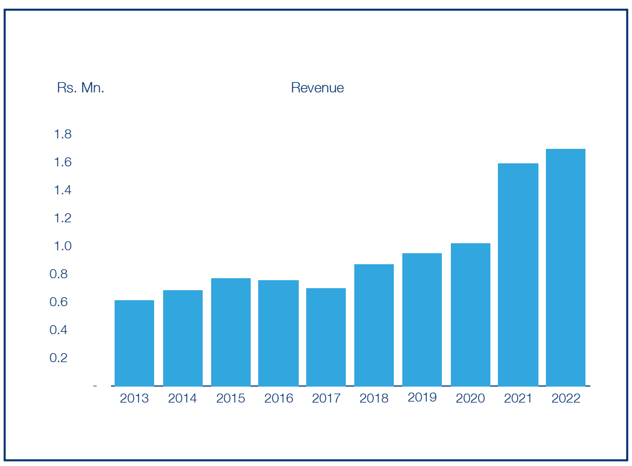
Global economic growth in 2022 was impacted by the outbreak of the war in Ukraine and rising inflation and interest rates worldwide. Increasing energy and raw materials prices made many products more expensive and dampened consumers' purchasing power. European chemical production fell sharply due to drastic increases in regional gas prices.

Union Chemicals' business was nevertheless robust: Sales increased marginally, while profit before tax was Rs. 222.0 Mn. within the forecast range at 9.33 %. ROCE was marginally below of 1% to the prior-year figure.

Revenue

Rs. 1,677.7 Mn.

2021- Rs. 1,596.7 Mn.



The revenue of the Company increased by 5% to Rs. 1,677.7 Mn. from Rs. 1,026.1 Mn. The revenue from latex segment and chemicals & plastic segment increased by 7% and 9% respectively comparative to last year.

Revenue of coatings s, adhesive and textiles increase by 126%,43% and 59% respectively comparative to last year. Revenue of paints, decreased by 9% respectively comparative to last year.

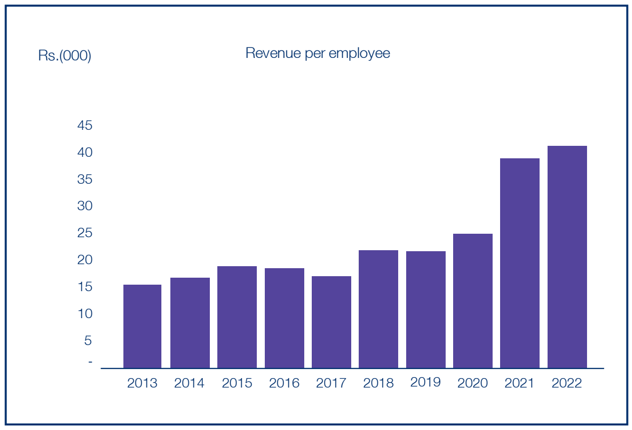
The performance of chemicals & plastic segment recorded a marginal increase in sales volumes during the year under review.

Company revenue includes the Company's core activity of manufacturing of latex products and trading of chemical & plastic. The major revenue contributor for the Company has become manufacturing of latex 67.59% from total revenue compared to 74.58% recorded last year.

Revenue per employee

Rs. 41.9 Mn.

2021 – Rs. 37.1 Mn.



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

Goss Profit

Rs. 502.3 Mn.

2021 - Rs. 304.7 Mn.

The gross profit for the period is Rs. 502.3 Mn. against Rs. 304.7 Mn. in 2022. Gross margin of latex segment increased to 26% from 15 % comparative to last year. Significant decrease in CIF prices in term of USD per Kg in key raw material of Butyl Acrylate by 12% and 2- Ethyl Hexyl Acrylate by 2% in Latex segment comparative to last year.

Financial Review (Contd.)

Other income
Rs. 5.2 Mn.
2021 - Rs. 7.5 Mn.

Other Income of the Company excluding interest income has decreased to Rs. 5.2 Mn during the year from Rs. 7.5 Mn. recorded for last year. Company mainly focused on key business and curtail other activities due to post COVID -19 pandemic period.

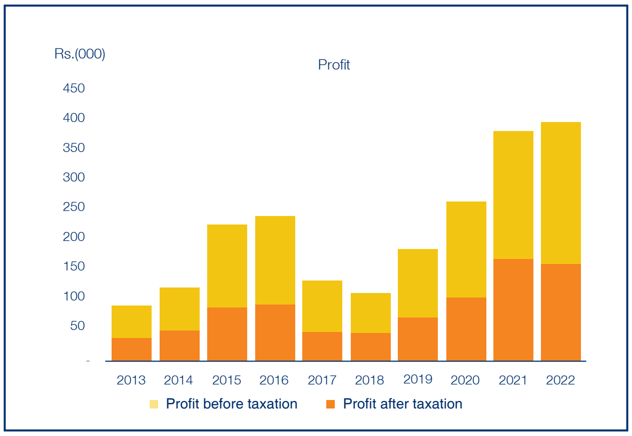
Finance Cost
Rs. 205.6 Mn.
2021 - Rs. 13.0 Mn.

Finance cost of the Company increased by 1,480% to Rs. 205.8 Mn. from Rs. 13.0 Mn. recorded for last year. Significant increase in borrowing levels of trade finance and exchange loss of Rs. 192.5 Mn. was key factors to significant increase in cost of finance during the year under review.

Exchange rates (LKR Vs UDS)
Rs. 371.78
2021 – Rs. 202.99

During the year 2021, Sri Lankan rupee has depreciated against the US dollar by 7.36% during the year up to date reflecting a broad-based strengthening of the dollar globally. After keeping the exchange rate broadly fixed around 201 LKR/US$ since August 2021, the Central Bank floated the currency on 07th March 2022 to stem reserve losses. By end of March 2022, the currency had depreciated by 46 percent. This adverse fluctuation in the exchange rates for USD will have a material impact of Rs.122.4 Mn. on the Company's profit before tax and funding position in the financial year 2022.

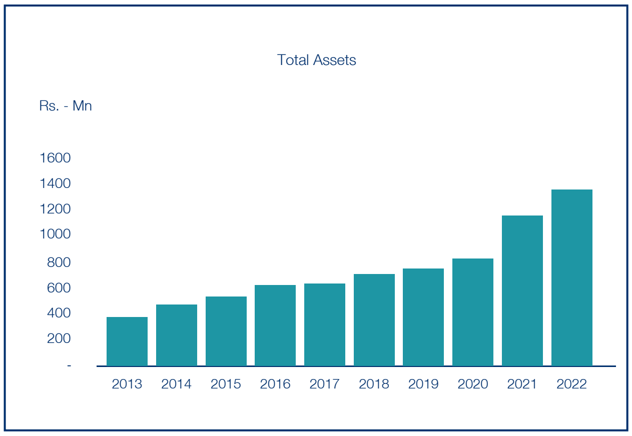
Profit before tax
Rs. 222.0 Mn.
2021 - 203.0 Mn.



The profit before tax increased to Rs. 151.4 Mn. from Rs. 104.0 Mn. it is a only 9% increased comparatively to the previous period.

FINANCIAL POSITION

Total Assets
Rs. 1,345.2 Mn.
2021 – Rs. 1,152.1 Mn.



The Company's total assets as at 25th December 2022 were Rs. 1,345.2 Mn. and shows an increase of 16.77% from Rs. 1,152.1 Mn. recoded for 2020 This is mainly due to increase non-current assets by Rs. 18.6 Mn. (5.3%) and current assets by 174.7 Mn. (21.73%) comparative to last year.

Current Assets
Rs. 978.7 Mn.
2021 - Rs. 804.0 Mn.

Current assets of the Company have increase to Rs. 978.7 Mn. in 2022 compared to Rs. 804.0 Mn. in 2021. Significant increase in inventories resulted 21.7% increase in current assets in comparative to last year.

Working capital
Rs. 939.3 Mn.
2021 - Rs. 809.2 Mn.

The net working capital of the Company shows an increase of 16.8% during the year to stand at Rs. 939.3 Mn. year under review as against previous year value of Rs. 809.2 Mn. Increasing in bank overdraft significantly impacted in increasing in working capital period under review.

Net Cash flow from operating activities
Rs. 76.8 Mn.
2021 - Rs. 111.1 Mn.

Cash flows from operating activities amounted to Rs. 76.8 Mn. compared with Rs.111.1 Mn. in the previous year. The decrease in cash flows from operating activities was largely due to the cash tied up in receivables, especially in inventory by Rs. -343 Mn. and payments in trade and other payable by Rs. -185.8 Mn.. This impact was offset by significant decreasing in trade and other receivables by Rs. 179.6 Mn. Increasing in raw material cost impacted significant increasing in inventory. Payment in advance for raw material and

Financial Review (Contd.)

settlement of debts in foreign currency brought forward from previous year significantly decrease the trade payable.

Further, the main causes of increasing in earnings significantly improve the cash flows from operating activities to Rs.76.8 Mn. at adverse economic condition.

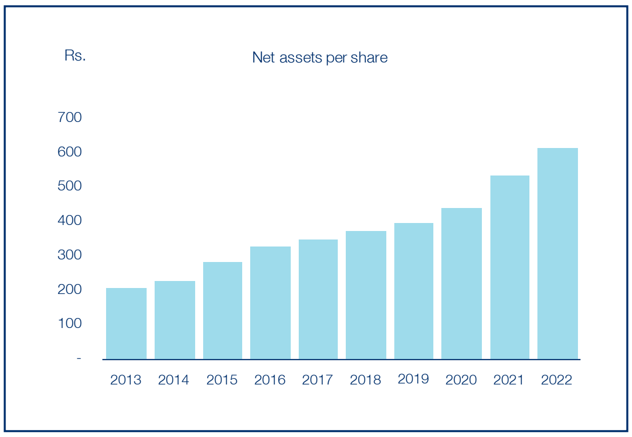
Cash flows from investing activities amounted to Rs. -25.2Mn. in year under review, meaning that was mainly attributable to investing in treasury bills of Rs. -40.8 Mn. and interest receive on deposits in 2021 was 17.7 Mn. higher than in the previous year.

Cash flows from financing activities amounted to Rs. –57.7 Mn., compared with Rs. –3.1 Mn. in the previous year. particular to the net cash outflow from the change in financial and similar liabilities by Rs.-26.1 Mn. and dividend payments of Rs.- 31.5 Mn.

Free cash flow, financial resources remaining after investments increased to Rs. 23.3 Mn. compared with Rs. 13.3 Mn. in the previous year. increase in interest income by Rs. 17.7 Mn. and decrease in cash outflows from investing activities in property, plant and equipment.by Rs. - 2.7Mn. accounted such an increase in free cash during the reporting period.

Net assets value per share

Rs. 605.70
2021 – Rs. 523.26



The net assets value per share of the Company increased to Rs. 605.70 as at the reporting date compared to Rs. 523.66 recorded for last year. Positive operational performance during the year under review increased the net asset value of the share by Rs. 82.44 per share.

Capital structure

Rs. 908.5 Mn.
2021 – Rs.784.8Mn.

Net assets of the Company stand at Rs. 908.5 Mn. as at the reporting date. No significant changes in value compared with in the previous year.

Total assets of the Company stands at Rs. 1,345.2 Mn. as at the reporting date. No significant changes in value compared with in the previous year. Assets were funded by shareholders funds by 67.5%, non-current liabilities by 2.3% and current liabilities by 30.2%.

We stand by our dividend policy to increase the dividend per share each year. In 2022, we again generated a strong free cash flow. We pay Rs. 48.0 Mn. as dividend year under review.

Net Debt

Rs. 360.2 Mn.
2021 – Rs. 290.6 Mn.

Company's total net debt was Rs. 360.2 Mn as at balance sheet date, a 23.97% increased against previous reporting period. This was primarily due to 767.2% increasing in overdraft during the year. The Company gearing level increased to 40% from 37% level points in 2022.

Economic Environment in 2023

The year 2023 will also bring significant challenges. The high level of uncertainty will continue. Unlike the beginning of 2022, there will no longer be momentum from pent-up demand following the COVID pandemic.

Board of Directors Profile

Dr. Azeez M Mubarak - Chairman

Appointed to the Board on 5th August 2013. Dr. Mubarak currently holds the post of Chief of Research & Innovation at the Sri Lanka Institute of Nanotechnology (SLINTEC). A Commonwealth Scholar, Dr. Mubarak graduated from the University of Colombo and has a PhD from the University of Cambridge, U.K.

Dr. Mubarak, a former Director/CEO of the Industrial Technology Institute (formerly CISIR) and former Chairman of the National Science Foundation, has served on the Boards of several S&T institutions including the National Science & Technology Commission, National Engineering Research & Development Centre and the Sri Lanka Accreditation Board. He also has served as the President of the National Academy of Sciences, Sri Lanka (NASSL), President of the Institute of Chemistry, Ceylon and, General President of the Sri Lanka Association for the Advancement of Science (SLAAS).

