



CHEMANEX PLC
ANNUAL REPORT 2019/20

BUILDING STRONGER BONDS

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BUILDING STRONGER BONDS

Chemanex PLC has long been an industry leader in the manufacture and trade of chemicals and industrial intermediates, thriving its corporate ethos of integrity and determination. Much of our progress over four decades can be attributed to our focus on creating stronger bonds with all our stakeholders, both within and beyond the shores of Sri Lanka.

Despite navigating a challenging economic climate, we harnessed our collective synergies to keep exploring new growth segments while strengthening our bonds with vendors and overseas principals. Today, we have further streamlined our operations and aligned our strategies to enhance our competencies in chemical trading and deliver lasting value to the stakeholders we serve.

Chemanex at A Glance



Estate Chemicals

Supply chemicals for rubber estates.



Rubber

Supply raw materials for dry rubber product manufacturing industries.



Coatings

Supply colour pigments and additives for paint and ink industries.



Home and Personal Care

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



Packaging/Food Additives

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

About Us

Vision

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

Values

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

Financial Highlights

Year ended 31st March	Company			Group			
	2020	2019	Change %	2020	2019	Change %	
Earnings Highlights & Ratios							
Revenue	Rs.'000s	395,850	460,005	(13.95)	395,850	460,005	(13.95)
Profit before tax	Rs.'000s	314,230	132,920	136.41	237,288	101,816	133.06
Taxation	Rs.'000s	10,181	8,986	13.30	10,181	8,986	13.30
Profit attributable to equity holders	Rs.'000s	304,049	142,612	113.20	229,456	119,462	92.07
Total comprehensive loss for the year	Rs.'000s	(91,820)	(106,065)	(13.43)	(168,573)	(130,250)	29.42
Dividends paid	Rs.'000s	15,750	31,500	(50.00)	15,750	31,500	(50.00)
Earnings per share	Rs.	19.31	9.05	113.37	14.58	7.58	92.22
Dividend cover	No. of Times	19.31	4.53	326.74	14.58	3.79	284.45
Return on shareholder's equity	%	18.17	7.99	127.43	12.96	6.10	112.47
Pre-tax return on shareholder's equity	%	18.78	7.45	152.18	13.41	5.20	157.80
Return on assets	%	16.51	7.40	123.31	12.38	6.03	105.43
Interest cover	No. of Times	35.54	28.16	26.20	24.42	15.29	59.71
Working capital cycle	days	191.85	168.77	13.68	191.85	168.77	13.68
Balance Sheet Highlights & Ratios							
Total assets	Rs.'000s	1,841,070	1,928,385	(4.53)	1,852,425	2,017,512	(8.18)
Total debts	Rs.'000s	64,437	32,538	98.04	64,437	32,538	98.04
Shareholder's funds	Rs.'000s	1,673,115	1,784,784	(6.26)	1,769,944	1,957,879	(9.60)
No. of shares in issue	000s	15,707	15,750	(0.27)	15,707	15,750	(0.27)
Net assets per share	Rs.	106.52	113.32	(6.00)	112.68	124.31	(9.35)
Debt/equity	%	3.85	1.82	111.25	3.68	1.68	119.27
Debt/total assets	%	3.50	1.69	107.43	3.48	1.61	115.69
Current ratio	No. of Times	12.50	11.23	11.31	27.95	20.82	34.25
Market/Shareholders Information							
Market price per share	Rs.	40	59	(32.20)	40	59	(32.20)
Market capitalisation	Rs.'000s	628,292	929,250	(32.39)	628,292	929,250	(32.39)
Price earnings ratio	No. of Times	2.07	6.52	(68.23)	2.74	7.78	(64.73)
Dividend per share - paid	Rs.	1	2	(50.00)	1	2	(50.00)
Dividend payout	%	5.18	22.10	(76.57)	6.86	26.39	(73.99)
Dividend yield	%	2.50	3.39	(26.25)	2.50	3.39	(26.25)
ROCE	%	15.97	6.13	160.31	10.46	3.55	194.14

Market Price per Share

Rs. 40.00

Dividend Payout

6.86%

Price Earning Ratio

2.74 Times

Total Assets

Rs. 1.85 Bn

Net Asset per Share

Rs. 112.68

Dividend

Rs. 15.75 Mn

Chairman's Review



While the Company persevered to achieve targets under these uphill market conditions, our strategy to create opportunity out of adversity kept us motivated.