Presently, Dr Mubarak is a Council Member of the University of Sri Jayewardenepura and the Sri Lanka Standards Institute (SLSI) and a Director of Office for Reparations (OR). He also functions as a Non-Executive, Independent Director on the Boards of E.B. Creasy & Co PLC and Lankem Ceylon PLC.

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

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

Mr. R. De Zilwa

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

Mr. U. L Pushpakumara

Appointed to the Board on 10th July 2012. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA). He has held Financial and Management positions in Public Listed Companies in Sri Lanka and the Middle East. U. L. Pushpakumara has over 20 years working experience in Financial Management having worked in world largest international companies. Presently, Mr. U. L. Pushpakumara is the investors relation officer of the Company.

Mr. K. M. Dissanayake

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

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

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

Statement of Directors' Responsibilities

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

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

The Directors confirm that the Financial Statements of the Company for the Year ended 25th December, 2022 presented in the Report have been prepared in accordance with the Sri Lanka Accounting Standards, and the Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange. In preparing the Financial Statements, the Directors have selected the appropriate accounting policies and have applied them consistently. Reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis.

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

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

As required by Section 56 (2) of the Companies Act No.7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfied the Solvency Test, immediately after the distribution, in accordance with Section 57 of the Companies Act No.7 of 2007, and have obtained a certificate from the Auditors when declaring the Interim Dividend paid on 1st November 2022 the prescribed provisions will be followed and a further Certificate will be obtained from the Auditors, prior to recommending the Final Dividend of Rs. 17/- per share for the Financial Year, which is to be declared by the Shareholders at the Annual General Meeting.

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

Compliance Report

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

(Sgd).
By Order of the Board
JACEY & COMPANY
Secretaries

Colombo
12th May, 2023

Report of the Board of Directors

The Board of Directors of Union Chemicals Lanka PLC is pleased to present the Annual Report together with the Audited Financial Statements of the Company for the Year Ended 25th December, 2022.

Principal Activities

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

Changes to the nature of Business

There was no significant change to the principal activities of the Company during the financial year ended 25th December, 2022.

Review of Operation

A review of the operations of the Company during the financial year ended 25th December, 2022 is described in the Chairman's Letter on page 2 and in the Review of Operations on page 3.

Financial Statements

The Turnover of the Company during the year under review was Rs. 1.677 Mn. (2021 – Rs.1,596Mn. The Profit before Taxation amounted to Rs.222 Mn. (2021- Rs.203Mn.)

The Financial Statements duly signed by the Directors are provided on pages 22 to 59.

Auditors' Report

The Auditors' Report which is an integral part of the Financial Statements prepared for the financial year ended 25th December, 2022 is set out on page 19 to 21 of the Annual Report.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 26 to 35.

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

Going Concern

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

Directorate

The Board of Directors of the Company as at date is set out on inner cover titled "Corporate Information". The Directors of the Company who held office during the year are set out below:

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

Mr. Soma Russel Noel De Zilwa who is 76 years of age vacates his office in terms of the provisions of Section 210 of the Companies Act No.7 of 2007.

Notice is given by the Company to its shareholders of the intention to move an Ordinary Resolution for the re-appointment of Mr. Soma Russel Noel De Zilwa as a Director of the Company, in terms of the provisions of Section 211 of the Companies Act No. 7 of 2007 and is referred to in the Notice convening the Annual General Meeting for the year 2022.

In terms of Article 84 of the Articles of Association of the Company Mr. K. M. Dissanayake retires by rotation and being eligible is recommended by the Board of Directors for re-election by the Members at the Annual General Meeting for the year 2022.

Board Sub – Committees

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

Audit Committee:

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

Remuneration Committee

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

Related Party Transactions Committee

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

The Directors' Interest in Contracts

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

Directors' Interest in Contracts are disclosed under related party transactions in Note 32 to the Financial Statements.

Report of the Board of Directors (Contd.)

Directors' Shareholding

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

Name of the Directors	25.12.2022	25.12.2021
H. A. D. U. G. Gunasekera	638,622	638,622
People's Leasing & Finance PLC/ Mr. H. A. D. U. G. Gunasekera	151,703	155,195
Dr. Azeez Mohamed Mubarak	-	-
R De Zilwa	-	-
U. L. Pushpakumara	-	-
K. M. Dissanayake	-	-

Appointments & resignations

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

The board is in the opinion that Mr. R De Zilwa serve as Non – Executive independent Directors as he is:

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

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

Directors' Fees and Emoluments

Directors' fees and emoluments paid for the financial year ended 25th December, 2022 amounted to Rs. 35.7 Mn. (2021 – Rs.32.8 Mn.)

Donations

During Rs. 0.045 Mn. as charitable contributions.
(2021 – Rs.0.048 Mn.)

Property, Plant & Equipment

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

Stated Capital

There was no change in the Stated Capital of the Company during the year under review. The Company's Stated Capital as at 25th December, 2022 was Rs.15,000,000/- comprising of 1,500,000 Ordinary Shares.

Shareholders

The total shareholder base of the Company as at 25th December, 2022 was 773 (2021 – 734). The 20 Major Shareholders of the Company are given under Informations to Shareholders on pages 60.

Dividend

A Final Dividend of Rs.14/- per Share for the year ended 25th December, 2021 has been paid to the Shareholders of the Company on 4th July, 2022. A First Interim Dividend of Rs.15/- per Share for the Financial Year ended 25th December, 2022 has been paid to the Shareholders of the Company on 1st November October, 2022.The Directors have recommended the payment of a Final Dividend of Rs.17/- per share for the financial year ended 25th December, 2022. The Directors have taken appropriate measures to obtain a Report in terms of Section 56 (2) of the Companies Act No.7 of 2007 from the Company's Auditors confirming that the Company will, immediately after the payment of the Dividend satisfy the solvency test.

Statutory Payments

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

Post Balance Sheet Events

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

Auditors

The Financial Statements for the period under review have been audited by Messrs. KPMG, Chartered Accountants. Rs.0.995 Mn. is payable by the Company as Audit Fees for the year ended 25th December, 2022.

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

Auditors' Relationship with the Company

The Company did not have any relationship with the Auditors of the Company, other than that of the Auditor, during the Financial Year ended 25th December, 2022.

By Order of the Board

(Sgd).
Dr. Azeez Mohamed Mubarak
Director

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

Director
(Sgd).
JACEY & COMPANY
Secretaries

12th May , 2023

Corporate Governance

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

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

Compliance with the Code of Best Practice

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

Board of Directors

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

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

Appointments

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

Board Sub-Committees

The Board sub-committees scrutinise and analyse the areas under their purview and ensure application of strict control over the affairs of the Company. The Sub-Committees make recommendations to the Board on necessary adjustments and modifications to the internal systems of the Company. The Board has constituted an Audit Sub-Committee and a Remuneration Sub-Committee, each of which consist of three Non-Executive Directors. Reports of the Audit Committee, the Remuneration Committee and the Related Party Transactions Committee are given on the pages 15, 16 and 17 respectively of the Annual Report.

Name of the Director	Category	Main Board		Audit Committee		Remuneration Committee		Related Party Transactions Committee	
		Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Dr. A M Mubarak (Chairman)	Non-Executive	04	03	03	03	01	01	04	03
Mr. H. A. D. U. G. Gunesekera (Managing Director)	Executive	04	04	-	-	-	-	04	04
Mr. U. L. Pushpakumara	Non-Executive Independent	04	04	-	-	-	-	04	04
Mr. R. De Zilwa	Non-Executive Independent	04	04	03	03	01	01	04	04
Mr. K. M. Dissanayake	Non-Executive Independent	04	03	03	03	01	-	04	03

Company Secretaries

Jacey & Company provides Corporate Secretarial Services to the Company. The Company Secretaries play a key role in compliance matters by ensuring that the Company complies with the requirements of the Companies Act No.07 0f 2007, the Colombo Stock Exchange and other regulatory bodies. The Secretaries also ensure that Board procedures are followed and information is provided to shareholders on a timely basis.

Corporate Governance (Contd.)

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

Rule No:	Subject	Applicable requirement	Compliance Status
7.10.1	Non-Executive Directors	At least 1/3 of the total number of Directors should be Non-Executive Directors at the immediately preceding Annual General Meeting Messrs. R De Zilwa, U L Pushpakumara, Mr. K M Dissanayake and Dr. A M Mubarak are the Non-Executive Directors of the Company.	Complied
7.10.2	Independent Directors	At least 1/3 of Non - Executive Directors should be independent. of the Four (04) Non-Executive Directors. Mr. R De Zilwa and Mr. K M Dissanayake are Independent Directors. Each Non-Executive Director should submit a declaration of independence/non independence in the prescribed format.	Complied
7.10.3	Disclosure relating to Directors	Names of independent Directors should be disclosed in the Annual Report. The Board shall make a determination annually as to the independence or non independence of each non-executive Director based on the Declaration. A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise.	Complied Complied
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee and shall comprise of Non-Executive Directors a majority of whom will be independent. The Annual Report should set out: (a) The names of the Directors comprising the Remuneration Committee should be set out in the Annual Report (b) The functions of the Remuneration Committee (c) Specified whether the Chairman of the Committee is a Non-Executive Director (d) A statement of the Remuneration Committee (e) Aggregated remuneration paid to executive and Non-executive Directors	Complied Complied Please refer page 16 of the Annual Report
7.10.6	Audit Committee	A Listed entity shall have an Audit Committee comprising of Non-Executive Directors the majority of whom shall be independent A non Executive Director shall be appointed as the Chairman of the Audit Committee Unless otherwise determined by the Committee the Chief Executive Officer and the Chief Financial Officer shall attend Audit Committee Meetings The Chairman or one Member of the Committee should be a member of a recognised professional accounting body	Complied Complied Complied Complied

Corporate Governance (Contd.)

Rule No:	Subject	Applicable requirement	Compliance Status
7.10.6	Audit Committee	It is confirmed that the functions of the Audit Committee were in accordance with Rule 7.10.6 (b)	Complied
		Annual Report should set out ;	
		a) Names of Directors comprising the Audit Committee	Complied
		b) The Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	
		c) A Report of the Audit Committee setting out the manner of compliance by the Company in relation to the foregoing, during the period to which the Annual Report relates.	Please refer page 15 of the Annual Report
7.10.6	Related Party Transactions Review Committee	A listed Company shall have a Related Party Transactions Review Committee and shall comprise of a combination of Non-Executive Directors and independent non-executive directors.	Complied
		Annual Report should set out the following information:	
		a) In the case of Non-Recurrent Related Party Transactions, if aggregate value of the non-Recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements, the said information must be presented in the Annual Report as per the format prescribed in Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange.	
		b) In the case of Recurrent Related Party Transactions, if the aggregate value of the Recurrent Related party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of Recurrent Related Party Transactions entered into during the Financial Year in its Annual Report. The name of the Related Party and the corresponding aggregate value of the Related Party Transactions entered into with the same Related party must be presented as per the format prescribed in Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange.	
		c) Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following details:	Please refer page. 17 of the Annual Report
		• Names of the Directors comprising the Committee	
		• A statement to the effect that the Committee has reviewed the Related Party Transactions during the Financial Year and has communicated the comments/observations to the Board of Directors.	
		• The policies and procedures adopted by the Committee for reviewing the Related Party Transactions.	
		• The number of times the Committee has met during the Financial Year	
		• A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related party Transactions.	

Risk Management

MANAGING RISK

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

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

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.
The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

Economic Risk

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

Asset Risk

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

Investment Risk

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

Financial Risk

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

The Company's objective, policies and processes for measuring and managing risk from financial instruments and the management of capital are reported separately in Note 28.3 on page 56 in conformity with SLFRS reporting standards.

Risks from Fiscal Changes

Arising from overall macroeconomic policies, priorities and revenue considerations, the Government changes the tax and duty structure applicable to the manufacture/sale of products, from time to time.
This may pose a risk to the Company since it has invested in infrastructure and generating employment opportunities for people. In order to mitigate this risk, we continue to work with the Chambers of Commerce, industrial associations and other similar organisations in order to protect local industries, raise our concerns regarding possible adverse impacts of sudden changes in tax and duty structures and to lobby for necessary incentives.

Labour Risk

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

Supplier Risk

We procure materials from a large number of suppliers, both local and foreign, for the production of goods. In order to minimize disruptions to supplies and also to ensure the quality of the materials supplied, we have put in place certain measures that promote - overseas procurement from third party certified suppliers, maintenance of a multiple supplier base for sourcing raw materialsand the maintenance of good co-ordination between suppliers and our Quality Assurance

Risk Management (Contd.)

department. In addition, the company review, evaluate and maintain a certified list of suppliers, using a comprehensive supplier evaluation based on predetermined criteria.

Marketing Risk

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

Reputation Risk

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

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

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

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

Other Risks

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

Assessment of Going Concern

The financial statements of Union Chemicals Lanka PLC for the year ended 25th December 2022, have been prepared on the basis that the Company is a going concern.

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

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

Financial indicators

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

Operating indicators

- Low turnover of key management and availability of key succession plans.
- Good track record on Environment and Health & Safety

Standard Other indicators

- Management pro-activeness and compliance with legal and statutory requirements.
- Low likelihood that legal cases filed against the Company will have significant adverse effect on its operations.
- Robust risk management process and migratory action plans.
- Robust actions to continue business operations during COVID-19 pandemic, strictly in conformity with Government guidelines and directives issued from time to time.

Based on the above, Directors of the Company are confident that Union Chemicals is a going concern and is able to pay debts as they fall due.

Caveat

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

Report of the Audit Committee

Introduction

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

Composition of the Committee

The Audit Committee appointed by and responsible to the Board of Directors comprises two non-executive independent Directors and one non-executive Director. The members are

Mr. Mr. K M Dissanayake (Chairman)
Mr. Russel De Zilwa
Dr. Azeez Mohamed Mubarak

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

Meetings

The Audit Committee is required to meet at least four times during the year. Attendance of the members at these meetings is given on page 10 of the Annual Report. Finance Manager assists the Committee by providing relevant information to facilitate the decision making process.
The activities and views of the Committee have been communicated to the Board of Directors at Board Meetings.

Main Responsibilities

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

Financial Reporting

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

External Audit

The External Auditors' letter of engagement, including the scope of the audit, was reviewed and discussed by the Committee with Management and the External Auditors prior to the commencement of the Audit. Before the conclusion of the audit, the Committee met with the External Auditors to discuss all audit issues and agree on their treatment.

Appointment of Auditors

The Audit Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. The Audit Committee has recommended to the Board of Directors that Messrs. KPMG, Chartered Accountants be re-appointed as External Auditors for the financial year ending 25th December, 2023 subject to approval by the shareholders at the Annual General Meeting of the Company.

Conclusion

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

(Sgd).
Mr. K M Dissanayake
Chairman – Audit Committee
12th May 2023

Report of the Remuneration Committee

The Remuneration Committee consists of two independent, non-executive Directors. The Chairman of the Remuneration Committee is Dr. Azeez M Mubarak and members include Messrs. K M Dissanayake and Russel de Zilwa.The Finance Manager assists the Committee by providing relevant information to facilitate the decision making process.

The Committee is responsible for determining the compensation of the Managing Director who is the only Board member serving in an executive capacity. The Remuneration Policy of the Company with regard to the compensation package of the Managing Director is linked to the commitment, expertise and achievements, identifying future activities for the growth of the Company and contribution towards the Company's profitability and returns to the stakeholders. No remuneration is paid to non-executive Directors other than the nominal fees based on their participation at Board and Sub Committee meetings. Total fees and remuneration paid to all Directors is disclosed at page 37 of the Financial Statements.

The Committee met once during the year and proceedings of the Committee were reported to the Board of Directors for their information and necessary action and were affirmed by the Board

(Sdg).
Dr. Azeez M Mubarak
Chairman – Remuneration Committee
12th May 2023

Report of the Related Party Transactions Review Committee

Composition of the Committee

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

Mr. K M Dissanayake - Chairman

Dr. Azeez M Mubarak

Mr. R De Zilwa (Independent)

Mr. U L Pushpakumara

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

Committee meetings

The four meetings were held during the year to review and report to the Board on matters involving Related Party Transactions falling under its terms of reference. Attendance of the meeting is detailed in page 10.

Responsibilities of the committee

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

The responsibilities of the committee are:

- Evaluate any proposed Related Party Transactions quarterly,
- Review any post quarter confirmations on Related Party Transactions,
- Review the threshold for Related Party Transactions, which require either Shareholders' approval or immediate market disclosures,
- Review criteria of Key Management Personnel, Obtain Board approval for the Related Party Transactions, if any, and,
- Regularly report to the Board on Committee's activities.

Key functions performed during the year under review

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

Meetings

Meetings are held mandatory, during financial period of 2022, 04 of such meetings were held and the minutes were circulated to the Board of Directors for their information and review. In the opinion of the Committee there were no transactions with the related parties that were more favourable or preferential during the period under review and the Company had been compliant with the Code.

(Sgd.)
K. M. Dissanayake
Chairman
Related Party Transactions Review Committee

12th May 2023

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

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

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

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

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

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

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

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

(Sdg).
UL Pushpakumara
Finance Manager
12th May 2023

Independent Auditor's Report

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

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

To the shareholders of Union Chemicals Lanka PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Union Chemicals Lanka PLC ("the Company"), which comprise the statement of financial position as at 25th December 2022, 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 and other explanatory information.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 25th December 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

Expected Credit Loss Allowances of Trade and Other Receivables Refer to accounting policy note 3.3 and note 17 to the financial statements

Risk Description	Our Responses
The Company has recognized a total allowance for expected credit loss amounted to Rs. 7.3 Mn for trade receivable balance of Rs. 131 Mn. The Company's provision of impairment are based on the management estimate of the expected credit losses to be incurred, which is estimated by taking in to account the aging of overdue balances, the repayment history of the Company's individual customers, current market conditions and customer specific conditions, all of which involves a significant degree of management judgment. The current economic condition has meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Company in calculating the ECL, and the associated audit risk and our effort thereon. We identified expected credit loss allowance of trade receivables as a key audit matter as it requires management to exercise subjective judgment in making assumptions and estimates for the assessment of impairment allowance on trade receivables.	Our audit procedures included; • Obtaining an understanding of the design, implementation and operating effectiveness of management key internal Controls in arriving the impairment provision for receivables. • Testing the adequacy of the provisions for impairment recorded against trade receivable balances, based on 'Expected Credit loss' model as per 'SLFRS 09', as well as the reasonability of the model methodology, key assumptions and management model validation. We substantively tested the completeness and accuracy of key inputs into models and assessed the appropriateness assumptions used • Testing the subsequent settlements made for the selected sample of debtors. • Assessing the adequacy of the disclosures in the financial statements with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report (Contd.)

KPMG

Other information

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Independent Auditor's Report (Contd.)

KPMG

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 2618.

(Sgd).
CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
12th May, 2023

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 25th December,	Note	2022 (Rs.'000)	2021 (Rs.'000)
Revenue	5	1,677,744	1,596,759
Cost of sales		(1,175,430)	(1,292,032)
Gross profit		**502,314**	**304,727**
Other income	6	5,210	7,528
Other Expenses	7	(105)	-
Selling and distribution expenses		(14,712)	(17,781)
Administrative expenses		(86,941)	(80,084)
Result from operating activities		**405,767**	**214,390**
Finance income	8	21,957	1,718
Finance costs	8.2	(205,692)	(13,016)
Net finance costs		**(183,735)**	**(11,298)**
Profit before tax	9.1	**222,033**	**203,092**
Income tax expenses	10.1	(60,292)	(31,387)
Profit for the year		**161,741**	**171,705**
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit asset/obligation, net of tax	10.2	(521)	(2,225)
Total other comprehensive income		**(521)**	**(2,225)**
Total comprehensive income for the year		**161,220**	**169,480**
Basic earnings per share (Rs.)	11	**107.83**	**114.47**
Dividend per share (including proposed final dividend) (Rs.)	12	**32.00**	**25.00**

The notes form an integral part of these financial statements.

Figures in bracket indicate deductions

Statement of Financial Position

As at 25th December,	Note	2022 (Rs.'000)	2021 (Rs.'000)
Assets			
Property, plant and equipment	13	244,229	341,665
Investment properties	14	75,172	-
Intangible assets	15	-	-
Retirement benefit assets	21.1	6,705	6,079
Financial assets	19	40,000	-
Other Financial assets	17.3.1	393	294
Non-current assets		**366,499**	**348,038**
Inventories	16	688,682	345,449
Trade and other receivables	17	213,634	382,007
Cash and cash equivalents	18	76,458	76,623
Current assets		**978,774**	**804,079**
Total assets		**1,345,273**	**1,152,117**
Equity			
Stated capital	20	15,000	15,000
Retained earnings		893,608	769,888
Equity attributable to owners of the Company		**908,608**	**784,888**
Liabilities			
Retirement benefit obligations	21	19,215	16,205
Deferred tax liabilities	22	11,512	5,463
Loans and borrowings	23.1	-	2,691
Non-current liabilities		**30,727**	**24,359**
Loans and borrowings	23.2	54,665	78,088
Trade and other payables	24	228,200	220,040
Current tax liability	25	26,694	28,672
Dividend payable	26	12,274	6,371
Bank overdraft	18.2	84,105	9,699
Current liabilities		**405,938**	**342,870**
Total liabilities		**436,665**	**367,229**
Total equity and liabilities		**1,345,273**	**1,152,117**

The notes form an integral part of these financial statements.
I certify that the financial statements have been prepared in accordance with the requirements of the Companies Act No 07 of 2007.

(Sgd).
U. L. Pushpakumara
Finance Manager
The Board of Directors is responsible for the preparation and presentation of these financial statements.
Approved and Signed for and on behalf of the board.

(Sgd).
Dr. A. M. Mubarak
Chairman
12th May, 2023

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

Statement of Changes in Equity

	Note	Stated capital (Rs.'000)	Retained earnings (Rs.'000)	Total (Rs.'000)
Balance as at 26th December 2020		**15,000**	643,907	**658,907**
Total comprehensive income for the year				
Profit for the year		-	171,705	171,705
Other comprehensive expense, net of tax	10.2		(2,225)	(2,225)
Total comprehensive income		**-**	**169,481**	**169,481**
Transaction with owners of the Company				
Final dividend - 2020 (Rs. 10.00)		-	(21,000)	(21,000)
Interim dividend - 2021 (Rs. 15.00)		-	(22,500)	(22,500)
Dividends declared during the period	26		**(43,500)**	**(43,500)**
Total transaction with owners of the Company		-	**(43,500)**	**(43,500)**
Balance as at 25th December 2021		**15,000**	**769,888**	**784,888**
Balance as at 26th December 2021		**15,000**	**769,888**	**784,888**
Total comprehensive income for the year				
Profit for the year		-	161,741	161,741
Other comprehensive income, net of tax	10.2	-	(521)	(521)
Total comprehensive income		**-**	**161,220**	**161,220**
Transaction with owners of the Company				
Final dividend - 2021 (Rs. 10.00)		-	(15,000)	(15,000)
Interim dividend - 2022 (Rs. 15.00)		-	(22,500)	(22,500)
Dividends declared during the period	26		**(37,500)**	**(37,500)**
Total transaction with owners of the Company		**-**	**123,720**	**123,720**
Balance as at 25th December 2022		**15,000**	**893,608**	**908,608**

The notes form an intergral part of these financial statements.
Figures in bracket indicate deductions

Statement of Cash Flows

For the year ended 25th December,	Note	2022	2021
		(Rs.'000)	(Rs.'000)
Cash flows from operating activities			
Profit before tax		222,033	203,092
Adjustment for:			
Depreciation/amortization on property, plant and equipment/investment property	13	24,916	26,140
Impairment loss/(reversal of impairment) of trade receivable	17.1	(6,967)	(3,546)
Provision for retirement gratuity - Funded	21.2	850	755
Expected return on plan assets	21.1	(669)	(733)
Provision for retirement gratuity - Unfunded	21.5	2,324	2,271
(Gain)/loss on disposal of property, plant and equipment	7.1	105	(5,599)
Loss on transaction of foreign currency	8.2	192,547	6,755
Interest Income	8.1	(21,957)	(1,718)
Interest expense	8.2	13,145	6,261
		426,327	**233,678**
Changes in :			
(Increase)/decrease in inventories		(343,235)	(143,970)
(Increase)/decrease in trade and other receivables		179,651	(144,181)
Decrease in trade and other payables		(185,889)	165,604
Cash generated from operating activities		**76,854**	**111,131**
Retiring gratuity paid - funded obligation	21.2	-	(2,834)
Benefit paid by the plan	21.1	-	2,815
Retiring gratuity paid - unfunded obligation	21.5	(865)	(8,668)
Income tax paid	25	(55,998)	(23,895)
Interest paid	24.1	(11,643)	(5,800)
Net cash generated from operating activities		**8,347**	**72,749**
Cash flows from investing activities			
Purchase and construction of property, plant and equipment.	13	(2,797)	(66,676)
Proceeds from disposal of property, plant and equipment	7	41	5,542
Advances granted to company officers	17.3	(1,275)	(750)
Advances repayment by company officers	17.3	1,081	949
Investment Financial assets	19	(40,000)	-
Interest received	17.2	17,741	1,449
Net cash flows used in investing activities		**(25,209)**	**(59,222)**
Cash flows from financing activities			
Loans obtained during the year	23.2	155,066	1,382,597
Repayment of term loans	23.1 & 23.2	(181,179)	(1,338,152)
Dividends paid	26	(31,597)	(47,588)
Net cash flows used in financing activities		**(57,710)**	**(3,143)**
Net (decrease)/increase in cash and cash equivalents		(74,571)	10,384
Cash and cash equivalents at the beginning of the year.	18.2	66,924	56,540
Cash and cash equivalents at the end of the year		**(7,647)**	**66,924**
Total cash and cash equivalents for the purpose of cash flow statement			
Favourable cash and cash equivalent balances	18.1	76,458	76,623
Unfavourable cash and cash equivalent balances	18.2	(84,105)	(9,699)
		(7,647)	**66,924**

Note to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting entity

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

1.2 Principal activities and nature of operations

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

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

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

1.3 Parent enterprise and ultimate parent enterprise

There is no identifiable parent and ultimate parent Company.