It gives me great pleasure to report on the performance of your Company and to share with you the Annual Report and Audited Financial Statements for the year ended 31st March 2020. If the past few years proved challenging, by any measure the year under review was even more so, with major disruptive events defining the year. The Easter Sunday attacks in April 2019 and the unrest that ensued, followed by the presidential elections and then a global pandemic by year-end - all combined to serve a hefty blow to any semblance

of normal economic activity. As a direct consequence, the economy slowed down drastically which had a ripple effect on the construction and industrial sectors, thereby lowering the demand for our range of industrial chemicals. While the Company persevered to achieve targets under these uphill market conditions, our strategy to create opportunity out of adversity kept us motivated.

Performance

ChemaneX PLC recorded a turnover of Rs. 396Mn for FY2019/20 in contrast with Rs. 460Mn in the previous year, which marks a decline of 14%. Meanwhile, Profit after tax increased to Rs. 304Mn as compared to Rs. 143Mn in the previous year due to the disposal of the Company's investment in Commercial Insurance Brokers (Private) Limited.

A conscious decision was taken to make a marked shift from being a commodity supplier to expand into speciality chemicals. By year-end the proportion of speciality chemicals grew, thereby offering a more viable balance in both categories. Yet another challenge faced during the year under review was the depreciation of the rupee which impacted the Company which is engaged in importing and distributing chemicals to the local market.

In a key move in the period under review, the Company disposed of its investment in Commercial Insurance Brokers (Private) Limited thereby rationalising its investment portfolio. The Company continues to hold its liquid assets in term deposits with commercial banks and investments in shares of blue chip companies.

During the year we offered a share buyback to return funds to shareholders but perhaps due to the uncertain economic climate we did not receive a sufficiently robust response. The divestment of the subsidiary has enhanced the Company's asset base and placed ChemaneX in a very focused and niche segment.

Your Company continues to gain a greater foothold in the market in the particular industry it focuses on.

Future Outlook

Urgent economic recovery is very much the need of the hour for the nation to get back to on a path of recovery. However with the global pandemic raging around the world, recovery seems some way off, although Sri Lanka has managed to contain the outbreak of COVID-19 admirably well. We are hopeful that with the political stability returning more business-friendly and consistent policies will come into force which will empower companies to take a long term view of the business and plan ahead. Thus far our significant cash reserves were not invested because we were waiting for economic and political stability and consistency in policies. Looking ahead, ChemaneX will continue to diversify into speciality chemicals to build a portfolio with an ideal balance of commodity and speciality chemicals. We will continue to provide a wide range of chemicals to suit all budgets.

ChemaneX continued to strengthen its partnership with its principals through the year under review. Our resolve to expand into new markets was realised during financial year 2019/20 and an encouraging market response was seen for the new product range. The Company will continue to seek such emerging opportunities.

Group Turnover

396 Mn

Group Profit for the year

229 Mn

Acknowledgements

I wish to thank fellow directors on the Board and extend my gratitude to our valued shareholders for their support. I would also like to thank the "team ChemaneX" for striving for the best outcomes possible in the current operating environment. Our performance this year was made possible by the cooperation shown by suppliers, customers and all other valuable stakeholders.

I also would like to thank Mr. S P S Ranatunga, who ceased to be a Director due to his resignation, for the services rendered as a member of the Board and take this opportunity to welcome Mr. Sermal Fernando, the Chief Executive Officer who joined the Board of Directors during the year.



P R Saldin
Chairman

21st August 2020

Board of Directors



Mr. P R Saldin
Non-Executive Chairman



Mr. S Fernando
Director/Chief Executive Officer



Mr. E M M Boyagoda
Non-Executive Independent Director



Dr. S A B Ekanayake
Non-Executive Independent Director



Ms. T Wegodapola
Company Secretary

Mr. P R Saldin
Non-Executive Chairman

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

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

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

Mr. S Fernando
Director/Chief Executive Officer

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

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

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

Mr. E M M Boyagoda
Non-Executive Independent Director

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

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

(ADB), the World Bank, the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka & the Securities and Exchange Commission of Bangladesh. He is a former President of the FOREX Association of Sri Lanka.

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

Dr. S A B Ekanayake
Non-Executive Independent Director

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

Ms. T Wegodapola
Company Secretary

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

Review of Operations

” During the year under review, Chemanex focused on mitigating unfavourable market conditions by introducing new products, accelerating marketing efforts and ensuring a more efficient and leaner operation. The Company succeeded in securing a new agency for specialty chemicals to the paints, inks, plastics and PVC industries.

Chemanex PLC, a member of CIC Group of Companies, is committed to manufacture, marketing and distributing value-added speciality compounds and intermediaries to a wide cross section of local industries. The Company has successfully secured partnerships with several reputed global principals, thereby making these internationally accepted products available to local industries. Chemanex specialise in supply of pigments for paints and coating industry, adhesives for packaging, chemicals for estates, rubber, plastics and home & personal care industries.

Financial Review

The year under review was one of the most challenging periods in recent history, year starting with the April Easter attacks which resulted in an economic slowdown, affecting many key industries Chemanex operates in, thus significantly impacting Company's performance. Though no significant impact on the year under review, COVID-19 pandemic had an impact during the last fortnight of the year. Overall, the Industrial Chemical segment in which Chemanex operates experienced a degrowth of 10% - 15% mainly due to the economic slowdown after Easter attacks. As a result, Chemanex PLC recorded a turnover of Rs. 396Mn for the year under review compared to Rs.

460Mn in the previous year, reflecting a 14% decrease. Company's profit after tax recoded at Rs. 304 Mn against Rs.142Mn in the previous year is mainly due to the gain on disposal of Company's investments in Commercial Insurance Brokers (Private) Limited. The Group recorded a profit after tax of Rs 229Mn against Rs 122Mn in the previous year. The home & personal care and Food Additives business units registered growth during the year under tiring operating conditions.

Operational Review

During the year under review, Chemanex focused on mitigating unfavourable market conditions by introducing new products, accelerating marketing efforts and ensuring a more efficient and leaner

operation. The Company succeeded in securing a new agency for specialty chemicals to the paints, inks, plastics and PVC industries. The new partner is a global company headquartered in Europe and the new product range is well accepted in the market. As the new agency commenced operations during the latter part of the year, with the expected strong demand in the market for its unique line of products the benefits of this new agency will flow in the years to come and will further entrench the Company's footprint as a valuable & a reliable industrial chemical supplier. The Company's strong customer base is served through a centralised warehouse and outsourced transport services in order to further enhance operational efficiencies.





Segmental Performance

Estate Chemicals

The company holds the major share of the estate chemical segment for its bleaching agent and sustained its market leadership during the year under review. However, the estate sector performed poorly during this period, leading to a 25% - 30% drop in demand for the Company's products.

Rubber

Export of rubber products experienced a sharp decline during the year under review resulting in a decline in demand for the raw materials which in turn impacted the division's performance. Started introducing a new Accelerator range for dry rubber manufacturing sector to enhance the product range with the anticipated rise in demand for rubber chemicals in 2020/21.

Coating

The impact of April Easter attack was significant on the paint industry and it continued to witness a decline throughout the year resulting in a decline of 10% - 15%. Nevertheless, the Company focused on acquiring a new agency during the year.