1.4 Number of employees

The number of employees at the end of the year was 40 (2021 - 43).

1.5 Responsibilities for financial statements and approval of financial statements

The Board of directors is responsible for preparation and fair presentation of the financial statements of the Company as per the provision of Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards. The financial statements for the year ended 25th December 2022 were authorized for issue in accordance with resolution of the Board of Directors on 12th May 2023**.**

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

Note 13 – Depreciation

Note 15 – Intangible Assets

Note 17 –Measurement of ECL allowance for trade receivables

Note 21 – Measurement of Retirement Benefit Obligations

Note 22 – Recognition of Deferred Tax Assets and Liability

Note 29 – Provisions, Commitments and Contingencies

2.5 Measurement of fair values

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

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

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

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

Note to the Financial Statements (Contd.)

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

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

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

2.6 Materiality and aggregation

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

2.7 Offsetting

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

2.8 Going concern

In preparing the financial statements for the year ended 25th December 2022, the management has assessed the possible effects of volatile and uncertain macro-economic environment on the businesses of the Company to determine their ability to continue as a going concern. Based on currently available information, the management is satisfied that having taken into consideration factors that could impact the revenue, supply chain, cash flows, accessibility to funds & costs, the Company would continue as a going concern. Consequent to giving due consideration to the presentations by management, the Directors are satisfied that the Company have adequate resources to continue as a going concern for the foreseeable future.

The Company had positive net assets, working capital and cash flow positions as at the reporting date. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

The Directors of the Company do not intend either to liquidate or cease trading.

The Company had positive net assets, working capital and cash flow positions as at the reporting date. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

2.9 Comparative information

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign currency

3.1.1 Foreign currency transactions

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

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

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

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

Note to the Financial Statements (Contd.)

3.2 Financial instruments

• Recognition and initial measurement

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

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

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

• Classification and subsequent measurement of financial assets

Financial Asset

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

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- it is held within a business model whose objective is achieved by 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 an equity investment that is not held for trading, the Company 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 includes all derivative financial assets. On initial recognition, the Company 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.

• Financial assets - Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

- contingent events that would change the amount or timing of cash flows;

Note to the Financial Statements (Contd.)

- terms that may adjust the contractual coupon rate, including variable-rate features;

- prepayment and extension features; and

- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

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

- **Financial assets - subsequent measurement and gains and losses**

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains 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 on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	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

- **Financial Liabilities: Classification, subsequent measurement and gain 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 a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and gains and losses, including any interest expense, 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 gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

- **Derecognition**

Financial Assets

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

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

Financial Liabilities

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

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

Offsetting

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

3.3 Impairment

Non-Derivative Financial Assets

Financial Instruments and Contract Assets

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

- financial assets measured at amortised cost;

- debt investments measured at FVOCI; and

- contract assets.

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

Note to the Financial Statements (Contd.)

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

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

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due.

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

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

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

- **Measurement of ECLs**

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

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

- **Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets 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 a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or being more than 365 days past due;

- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market tor a security because of financial difficulties.

- **Presentation of allowance for ECL in the statement of financial position**

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

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

- **Write-off**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A provision is recognized in the Statement of Financial Position for individual customers, when the gross carrying amount of financial asset is 365 days past due based on historical experience of recoveries of similar assets.

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

3.4 Share capital

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

3.5 Property, plant and equipment

Property, plant and equipment are tangible items that are held for servicing, or for use in the production or supply of goods or services, or for administrative purposes and are expected to be used during more than one period.

3.5.1 Basis of Recognition

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

3.5.2 Basis of Measurement

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable in bringing the asset to a working

Note to the Financial Statements (Contd.)

condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

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

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

3.5.3 Subsequent expenditure

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

3.5.4 Depreciation

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

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

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

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

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

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

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

3.5.5 Derecognition

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

3.6 Investment Properties

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

3.6.1 Basis of Recognition

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

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

3.6.2 Basis of Measurement

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

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

3.6.3 Subsequent expenditure

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

3.6.4 Depreciation

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

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

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

Note to the Financial Statements (Contd.)

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

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

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

3.6.5 Derecognition

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

3.7 Intangible assets

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

3.7.1 Basis of recognition

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

3.7.2 Software

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

3.7.3 Amortisation

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

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

Computer Software 05 Years

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

3.7.4 Derecognition

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

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

3.8 Inventories

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

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

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

3.9 Liabilities and Provisions

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

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

3.9.1 Provisions

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

Note to the Financial Statements (Contd.)

3.10 Capital commitments and contingencies

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

3.11 Employee benefits

3.11.1 Short term benefits

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

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

A defined contribution plan is a post- employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Employees are eligible for contributions to Employees' Provident Fund and Employees' Trust Fund in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and the Employees' Trust Fund respectively, and is recognized as an expense in Profit and Loss in the periods during which services are rendered by employees.

3.11.3 Defined benefit plan - retirement gratuity

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

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

An actuarial valuation was carried out by a professionally qualified firm of actuaries, as at 25th December 2022 for the recognition of the Company's Retirement Benefit Plan. The Valuation method used by the actuary is 'Projected Unit Method'. Any gains and losses arising from actuarial valuation that arise in calculating the obligation in respect of employee benefits are recognized in Other Comprehensive Income.

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

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

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

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

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

The liability is not externally funded.

Statement of profit or loss and other comprehensive income

3.12 Revenue Recognition

Performance obligations and revenue recognition policies

As per the standard, revenue is measured based on the consideration specified in a contact with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer. Determining the timing of the transfer of control at a point in time or over time require judgment.

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

(a) Sale of goods

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

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

(b) Disaggregation of revenue

SLFRS 15 requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company's contracts with customers are similar in nature and revenue from these contracts are not significantly affected by economic factors apart from exports sales. The Company believes objective of this requirement will be met by using one type of category – Product type. (Refer Note 5)

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

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

Note to the Financial Statements (Contd.)

(d) Other Income

Other income is recognized on an accrual basis.

3.13 Expenditure recognition

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

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

3.14 Net finance costs

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

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

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

— The gross carrying amount of the financial asset; or

— The amortized cost of the financial liability

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

3.15 Income tax

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

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Company has determined that interest and penalties related to income taxes including uncertain tax treatments, do not meet the definition of income taxes and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(a) Current tax

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

The provision for income tax on the Company's operation is based on the elements of income and expenditures reported in the Financial Statements and measured as the tax rates enacted or substantively enacted at the reporting period.

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

(b) Deferred tax

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

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

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

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

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

3.16 Events after reporting period

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

3.17 Earnings per share

The Company 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 average number of ordinary shares outstanding during the period.

Note to the Financial Statements (Contd.)

3.18 Segment reporting

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

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

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

Segment information is presented in the respective Note 27 to the Financial Statements.

3.19 Cash flow statements

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

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

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

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

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

A number of new standards are effective for annual periods beginning after 1st January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

A. Deferred Tax related to Assets and Liabilities arising from a single Transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1st January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

B. Classification of Liabilities as Current or Non-Current (Amendments to LKAS 1)

The amendments, as issued on 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 01st January 2023. However, the IASB has subsequently proposed further amendments to LKAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 01st January 2024. Due to these ongoing developments, the Company is unable to determine the impact of these amendments on the financial statements in the period of initial application. The Company is closely monitoring the developments.

C. Disclosure of Accounting Policies (Amendments to LKAS 1). The amendment applies to annual reporting period beginning on or after 1 January 2023

The key amendments include,

requiring companies to disclose their material accounting policies rather than their significant accounting policies.

clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The Company does not anticipate this amended to have a significant impact.

D. Definition of Accounting Estimates (Amendments to LKAS 8)

The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendment applies to annual reporting periods beginning on or after 1 January 2023.

Note to the Financial Statements (Contd.)

For the year ended 25th December,

05. Revenue

Revenue segments	2022 Gross (Rs.'000)	2022 Sales taxes (Rs.'000)	2022 Net revenue (Rs.'000)	2021 Gross (Rs.'000)	2021 Sales taxes (Rs.'000)	2021 Net revenue (Rs.'000)
Latex	1,402,749	(134,402)	1,268,347	1,279,371	(88,474)	1,190,897
Chemicals and plastics	447,155	(37,759)	409,397	436,075	(30,213)	405,862
Net revenue	**1,849,904**	**(172,161)**	**1,677,744**	**1,715,446**	**(118,687)**	**1,596,759**

5.1 Sales taxes

	2022 Latex (Rs.'000)	2022 Chemicals and plastics (Rs.'000)	2022 Total Sales Taxes (Rs.'000)	2021 Latex (Rs.'000)	2021 Chemicals and plastics (Rs.'000)	2021 Total Sales Taxes (Rs.'000)
Value Added Tax	134,402	37,759	172,161	88,474	30,213	118,687
Total sales taxes	**134,402**	**37,759**	**172,161**	**88,474**	**30,213**	**118,687**

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

	2022 (Rs.'000)	2021 (Rs.'000)
06. Other income		
Gross Indent commission	2,960	1,393
Value Added Tax	(316)	(103)
Net Indent commission	2,644	1,290
Rent Income	2,006	-
Scrap material sales and others	560	639
	5,210	1,929
Gain on disposal of property, plant and equipment	-	5,599
Total other income	**5,210**	**7,528**
07. Other Expenses		
Loss on disposal of property, plant and equipment	(105)	-
	(105)	**-**
7. 1 Gain/(loss) on disposal of property, plant and equipment		
Cost of disposal of property, plant and equipment	458	9,773
Accumulated Depreciaion on disposal of property, plant and equipment	(312)	(9,716)
Net Cost of disposal of property, plant and equipment	146	57
Proceeds from disposal of property, plant and equipment	41	5,542
Gain on disposal of property, plant and equipment	**(105)**	**5,599**

Note to the Financial Statements (Contd.)

For the year ended 25th December,

		2022 (Rs.'000)	2021 (Rs.'000)
08.	**Net finance cost**		
8.1	**Finance income**		
	Interest income on short term deposits	21,957	1,718
	Total finance income	**21,957**	**1,718**
8.2	**Finance costs**		
	Interest expense on overdrafts	(7,212)	(563)
	Interest expense on import loans	(5,050)	(2,921)
	Interest expense on long term loans	(883)	(2,777)
	Total Interest expense on loans and overdrafts	(13,145)	(6,261)
	Loss on translation of foreign currency	(192,547)	(6,755)
	Total finance costs	(205,692)	(13,016)
	Net finance costs recogised in profit or loss	**(183,735)**	**(11,298)**

9. Profit before tax

Profit before income tax expense is stated after charging all expenses including the followings:

		2022 (Rs.'000)	2021 (Rs.'000)
	Depreciation on property, plant and equipment	23,551	26,138
	Depreciation on investment properties	1,365	-
	Impairment of trade receivables	(6,967)	(3,546)
	Donations	41	48
	Directors' emoluments	35,752	32,873
	Auditor's remuneration		
	- Statutory audit	995	881
	- Audit related service	324	292
	Legal fees	1,486	664
	Personnel costs (Note 9.1)	**64,201**	**58,158**
9.1	**Personnel costs**		
	Defined benefit plan cost - Retiring gratuity	2,505	2,293
	Defined contribution plan cost - EPF, ETF	9,603	9,353
	Salaries and other staff cost	52,093	46,512
		64,201	**58,158**

10. Income tax expenses

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

Note to the Financial Statements (Contd.)

		Note	2022 (Rs.'000)	2021 (Rs.'000)
10.1	**Amounts recognised in profit or loss**			
	Current tax expense			
	Taxes on profit for the year	10.3	54,020	41,332
	Over provision in respect of previous year		-	(12,804)
			54,020	**28,528**
	Deferred tax expense			
	Net origination and reversal of temporary difference	20	6,272	2,859
	Income tax expense		**60,292**	**31,387**

10.2 Amounts Recognised in Other Comprehensive Income (OCI)

	2022 (Rs.'000)			2021 (Rs.'000)		
	Before	**Tax (expense) / benefit**	**Net of Tax**	**Before tax**	**Tax (expense) / benefit**	**Net of Tax**
Remeasurement of Defined Benefit Liability / (Asset)	(744)	223	(521)	(2,832)	607	(2,225)
	(744)	**223**	**(521)**	**(2,832)**	**607**	**(2,225)**

10.3 Reconciliation between current tax expense and the product of accounting profit

	Note	2022 (Rs.'000) Total	2021 (Rs.'000) Total
Profit before income tax expense		222,033	203,092
Non business income- Interest income	8.1	(21,957)	(1,718)
Accounting profit on disposal of fixed assets	7.1	105	(5,599)
Aggregate disallowable expenses		192,753	33,207
Aggregate allowable expenses		(171,380)	(12,296)
Capital allowances		(25,841)	(25,862)
Assessable Income from business		**195,713**	**190,824**
Taxable income from non business activities	8.1	21,957	1,718
Taxable income		217,670	192,542
Tax on profit for the year		**54,020**	**41,332**

In accordance with the provisions of the Inland Revenue (Amended) Act No. 10 of 2021 the Company is liable to pay income tax at following rates:

Profit before income tax expense			222,033	203,092
Tax using company's domestic tax rate				
First half of the year				
Manufacturing	18%	11,999	18%	14,633
Other	24%	8,530	24%	26,699
Second half of the year				-
Business profit	30%	30,197		-
Interest Income	30%	3,294		-
Total income tax expense (Note 10)		**54,020**		**41,332**

Note to the Financial Statements (Contd.)

11. Earnings per share - Basic and Diluted

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

	2022	2021
Profit attributable to the owners of the Company (Rs '000)	161,741	171,705
Weighted average number of ordinary shares ('000)	1,500	1,500
Basic earnings per share from continuing operations (Rs.)	**107.83**	**114.47**

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

12. Dividends per share

Dividend per share (Rs.)	**32.00**	**25.00**

Directors have proposed a final dividend of Rs. 17.00 per share for the year ended 25th December 2022. (2021 - Rs. 10.00 paid),which will be declared at the Annual General Meeting to be held on 12th June 2023.In accordance with LKAS 10, Events after the Reporting period, this proposed final dividend has not been recognised as a liability as at 25th December 2022. but in computing the dividend per share this proposed dividend has been taken into consideration.

13. Property plant and equipment

	Land	Improve-ments to land	Buildings	Plant and machin-ery	Furniture and fittings	Computer Hardware	Motor vehicles	Total
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
COST								
Balance as at 26th December 2020	**78,982**	**4,324**	**129,405**	**104,840**	**35,261**	**5,886**	**68,019**	**426,717**
Addition	31,394	930	3,171	11,756	6,122	1,068	12,235	66,676
Disposal	-	-	-	(1,969)	(1,204)	(96)	(6,504)	(9,773)
Balance as at 25th December 2021	**110,376**	**5,254**	**132,576**	**114,627**	**40,179**	**6,858**	**73,750**	**483,620**
Addition	-	-	-	133	880	1,784	-	2,797
Transferred to Investment properties			(81,916)					(81,916)
Disposal	-	-	-		(429)	(29)	-	(458)
Balance as at 25th December 2022	**110,376**	**5,254**	**50,660**	**114,760**	**40,630**	**8,613**	**73,750**	**404,043**
ACCUMULATED DEPRECIATION								
Balance as at 26th December 2020	**-**	**2,128**	**8,009**	**53,454**	**4,333**	**3,203**	**54,405**	**125,532**
Charge for the year	-	197	5,066	5,686	3,315	636	11,238	26,138
On disposal	-	-	-	(1,969)	(1,148)	(95)	(6,504)	(9,716)
Balance as at 25th December 2021	**-**	**2,325**	**13,075**	**57,171**	**6,500**	**3,744**	**59,139**	**141,954**
Charge for the year	-	239	3,805	5,357	3,823	954	9,373	23,551
Transferred to Investment properties			(5,378)					(5,378)
On disposal	-	-	-	-	(283)	(29)	-	(312)
Balance as at 25th December 2022	**-**	**2,564**	**11,501**	**62,528**	**10,040**	**4,669**	**68,512**	**159,814**

Note to the Financial Statements (Contd.)

For the year ended 25th December,

13. Property plant and equipment (Contd.)

CARRYING AMOUNT								
As at 25th December 2021	110,376	2,929	119,501	57,456	33,679	3,114	14,611	341,666
As at 25th December 2022	**110,376**	**2,690**	**39,159**	**52,232**	**30,590**	**3,944**	**5,238**	**244,229**

Property, plant and equipment includes fully depreciated assets having a cost of Rs. 96.62 Mn. (2021 - Rs.86.9 Mn.)

13.1 Freehold land and building

Location	Net book value Rs.	Market value Rs	Extent	Accommodation
Maithri Mawath Ekala- Ja-ela				Stores (1,282.5 sq.ft) 1 building
Land	31.3 Mn.		20.00 Per.	
Land	9.1 Mn.		153.97 Per.	Factory (10,791 sq.ft) 5 buildings
Improvements to land	2.7 Mn.			
Buildings	7.1 Mn.			
Total	**50.2 Mn.**	**120.7 Mn.**		
No 4,Tickle road, Colombo 08				
Land	70.0 Mn.		15.5 Per.	Head Office 1 Building (17,224 sq.ft) in Six floors
Building	32.0 Mn.			
Total	**101.8 Mn.**	**390.0 Mn.**		

The property Maithri Mawath Ekala- Ja-ela lot no 1, 2 and 3 in survey plan no 3966 has been valued for Rs. 60 Mn. on 3rd Feb 2020 and lot no 2 in survey plan no 3854 A, has been valued for Rs. 60.7 Mn. on 10th Feb 2020.

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

13.2 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 25th December 2022. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment.

13.3 Title restriction on property, plant and equipment

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

13.4 Property, plant and equipment pledged as securities

Land and buildings located at Maithri mawatha, Ekala, Ja -ela and No.4 Tickle Road, Colombo 08 have been pledged for Rs.203 Mn. as securities as at the reporting date. (2021-Rs. 203 Mn)

13.5 Capitalised borrowing costs

There were no borrowing costs capitalised on interest-bearing loans and borrowings by the Company on qualifying assets during the financial year (2021 - Nil).

Note to the Financial Statements (Contd.)

As at 25th December	2022 (Rs.'000)	2021 (Rs.'000)
14. Investment properties		
Cost		
As at the beginning of the year	-	-
Addition	-	-
Transferred from Property plant and equipment	81,916	-
Disposal	-	-
As at the end of the year	**81,916**	-
Accumulated Depreciation		
As at the beginning of the year	-	-
Charge for the year	1,365	-
Transferred from Property plant and equipment	5,378	-
As at the end of the year	**6,744**	-
Carrying amount		
As at the beginning of the year	-	-
As at the end of the year	**75,172**	-

Properties which are occupied by Company for the production or supply of goods and services or for administration purposes are treated as property, plant and equipment in the financial statements at cost. These properties are treated as investment property in the company's statement of financial position at cost, if company has rented out or intention to rent out the property to others.

This was held as Investment property from month of July 2022 and monthly rental income is 0.4 Mn.

	2022 (Rs.'000)	2021 (Rs.'000)
15. Intangible Assets		
Reconciliation of carrying amounts		
Software:		
Cost		
As at the beginning of the year	27	27
Acquired/incurred during the year	-	-
As at the end of the year	**27**	**27**
Amortisation		
As at the beginning of the year	27	27
Amortisation charge for the year	-	-
As at the end of the year	**27**	**27**
Carrying amount		
As at the beginning of the year	-	-
As at the end of the year	**-**	**-**

Intangible Assets consists of computer software and the fully depreciated assets that are still in use as at the reporting date amounts to Rs.0.027 Mn. (2021- Rs. 0.027 Mn.)

- There were no intangible assets pledged by the Company as security for facilities obtained from banks (2021-Nil)

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

Note to the Financial Statements (Contd.)

As at 25th December,			2022 (Rs.'000)	2021 (Rs.'000)
16.	**Inventories**			
	Raw materials and consumables		280,032	202,956
	Work-in-progress		15,535	7,910
	Finished goods		259,842	117,796
	Goods-in-transit		124,336	7,760
	Machinery spare parts		14,352	14,442
			694,097	**350,864**
	Provision for inventories		(5,415)	(5,415)
	Total Inventories		**688,682**	**345,449**
16.1	**Provision for inventories**			
	Balance as at the beginning of the year		5,415	5,415
	Provision recognised		-	-
	As at the end of the year		**5,415**	**5,415**

The carrying amount of inventories pledged as security for bank facilities obtained amounted to Rs.132 Mn. (2021: Rs.132 Mn.)

			2022 (Rs.'000)	2021 (Rs.'000)
17.	**Trade and other receivables**			
	Trade receivables		131,601	358,598
	Impairment of trade receivables	17.1	(7,347)	(14,314)
	Total trade receivables		**124,253**	**344,284**
	Indent commission receivable		2,477	727
	Advances and prepayments		55,341	16,784
	Interest Receivable		4,539	323
	Loans to company officers	17.3.1	931	836
	Financial Assets		**187,541**	**362,954**
	Value Added Tax receivable		21,635	15,516
	Deposits and other receivables		4,458	3,537
	Total trade and other receivables		**213,634**	**382,007**
17.1	**Impairment of trade receivables**			
	Balance as at the beginning of the year		14,314	17,860
	Impairment (Gain) /loss recognised		(6,967)	(3,546)
	As at the end of the year		**7,347**	**14,314**
17.2	**Interest Receivables**			
	Balance as at the beginning of the year		323	54
	Interest income recognised	8.1	21,957	1,718
	Interest received		(17,741)	(1,449)
	As at the end of the year		**4,539**	**323**

Note to the Financial Statements (Contd.)

As at 25th December,		Note	2022 (Rs.'000)	2021 (Rs.'000)
17.3	**Loans to company officers**			
	Balance as at the beginning of the year		1,130	1,329
	Loans granted during the year		1,275	750
	Repayment		(1,081)	(949)
	Balance as at the end of the year	17.3.1	**1,324**	**1,130**
17.3.1	Due within one year		931	836
	Due after one year		393	294
			1,324	**1,130**
	No loans have been given to the Directors of the company.			
18.	**Cash and cash equivalents**			
18.1	**Favorable cash and cash equivalent balances**			
	Cash in hand		475	475
	Cash at bank		75,983	76,148
	Cash and cash equivalents in the statement of financial position		**76,458**	**76,623**
18.2	**Unfavorable cash and cash equivalent balances**			
	Bank overdraft		84,105	9,699
	Cash and cash equivalents in the statement of cash flow		**(7,647)**	**66,924**
19.	**Financial Assets**			
	Financial assets at amortised cost		40,000	-
			40,000	-
	Company debt securitties classified at amortised cost have interest rates of 15% and invested in Commercial Bank.			
20.	**Stated Capital**			
20.1	**Issued and fully paid**			
	1,500,000 Ordinary Shares (Rs. 10 Par Value)		**15,000**	**15,000**
	The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company. All shares rank equally with regard to the Company's residual assets.			
21.	**Retirement Benefit Obligation**			
	Present value of funded obligation	21.1	6,807	5,360
	Present value of unfunded obligation	21.3	12,408	10,845
	Total present value of obligation		**19,215**	**16,205**
	Fair value of retirement benefits assets	21.1	**(6,705)**	**(6,079)**
	Total present value of obligation		**12,510**	**10,126**

An Actuarial valuation was carried out caried by professionally qualified independent actuary Mr. M Poopalanathan , AIA, of Messers, Actuarial & Management Consultants (Pvt) Ltd. as at 25th December 2022. The valuation method used by the Actuaries to value is the 'Project Unit Credit Method' (PUC) the method recommended by LKAS 19 'Employee Benefits'.

Externally funded policy was purchased from AIA Insurance Lanka PLC, which covered 6 employees of the Company (6 employees 2021). The plan is funded by a policy obtained from AIA Insurance Lanka PLC. This policy meets the criteria mentioned in Sri Lanka Accounting Standard LKAS 19 - Employee Benefits, to classify it as a qualifying insurance policy.

The contributions to the fund by the Company are based on actuarial valuations carried out by AIA Insurance Lanka Ltd.. The Company expects to pay Rs. 0.133 Mn. as contributions to its plan assets for the period ended 25th December 2022. Employees are not required to contribute to this fund.

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

Note to the Financial Statements (Contd.)

As at 25th December,		2022 (Rs.'000)	2021 (Rs.'000)
21.1	**Fair value of retirement benefit assets**		
	Fair value of plan assets as at the beginning of the year	6,079	8,147
	Expected return on plan assets	669	733
	Benefit paid by the plan	-	(2,815)
	Actuarial gains / (loss)	(43)	14
	Fair value of plan assets as at the end of the year	**6,705**	**6,079**
21.2	**Present value of funded obligation**		
	Defined benefit obligation as at the beginning of the year	5,360	7,940
	Provision for the year	850	755
	Benefit paid during the period	-	(2,834)
	Actuarial losses/(gains)	597	(501)
		6,807	**5,360**
21.3	**Expenses recognised in the statement of profit or loss**		
	Interest cost	590	715
	Past service cost	-	(174)
	Current service cost	260	214
	Provision for the year	**850**	**755**
	Expected return on plan assets	(669)	(733)
		181	**22**
	Gain or losses recognised in other comprehensive income		
	Actuarial losses/(gains)	**640**	**(515)**
21.4	**Present value of unfunded obligation**		
	Fair value of retirement benefit assets	6,705	4,011
	Present value of funded obligation	(6,807)	(2,780)
	Present value of net asset	**(102)**	**1,230**
21.5	**Present value of unfunded obligation**		
	Balance as at the beginning of the year	10,845	13,896
	Provision for the year	2,324	2,271
	Benefits paid	(865)	(8,668)
	Actuarial loss on obligation	104	3,347
	Present value of defined benefit obligation	**12,408**	**10,845**
	Expenses recognised in the statement of profit or loss		
	Interest cost	1,192	1,251
	Past service cost	-	(127)
	Current service cost	1,132	1,147
	Provision for the year	**2,324**	**2,271**
	Gain or losses recognised in other comprehensive income		
	Actuarial loss - Retirement benefit assets	43	14
	Actuarial losses/(gains) - Funded obligation	597	(501)
	Net actuarial losses/(gains) - Funded obligation	640	(515)
	Actuarial losses - Unfunded obligation	104	3,347
		744	**2,832**

Note to the Financial Statements (Contd.)

As at 25th December,		2022 (Rs.'000)	2021 (Rs.'000)
21.5	**Key Assumptions**		
	Principal actuarial assumption as at 25th December,		
	Rate of discount	18.5%	11.0%
	Expected salary increment	17%	10%
	Staff turnover factor	7.5%	7.5%

Retirement age is 60 years. The employee who are aged over the specified retirement age have been assumed to retire on their respective next birthday. As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19. Further, the salary increment rate of 17% is considered appropriate to be in line with the Company's targeted future salary increments when taking into account the current market conditions and inflation rate.

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

21.6 Demographic Assumptions

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

21.7 Sensitivity analysis

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

	2022		2021	
	Increase (Rs.'000)	**Decrease (Rs.'000)**	**Increase (Rs.'000)**	**Decrease (Rs.'000)**
Discount Rate (1% Movement)	(19,294)	20,224	(15,310)	17,194
Future Salary (1% Movement)	20,307	(18,205)	17,269	(15,277)

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

21.8 Maturity analysis of the payments

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

As at 25th December,	2022			2021		
	Employees not Covered under Insurance Policy (Rs.'000)	**Employees covered under Insurance Policy (Rs.'000)**	**Total (Rs.'000)**	**Employees covered under Insurance Policy (Rs.'000)**	**Employees not covered under Insurance Policy (Rs.'000)**	**Total (Rs.'000)**
Within next 12 months	470	2,290	2,760	2,280	-	2,280
Between 1 and 2 years	1,418	872	2,290	1,263	624	1,887
Between 2 and 5 years	1,699	4,066	5,764	2,501	1,276	3,777
Between 5 and 10 years	3,220	1,990	5,210	2,413	3,067	5,480
Over 10 years	-	3,191	3,191	2,381	399	2,780
Total	**6,806**	**12,408**	**19,215**	**10,838**	**5,366**	**16,205**
No employees	**6**	**34**	**40**	**6**	**37**	**43**
Weighted average duration in years of defined benefit obligation	**5.29**	**6.22**	**6**	**3.04**	**4.45**	**3.98**

Note to the Financial Statements (Contd.)

As at 25th December,

21.9 The Composition of Insurance Plan Asset

The Investment Portfolio of AIA Insurance Lanka Ltd. as at 31st December	2022	2021
Government Securities	71.31%	71.31%
Corporate Debt	28.01%	27.51%
Equity	0.00%	0.12%
Policy Holder Loans	0.68%	1.06%
	100%	**100%**

An interim return on Plan Assets of 8.44% was declared by AIA Insurance Lanka Ltd for the year 2022.
(Declared Dividend Rate for 2021 is 10.72%)

22. Deferred tax liabilities

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

	Note	2022 (Rs.'000)	2021 (Rs.'000)
Movement of deferred tax liabilities			
Balance at the beginning of the year		5,463	3,211
Deferred tax charge recognised in profit or loss	10	6,272	2,859
Net origination and reversal of temporary differences		(223)	(607)
		11,512	**5,463**
22. 1 Provision / (reversal) during the year			
Provision / (reversal) during the year recognized in profit or loss		6,272	2,859
Provision / (reversal) during the year recognized in other comprehensive income		(223)	(607)
Total Provision		**6,049**	**2,252**
22.1.2 Provision / (reversal) during the year recognized in Other Comprehensive Income			
Effect in change in tax rates charged to Profit or Loss		3,028	-
Effect in change in tax base charged to Profit or Loss		3,244	-
		6,272	**-**
22.1.3 Provision / (reversal) during the year recognized in Other Comprehensive Income			
Effect in change in tax rates charged to Other Comprehensive Income		(850)	-
Effect in change in tax base charged to Profit or Loss		626	-
		(223)	**-**

Management has measured the deferred tax asset and liability by applying the tax rates as per Inland Revenue Act No. 24 of 2017 as at 25th December 2022, in accordance with LKAS 12 paragraph 46.

Note to the Financial Statements (Contd.)

As at 25th December,

22.2 Movement in deferred tax assets and liabilities

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

	2022		2021	
	Temporary Difference (Rs.'000)	Tax Effect on Temporary Difference (Rs.'000)	Temporary Difference (Rs.'000)	Tax Effect on Temporary Difference (Rs.'000)
Property Plant & Equipment	57,016	17,105	49,911	10,703
Investment properties	1,213	364	-	-
Employee Benefits	(12,510)	(3,753)	(10,125)	(2,171)
Trade Debtors Provision	(7,347)	(2,204)	(14,314)	(3,069)
Total	**38,372**	**11,512**	**25,472**	**5,463**

		Note	2022	2021
23.	**Loans and borrowings**		**(Rs.'000)**	**(Rs.'000)**
	Term loans (Secured)		-	-
	Amount repayable after one year			
	Long Term Loans	23.1	-	2,691
			-	2,691
	Amount repayable within one year			
	Long Term Loans	23.1	-	48,770
	Import Loans	23.2	54,665	29,318
			54,665	78,088
	Total loans and borrowing		**54,665**	**80,778**
23.1	**Long Term Loans**			
	Balance at the beginning of the year		51,460	36,333
	Loans obtained during the year		-	50,000
	Loan repayments during the year		(51,460)	(34,873)
	Balance at the end of the year		-	**51,460**
	Amount repayable after one year		-	2,691
	Amount repayable within one year		-	48,770
	Balance at the end of the year		**-**	**51,460**
23.2	**Import Loans**			
	Balance at the beginning of the year		29,318	-
	Loans obtained during the year		155,066	1,332,597
	Loan repayments during the year		(129,719)	(1,303,279)
	Balance at the end of the year		54,665	29,318
	Amount repayable after one year		-	-
	Amount repayable within one year		54,665	29,318

Note to the Financial Statements (Contd.)

As at 25th December,

23.2.1 Import Loans

Facility type	Bank	Nominal interest rate	Repayments Terms	Security	2022 (Rs.'000)	2021 (Rs.'000)
Long term loan for construction of head office building	DFCC	AWPR + 1.5%	5 years including two year grace period from the date of loan is granted.	Land and Building No 4 Tickell Road Colombo -08 up to Rs. 140 Mn.	-	34,970
working capital management	Commercial bank	4% Per annum (Fixed Rate)	24 Months (including a moatorium period of six months)	Land & Building - Lot no 02 Maithri Mawatha Ja-ela, Trade Receivable and Inventory up to Rs. 104.5 Mn.	32,660	16,490
Trade finance & working capital management	NDB bank	13.5% p.a.	90 days	Land & Building - Lot no 01 and 03 Maithri Mawatha Ja-ela, Trade Receivable and Inventory up to Rs. 30.5 Mn.	-	29,318
	Seylan bank	AWPR + 1.5%	90 days	Trade Receivable and Inventory up to Rs. 80 Mn.	22,005	-
Total					**54,665**	**80,778**

		Note	2022 (Rs. ´000)	2021 (Rs. ´000)
24.	**Trade and other payables**			
	Trade payables		201,713	192,955
	Accruals and other payables		23,479	18,766
	Value Added Tax payable		1,031	7,844
			226,223	**219,565**
	Interest payable		1,976	475
			228,200	**220,040**
24.1	**Interest payable**			
	Balance as at the beginning of the year		475	14
	Interest recognised	8.2	13,145	6,261
	Interest payment		(11,644)	(5,800)
	As at the end of the year		**1,976**	**475**
25.	**Current tax liability**			
	As at the beginning of the year		28,672	24,225
	Tax on profit for the year	10.1	54,020	41,332
	Over provision in respect of previous year		-	(12,805)
	Tax refund claimed		-	(185)
	Payments made during the year		(55,998)	(23,895)
	As at the end of the year		**26,694**	**28,672**

Note to the Financial Statements (Contd.)

As at 25th December,

		Note	2022 (Rs. ´000)	2021 (Rs. ´000)
26.	**Dividend payable**			
	Balance at the beginning of the year		6,371	10,460
	Dividends declared during the year		37,500	43,500
	Payments made during the year		(31,597)	(47,589)
	Balance at the end of the year		**12,274**	**6,371**

27. Business segments

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

Manufacturing segment supply of binder for emulsion paints, adhesives and Wood coatings to Industries. Chemicals and plastics segment trade Alkyd resins, solvents, surfactants, pigments and other industrial chemicals in Sri Lanka.

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

27.1. Business segments

	Note	2022			2021		
		Chemicals and plastics (Rs. ´000)	Latex (Rs. ´000)	Total (Rs. ´000)	Chemicals and plastics (Rs. ´000)	Latex (Rs. ´000)	Total (Rs. ´000)
Reportable segmental analysis							
Segment revenue	5	371,638	1,133,957	1,677,744	405,862	1,190,897	1,596,759
Other Income	6	2,644	2,566	5,210	1,290	6,238	7,528
Depreciation on property, plant and equipment	13	(2,279)	(21,272)	(23,551)	(2,279)	(23,861)	(26,140)
Depreciation on Investment in property	14	(1,191)	(4,187)	(5,378)	-	-	-
Segment result from operating activities		54,134	351,633	405,767	28,602	185,788	214,390
Finance income	8.1	2,929	19,028	21,957	229	1,489	1,718
Finance costs	8.2	(27,442)	(178,250)	(205,692)	(1,736)	(11,280)	(13,016)
Net finance cost		(24,512)	(159,222)	(183,735)	(1,507)	(9,791)	(11,298)
Segment profit before tax		**29,622**	**192,411**	**222,033**	**27,095**	**175,997**	**203,092**
Income tax expenses	10.1	(55,588)	(4,704)	(60,292)	(14,610)	(16,777)	(31,388)
Profit for the year		**-25,966**	**187,707**	**161,741**	**12,484**	**159,220**	**171,704**
Property, plant and equipment	13	32,583	211,646	244,229	45,582	296,083	341,665
Investment in property	14	18,145	63,771	81,916	-	-	-
Inventories	16	136,256	552,426	688,682	75,349	270,100	345,449
Trade and other receivables	17	27,112	186,522	213,634	80,636	301,371	382,007
Segment assets		**214,097**	**1,014,364**	**1,228,461**	**201,567**	**867,554**	**1,069,121**
Loans and borrowings	23	7,293	47,372	54,665	10,777	70,001	80,778
Trade and other payables	24	30,444	197,755	228,200	29,356	190,685	220,041
Segment liabilities		**37,738**	**245,126**	**282,865**	**40,134**	**260,685**	**300,819**

Note to the Financial Statements (Contd.)

As at 25th December,

28. Financial Instruments - Fair values and risk management

	Note	2022	2021
Financial Assets			
Amortised Cost			
Trade and Other Receivables *	17	127,662	345,847
Financial assets	19	40,000	-
Other Financial Assets	17.3.1	393	294
		168,055	346,141
Cash and Cash Equivalents	18	76,458	76,623
Total		**244,513**	**422,764**
Financial Liabilities			
Other Financial Liabilities			
Bank overdraft	18	84,105	9,699
Loans and borrowings	23	54,665	80,778
Trade Payable and Other Payables **	24	203,689	193,431
Dividend payables	26	12,274	6,372
Total		**354,734**	**290,280**

* Advances & Prepayment, Value Added Tax Receivable and Deposits & Other Receivables amounting to Rs. Rs. 81.4 Mn. (2021- Rs. 35.8 Mn.) that are not financial assets are not included.

** Accruals & Other Payables and Value Added Tax Payable amounting to Rs. 24.5 Mn. (2021- Rs. 26.6) that are not financial liabilities are not included.

28.1 Accounting classification and fair value of financial instruments

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

As at 25th December, 2022		At amortised cost			Fair value			
	Notes	Financial assets	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rs. ´000)	(Rs. ´000)	(Rs. ´000)	(Rs. ´000)	(Rs. ´000)	(Rs. ´000)	(Rs. ´000)
Financial Assets								
Trade and other receivables	17	127,662	-	127,662	-	-	-	-
Financial assets		40,000		40,000			-	-
Other financial assets	17.3.1	393	-	393	-	-	-	-
Cash and cash equivalents	18	76,458	-	76,458	-	-	-	-
		244,513	-	**244,513**				
Financial Liabilities					-	-		
Bank overdraft	18	-	84,105	84,105				
Loans and borrowings	23	-	54,665	54,665	-	54,665	-	-
Trade Payable and other payables	24	-	203,689	203,689	-	-	-	-
Dividend payables	26	-	12,274	12,274	-	-	-	-
		-	**354,733**	**354,733**	-	**54,665**	**-**	**-**

Note to the Financial Statements (Contd.)

As at 25th December, 2021	Notes	Financial assets at amortised cost (Rs. ´000)	Financial liabilities at amotised cost (Rs. ´000)	Total (Rs. ´000)	Fair value Level 1 (Rs. ´000)	Level 2 (Rs. ´000)	Level 3 (Rs. ´000)	Total (Rs. ´000)
Financial Assets				-				
Trade and other receivables	17	345,847	-	345,847	-	-	-	-
Other financial assets	17.3.1	294	-	294	-	-	-	-
Cash and cash equivalents	18	76,623	-	76,623	-	-	-	-
Total Financial Assets		**422,764**	**-**	**422,764**	**-**	**-**	**-**	**-**
Financial Liabilities								
Bank overdraft	18	-	9,699	9,699				
Loans and borrowings	23	-	80,778	80,778	-	80,778	-	-
Trade Payable and other payables	24	-	193,431	193,431	-	-	-	-
Dividend payables	26	-	6,372	6,372	-	-	-	-
Total Financial Liabilities		**-**	**290,280**	**290,280**	**-**	**80,778**	**-**	**-**

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

28. Financial risk management

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

28.2.1 Risk management framework

The risk management report on page 13 to 14 of this Annual Report explains the risk management framework of the Company.

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

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

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

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

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

28.2.1.1 Credit Risk

28.2.1.2 Liquidity Risk

28.2.1.3 Market Risk

Note to the Financial Statements (Contd.)

28.2.1.1 Credit risk

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

Exposure to credit risk

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

As at 25th December,	Note	2022 (Rs. ´000)	2021 (Rs. ´000)
Trade and other receivables	17	127,662	345,847
Other financial assets	17.3.1	393	294
Financial assets	19	40,000	-
		168,055	346,141
Cash and cash equivalents (Cash at Bank)	18.1	75,983	76,148
Total		**244,038**	**422,289**

a) Trade and other receivables

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

The Company monitor receivables on regular intervals by reviewing segmental age analysis. The senior managers of their respective segments are responsible for collection of dues. The Company has obtained Rs. 1.3 Mn. (2021 - 2.1 Mn.) bank guarantees against trade receivables. Goods and services are suspended in supplying for the receivable past dues. Receivables past dues are monitored by the managing director of the Company, goods & services are supplied only on his approvals on the basis of trade relationship and payment plan agreed.

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

a) Trade and other receivables

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

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

Note to the Financial Statements (Contd.)

As at 25th December,

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

	Note	2022 (Rs. ´000)	2021 (Rs. ´000)
Balance as at the beginning of the year		14,314	17,860
Net impairment provision/ (reversal)		(6,967)	(3,546)
As at the end of the year	17.1	**7,347**	**14,314**

b) Expected credit loss assessment

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

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

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

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

As at 25th December,		2022		2021	
	Note	Gross carrying amount (Rs. '000)	Loss allowance (Rs. '000)	Gross carrying amount (Rs. '000)	Loss allowance (Rs. '000)
Current (not past due)		84,092	240	281,764	11
1–30 days past due		6,643	104	37,197	5
31–60 days past due		30,500	969	20,238	6
61–90 days past due		3,125	219	4,369	6
91-180 days past due		1,453	186	1,044	299
181-360 days past due		270	115	1,056	1,056
More than 360 days past due		5,518	5,515	12,930	12,930
Total Trade Receivables & Impairment	**17**	**131,601**	**7,348**	**358,598**	**14,313**

Note to the Financial Statements (Contd.)

As at 25th December,		Note	Rating	2022 (Rs. ´000)	2021 (Rs. ´000)
b)	**Cash and cash equivalents**				
			AA(lka)	-	70,000
			A(lka)	75,983	5,862
			A+(lka)	-	286
	Cash at bank	16.1		75,983	76,148
	Cash in hand	16.1		475	475
				76,458	**76,623**

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

28.2.1.2 Liquidity risk

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

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

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

	Note	2022		2021	
		Utilisation (Rs.'000)	Facility amount (Rs.'000)	Utilisation (Rs.'000)	Facility amount (Rs.'000)
Long term loans	23.1	-	140,000	51,460	140,000
Import loans	23.2	54,665	325,000	29,318	185,000
Bank overdraft	18.2	84,105	112,000	9,699	72,500
Total borrowing utilization vs facility		**138,770**	**577,000**	**90,477**	**397,500**

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

As at 25th December, 2022			Contractual cash flow			
Line of credit	Note	Carrying amount (Rs.'000)	Total (Rs.'000)	One month (Rs.'000)	2 -12 Months (Rs.'000)	More than 12 Months (Rs.'000)
Bank overdraft	18.2	84,105	84,105	84,105	-	-
Loans and borrowings	23.2	54,665	54,665	667	22,623	31,375
Trade payable and other payables	24	228,200	228,200	228,200	-	-
Dividend payables	26	12,274	12,274	-	12,274	-
Total		**379,243**	**379,244**	**312,972**	**34,897**	**31,375**

Note to the Financial Statements (Contd.)

As at 25th December 2021				Contractual cash flows		
Line of credit	**Note**	**Carrying amount (Rs.'000)**	**Total (Rs.'000)**	**One month (Rs.'000)**	**2 -12 Months (Rs.'000)**	**More than 12 Months (Rs.'000)**
Bank overdraft	18.2	9,699	9,699	9,699	-	-
Loans and borrowings	23.2	80,778	80,778	667	22,623	57,488
Trade and other payables	24	193,431	193,431	193,431	-	-
Dividend payables	26	6,372	6,372	-	6,372	-
Total		**290,280**	**290,281**	**203,797**	**28,995**	**57,488**

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

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

28.2.1.3 Market risk

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

(a) Currency risk

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

As at 25th December,	2022	2021
	USD	**USD**
Foreign trade payables	**488,268**	**780,288**
Spot rate was US$ 1 Vs LKR	**371.78**	**202.99**

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

Sensitivity analysis of exchange rates

As at 25th December,	2022 (Rs. ´000)	2021 (Rs. ´000)
Increase by 5%	(190,605)	(7,920)
Decrease by 5%	190,605	7,920
Increase by 15%	(208,758)	(134,632)
Decrease by 15%	208,758	134,632

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

(b) Interest rate risk

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

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

Note to the Financial Statements (Contd.)

As at 25th December, Fixed Rate Instruments	Note	2022 (Rs. ´000)	2021 (Rs. ´000)
Financial Liabilities	23.1	-	16,490
Total fixed rate instruments		**-**	**16,490**
Variable rate instrument			
Financial Liabilities	23.2	54,665	64,288
Total variable rate instrument		**54,665**	**64,288**
Total loans and borrowings		**54,665**	**80,778**

Sensitivity Analysis for Variable rate Instruments

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

	2022 (Rs. ´000)	2021 (Rs. ´000)
Increase by 100 BP	(574)	(204)
Decrease by 100 BP	**574**	**204**

The Company has no significant long term variable interest bearing liabilities as at the reporting date, the Company's income and operating cash flows are not significantly affected of changes in market interest rate. Hence, there is Rs. 1.2 Mn. impact to the Company if interest rate increase by 700 BP.

28.3 Capital management

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

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

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

As at 25th December,	Note	2022 (Rs. ´000)	2021 (Rs. ´000)
Gearing ratio			
Non-current liabilities		30,727	24,358
Current liabilities		405,938	342,870
Total liabilities		**436,665**	**367,229**
Cash and bank balances	18	(76,458)	(76,623)
Net debt		360,207	290,606
Equity		908,608	784,888
Gearing ratio		**40%**	**37%**

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

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

Note to the Financial Statements (Contd.)

29. Commitments and contingencies

29.1 Commitments

Letter of credits affected and documents on acceptance for foreign purchases amounted to Rs. 83.0 Mn. (2021 – 57.6 Mn.)

29.2 Capital Commitments

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

29.3 Contingencies

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

Outstanding litigation

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

Assessment in respect of income tax

The Company has been issued with an assessment by the Department of Inland Revenue on 11th June 2018, under section 177(1) of Inland Revenue Act, No. 10 of 2006 for Rs. 5.8 Mn. The Company has filed an appeal to the Large Entities Default Collection unit on 24th July 2018, on the basis that underlying computation includes errors and the payments were made to incorrect payment codes. The Company is awaiting for hearing of the appeal.

Assessment in respect of value added tax

The Company has been issued with an assessment by the Department of Inland Revenue, under section 26 of the Value added tax Act No 14 of 2002. for Rs. 13.7 Mn. The Company has filed an appeal to the Department of Inland Revenue on due date for appeal, on the basis that underlying computation includes errors. The Company is awaiting for hearing of the appeal. Department of Inland Revenue.

29.4 Assets pledged

The Company has given a negative pledge over the Company's total assets for the following banks over the Loans and Overdrafts having a carrying value of Rs. 138.7 Mn. as at the year end (2021 - 51.4 Mn.):

Commercial Bank of Ceylon PLC

National Development Bank PLC

Seylan Bank PLC

30. Events after the reporting date

There were no material events occurred subsequent to the reporting date as at 25th December 2022 that require adjustments to or disclosure in the Financial Statements other than mentioned below:

(i) Dividend declaration

Directors have proposed a final dividend of Rs.17.00 per share for the year ended 25th December 2022. (2021 - Rs. 10.00), which will be declared at the annual general Meeting to be held on 12th June 2023. In accordance with LKAS 10 Events after the reporting date, this proposed final dividend has not been recognized as a liability as at 25th December 2022.

31. Impact of Current Economic Condition

Current economic condition of the country

During the first half of 2022 all key sectors contracted, amid shortages of inputs and supply chain disruptions with the economic crisis. Year-on-year headline inflation reached an unprecedented 73.7 percent in September 2022, due largely to high food inflation of 93.7 percent. This reflects the impact of rising global commodity prices, monetization of the fiscal deficit and currency depreciation. From October 2022 onwards the year-on-year headline inflation rate started to drop slightly whereas in December 2022 the year-on-year inflation rate is 59.2 percent.

The outlook for the global economy took a positive turn in the first half of 2023 as inflationary pressures began to ease, but ongoing political tensions and domestic challenges in key markets are slowing any return to sustained growth of the business. Further, global energy prices returning to levels last seen prior to the invasion of Ukraine, combined with easing commodity and food prices, have helped put further downward pressure on inflation for the rest of 2023.

Note to the Financial Statements (Contd.)

Impact of Current Economic Condition
Current economic condition of the country Impact to the Company (Contd.)

As per the accounting policies, the Company reviewed the carrying values of property, plant and equipment, intangible assets, inventory, trade and other receivables as at the reporting date, especially the impact the current economic condition could have on these assets and determined that no impairment is necessary. Further, the Company also reviewed the medium term business plans and is satisfied that necessary procedures are in place to mitigate any adverse impact on the operations and to safeguard assets.

The Management assessed the current economic conditions, in preparation of financial statements and is of the view that Company has appropriate processes in place to identify and take necessary actions to minimise any unfavorable business impact. Lack of foreign exchange liquidity in the banking sector has resulted in delayed foreign supplier payments whether for capital or consumable goods creating challenges in sustaining the smooth business operations. However, Company has taken necessary measures to face such challenges to ensure continous operations.

Hence, the Board of Directors, is of the view that the economic conditions in the country have not significantly impacted Company performance for the year under review. The Board is satisfied that the Company has business plans with adequate resources to continue the business and mitigate the risks for the next 12 months from the date of approval of these financial statements.

Non financial assets

Recoverable value of property, plant and equipment, and net realisable value of inventory

At the reporting date the Company assessed the property, plant and equipment and net realisable value of inventory balances. Based on the revised sales forecasts and resultant production capacity utilisation no reduction was observed in the recoverable values of Property, plant and equipment and of inventory.

Allowance for expected credit losses

The Company measures the allowance for expected credit losses (ECL) using an expected credit loss impairment model as required by SLFRS 9 Financial Instruments. The Company's accounting policy for the recognition and measurement of the allowance for expected credit losses is described in Note 3.3

Foreign exchange risk

The Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar continually due to back of economic turmoil in the global, regional, and adverse economic condiotons in the country and local markets. The Company exposed to foreign currency-denominated transactions are adversely impacted to undue fluctuations in exchange rates.

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar (USD) and Euro (EUR). Foreign exchange risk arises from future commercial transactions of liabilities that are denominated in a currency that is not the entity's functional currency of LKR Exposures to Foreign exchange risk, risk response and sensitivity in a currency that is not the entity's functional currency of LKR Exposures to Foreign exchange risk, risk response and sensitivity

Going Concern asumption

The financial statements of the Company for the year ended 31 December 2022, have been prepared on the basis that the Company is a going concern.

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

Financials, operation and other indicators have been considered to conclude that the going concern assumption is valid

Note to the Financial Statements (Contd.)

32. Related parties

32.1 Related party transactions

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

32.2 Key Management Personnel (KMP)

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

a) Compensation paid to key management personnel

Key management personnel comprise the Directors' of the Company. Directors' emoluments for the year ended 25th December 2022 amounted to Rs. 35.7 Mn. (2021 - 32.8 Mn.).Terminal benefit paid for the year ended 25th December 2022 Nill (2021 - 4.6 Mn).

b) Other transactions with key management personnel

Mr. H.A.D.G. Gunasekera, Director of the Company is also the Managing Director of the Company, has 52.92% of the Company's issued Share Capital at the year end. (2021 - 52.92% Mn).

The Company pays a lease rent amounting to Rs 3.08 Mn. to the Managing Director for the house owned and occupied by him as an employment benefit (2021- 3.1 Mn. was paid as lease rent).

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

c) Loans to directors

There were no loans granted to Directors during the year.

33. Comparative information

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

34. Directors' Responsibilities

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

35. Net Assets Per Share

As at 25th December,	2022	2021
Net assets attributable to ordinary shareholders (Rs. '000)	908,608	784,888
Weighted average number of ordinary shares in issue ('000)	1,500	1,500
Net assets per share (Rs.)	**605.70**	**523.26**

Information to Share Holders

(1) Ordinary shareholders as at 25th December 2022
Number of shareholders - 773 (as at 25th December 2021 - 734)

As at 25th December,

No of Shares held	2022			2021		
	No of Shareholders	No of shares	%	No of Shareholders	No of shares	%
1-1,000	741	82,210	5	700	78,093	5
1,001-10,000	22	84,490	6	23	89,815	6
10,001-100,000	8	315,923	21	8	314,715	21
100,001-1000,000	3	1,017,377	68	3	1,017,377	68
Over 1000,000	0	-	-	-	-	0
Total	**773**	**1,500,000**	**100**	**734**	**1,500,000**	**100**

Categories of Shareholders	2022			2021		
	No of Shareholders	No of shares	%	No of Shareholders	No of shares	%
Local Individuals	730	1,173,622	78.24	690	1,168,746	77.90
Local Institutions	38	326,044	21.74	38	331,000	22.07
Foreign Individuals (non resident)	05	334	0.02	06	434	0.03
Foreign Institutions	-	-	-	-	-	-
Total	**773**	**1,500,000**	**100**	**734**	**1,500,000**	**100**
Shares held by public	**770**	**398,125**	**26.54**	**731**	**398,103**	**26.54**

	2022 Rs.	2021 Rs.
(2) Capital at market value		
Market capitalisation	921,000,000	1,278,000,000
Float adjusted market capitalisation	244,448,750	339,183,756

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

	2022	2021
(3) Market Value per Share		
(a) Highest recorded during the financial year	758.00	970.00
(b) Lowest recorded during the financial year	510.00	712.00
(c) Closing	614.00	852.00
(4) Dividend pay out (%)	30%	22%

(5) Dividend payments

Interim dividend - Rs. 15/- per share paid on 29th October 2021
Proposed final dividend Rs. 17/- per share to be declared and payable on 5th July 2023. (2021 - final dividend Rs. 10/- per share)

Information to Share Holders (Contd.)

(2) Major shareholders as at 25th December,

Names	2022		2021	
	No. of Shares	%	No. of Shares	%
Mr. H. A. D. U. G. Gunasekera	638,622	42.57	638,622	42.57
Estate of Late Mr. Shabbir Husain Abbas Gulamhusein	223,560	14.9	223,560	14.9
People's Leasing & Finance PLC Mr. H. A. D. U. G. Gunasekara	155,195	10.35	155,195	10.35
K. G. Investments Limited	84,216	5.61	88,180	5.88
Commercial Bank of Ceylon PLC / S. A. Gulamhusein	66,865	4.46	66,865	4.46
Mrs. K. Gunaratnam	55,615	3.71	55,615	3.71
Mr. K. C. Vignarajah	33,320	2.22	28,839	1.92
Mr. K. Gunaratnam (Decd)	29,548	1.97	29,548	1.97
Mr. U. I. Suriyabandara	18,300	1.22	17,655	1.18
Mrs. L. A. M. Gunasekera	17,633	1.18	17,633	1.18
Mrs. S. Mahendran	10,380	0.69	10,380	0.69
Mrs. V. Gunaratnam *	9,687	0.65	-	-
Mrs. P. G. King	9,687	0.65	9,687	0.65
Ms. S. Gunaratnam	9,687	0.65	9,687	0.65
The Estate of The Late G. R. Pathmaraj	9,687	0.65	9,687	0.65
Colombo Investment Trust PLC	6,400	0.43	6,400	0.43
Colombo Fort Investments PLC	5,500	0.37	5,500	0.37
Mr. S. K. Hathiramani (Deceased)	4,900	0.33	4,900	0.33
Mrs. Rathnakumari Someswaran Administratrix of The	3,646	0.24	3,646	0.24
Mr. G. C. Goonetilleke *	3,100	0.21	-	-
	1,395,548		**1,381,599**	

* Shareholders were not in the top 20 shareholders list in the year 2021.

Ten Years at a Glance

	2013 Rs.' 000	2014 Rs.' 000	2015 Rs.' 000	2016 Rs.' 000	2017 Rs.' 000	2018 Rs.' 000	2019 Rs.' 000	2020 Rs.' 000	2021 Rs.' 000	2022 Rs.' 000
Year ended 25th December,										
Trading Results										
Revenue	617,182	688,730	773,939	761,242	700,396	874,392	955,828	1,026,165	1,596,759	1,677,744
Profit before taxation	54,479	72,959	130,072	135,404	71,823	65,567	104,067	151,473	203,092	222,033
Taxation	(14,830)	(21,511)	(38,778)	(38,661)	(21,215)	(16,883)	(29,057)	(43,355)	(31,387)	(60,292)
Profit for the year	**39,649**	**51,448**	**91,294**	**96,743**	**50,607**	**48,684**	**75,010**	**108,118**	**171,705**	**161,740**
As at 25th December,										
Equity & Liabilities										
Non current assets	135,395	134,313	145,124	182,116	189,375	236,670	283,734	309,793	348,038	366,499
Current assets	304,224	329,440	390,388	436,122	439,407	450,879	460,518	500,486	804,079	978,774
Total assets	439,619	463,753	535,512	618,238	628,782	687,549	744,252	810,279	1,152,117	1,345,273
Capital	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Reserves	296,311	327,437	395,558	468,927	492,708	525,604	577,500	643,907	769,888	893,544
Total Equity	**311,311**	**342,437**	**410,558**	**483,927**	**507,708**	**540,604**	**592,500**	**658,907**	**784,888**	**908,544**
Non current liabilities	16,225	16,053	20,620	17,912	20,588	54,792	59,501	32,089	24,358	30,727
Current liabilities	112,083	105,263	104,334	116,399	100,486	92,154	92,251	119,283	342,872	405,938
Total liabilities	**439,619**	**463,753**	**535,512**	**618,238**	**628,782**	**687,549**	**744,252**	**810,279**	**1,152,117**	**1,345,273**
Key indicators										
Earnings per share (basic) (Rs.)	26.43	34.30	60.86	64.50	33.74	32.46	50.01	72.08	114.47	107.83
Cash flow from operating activities	118,667	42,159	97,741	185,491	44,883	(4,999)	131,559	188,545	111,131	76,854
Net assets per share (Rs.)	207.54	228.29	273.71	322.62	338.47	360.40	395.00	439.27	523.26	605.70
Market price per share (Rs.)	455.00	498.80	600.00	510.20	400.10	400.00	400.00	800.00	852.00	614.00
Annual sales growth (%)	(4)	12	12	(2)	(8)	25	9	7	56	5
Dividend paid/payable (gross) (Rs.)	16,500	21,000	25,500	28,500	19,500	18,000	31,500	43,500	37,500	48,000
Dividend per share (Rs.)	11.00	14.00	17.00	19.00	13.00	12.00	21.00	29.00	25.00	32.00
Return on shareholders' equity (%)	13	15	22	20	10	9	13	16	22	18
Price earning ratio (times)	17	15	10	8	12	12	8	11	7	6
No of employees	40	41	41	41	41	40	44	41	43	40

Environment Management Approach

UCLL is an environmentally friendly organization. We are marching towards a sustainable future by advancing research, helping our customers build sustainable solutions and advocating for policies that benefit the environment. As a result, Union Chemicals Lanka PLC achieved "Eco Labelling for Water based Wood Coating brand U-coat" based on the requirement laid down in the ISO 14024:2018 Environment labels and declarations.

Company received "Eco Label – Sri Lanka" certification for water-based wood coating Products from National Cleaner Production Centre.

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

At UCLL, we see the dynamic power in adopting best tools and platforms for the purpose of building new, proprietary products and services. Our success is dependent on our customers' success. Therefore, innovating to meet their needs is the priority of UCLL. No customer of ours cares about our organizational boundaries, we operate as one family to deliver the best solutions through innovation creating a culture where everyone shall be benefited.

EMS is a part of the overall management system which led UCLL in planning activities, responsibilities, implementing procedures to meet such circumstantial arenas and to achieve the new standard of ISO 14001:2015 Environment Management Standards. Our environmental policy and practices aim to protect, conserve and sustain the world's natural resources as well as our customers and the communities where we live and operate. Also went on to adhere GHS labeling standard for all the products manufactured in the facility meeting the conditions given by Central Environmental Authority in the EPL.

All the products produced in the facility adhere to GHS labeling standards. Company monitor its commitment to environment by measuring water foot print, waste water generation, reuse of waste water, diesel consumption, electricity consumption, raw material efficiency and other relevant environment aspects using KPI's.

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

Product Development.

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

Water

Company use water as the main raw material for its production. It promotes water born products to replace solvent born products in the market. Company calculates water foot print and it has taken efforts continuously to reduce water consumption in the areas of reactor sterilization, gardening, human consumption. The water collected by rain water harvesting was used for firefighting and gardening. Reuse of wash water has contributed to reduce the water consumption. The calculated water foot print of current year is 1.09m3/Mt. whereas its 2% less than previous year.

Energy

UCLL is in the process of obtaining ISO 50001:2018 new standard in the year 2023. Company is working to implement Scope of the EnMS is improving energy performance, reducing greenhouse gas emissions, reduction in energy cost and other related environmental impacts. Company has decided the criteria and methods needed to ensure that all significant energy uses (SEU), procedures and monitoring requirements. UCLL Energy Management System (EnMS) provides a mechanism for energy management throughout all the operations of the manufacturing process. The EnMS of UCLL covers electricity and diesel as energy sources related to all operations in the manufacturing processes. Data collection infrastructure system is implemented. Action to address risk and opportunities are documented.

Raw Material and Products.

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

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

CSR

Union Chemicals Lanka PLC has a long-standing commitment towards CSR activities in developing, empowering and selecting the timely programs that supports the community. Community engagement during the year:

The Company embraces cultural and religious diversity and engages with the local community in various events that bring people together on a common platform.

The Company sustained its practice of providing Wood coating materials to neighboring religious places, schools and elder's home. Contributions were made to residents of welfare homes for the aged and underprivileged, donating rations and financial support.

Training opportunities were provided to university students to improve their experience in the laboratory and manufacturing field.

Corporate Information

NAME OF THE COMPANY	Union Chemicals Lanka PLC	
COMPANY REGISTRATION NO	PQ 140	
LEGAL FORM	A Public Quoted Company with limited liability, incorporated in Sri Lanka in 1988. The Shares of the Company are listed in the Colombo Stock Exchange.	
ACCOUNTING YEAR END	25th December, 2022	
BOARD OF DIRECTORS	Dr. Azeez M. Mubarak	Chairman
	Mr. H.A.D.U.G. Gunasekera	Managing Director
	Mr. R.De Zilwa	
	Mr. U.L. Pushpakumara	
	Mr. K. M. Dissanayake	
AUDIT COMMITTEE	Mr. K. M. Dissanayake	Chairman
	Dr. Azeez M. Mubarak	
	Mr. R. De Zilwa	
REMUNERATION COMMITTEE	Dr. Azeez M. Mubarak	Chairman
	Mr. R. De Zilwa	
	Mr. K. M. Dissanayake	
RELATED PARTY TRANSACTION REVIEW COMMITTEE	Mr. K. M. Dissanayake	Chairman
	Mr. R. De Zilwa	
	Dr. Azeez M. Mubarak	
	Mr. U. L. Pushpakumara	
SECRETARIES & REGISTRARS	Messrs. Jacey & Company 9/5, Thambiah Avenue Colombo 07.	
EXTERNAL AUDITORS	Messrs. KPMG Chartered Accountants 32A, Sir Mohamed Macan Markar Mawatha Colombo 03.	
LAWYERS	Messrs. Julius & Creasy 41, Janadhipathi Mawatha P O Box 154 Colombo 01.	
BANKERS	Commercial Bank of Ceylon PLC P O Box 148 21, Sir Razik Fareed Mawatha Colombo 01.	
	National Developement Bank PLC 103 1/A, Dharmapala Mawatha Colombo 07.	
	People's Bank 50, Hyde Park Corner Colombo 02.	
	Seylan Bank PLC Seylan Towers, 90, Galle Road, Colombo 03.	
	DFCC Bank 540, Nawala Road, Rajagiriya.	
	Hatton National Bank D. S. Senanayake Mawatha, Colombo 08.	
REGISTERED OFFICE	5th Floor, 4 Tickell Road Colombo 08.	
FACTORY	Maithri Mawatha Ekala, Ja-ela.	

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

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