Home and Personal Care

Home & personal care sectors performed well during the year and recorded a satisfactory growth with the introduction of new additives to personal care industry from one of our key principals. This sector is set to continue the growth in the year ahead due to the need for greater hygiene and sanitation requirements due to COVID-19.

Food Additives

ChemaneX PLC embarked on this new segment in the year under review and the business experienced a growth within a short period. We expect further growth in this segment as there is a strong demand for quality food additives from reputed & reliable sources.

Risk and Governance

Risk is carefully managed across the organisation to identify, assess, quantify and mitigate risk events. In managing risk, ChemaneX PLC takes advantage of potential opportunities while managing any potential adverse effects. The Company also mitigates the actual or potential threat of adverse effects on the environment by ensuring product safety by sourcing only from reputed suppliers who adhere to strict quality and safety

Review of Operations



” The Company will drive innovative marketing to further expand its footprint across more industries in the local market, strongly supported by reputed global principals.

guidelines. The Company continues to progressively strengthen governance and ensure compliance.

In the area of governance, Chemanex PLC has taken all feasible steps to adhere to the guidelines on Corporate Governance under the Listing Rules published by the Colombo Stock Exchange.

Engaging with Stakeholders

Chemanex adopts a stakeholder-inclusive approach that balances the needs, interests and expectations of stakeholders. The Company engages regularly with its stakeholders to understand their requirements and concerns and to identify future trends, possible risks and areas for strategic development and cooperation. Apart from this, the Company engages closely with the rubber estate community and provides assistance on religious

and cultural occasions. Taking this responsibility further, the Company ensure product safety and regularly evaluate supplier credentials to ensure that our products meet the highest quality standards that our customers expect of us. Being part of the reputed CIC Group, Chemanex PLC holds a responsibility to maintain the highest standards of ethical behaviour.

Human Capital

Chemanex PLC considers human capital as its most valuable asset and ensures despite its lean operation the employees are geared to deliver high productivity levels while experiencing job satisfaction. Apart from being concerned about employee health & safety and providing a conducive working environment, various events are organised to foster fellowship and recreation to its workforce.

Future Outlook

An economic recovery after COVID-19 pandemic can only be expected from the second half of 2020/21 and an upward movement is expected in the sectors in which the Company operates. Going ahead, the Company will continue to forge new partnerships with reputed global suppliers in specialty additives. Plans have been drawn up to introduce a basket of new products in all the segments to enhance performance. The Company is also driving growth in its wood protection category and expects to see greater demand for this product in the latter half of the year. In the post COVID-19 pandemic, we expect to see the demand for personal care hygiene products such as sanitizers to be on the rise and we will continue to introduce new additives to cater to the envisaged demand. The Company also plans to explore opportunities in the plastics industry. Mitigating degrowth in the paint industry, the Company expects to introduce new products to bridge the gap. Overall, the Company will drive innovative marketing to further expand its footprint across more industries in the local market, strongly supported by reputed global principals.

Corporate Governance

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

Board of Directors

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

The Board of Directors consists of four (04) Directors. Two of them are Independent, determined according to the guidelines issued to listed companies.

Section 7.10.4 of Listing Rules requires the Board to make a determination annually, as to the independence or non-independence of each Non-Executive Director, based on declarations made by the Non-Executive Directors and other information available to the Board.

On perusal of the declarations the Board noted that Mr. E M M Boyagoda and Dr. S A B Ekanayake are Independent.

Appointment of Non-Executive Directors is based on the collective decision of the Board.

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

The Board met five (05) times during 2019/20 and the attendance is given below in Table 01.

Table 01

NAME	DIRECTORATE	BOARD MEETINGS	AUDIT COMMITTEE	RPT REVIEW COMMITTEE
P R Saldin	NED	5/5*	5/5	-
S Fernando (appointed on 01/09/2019)	ED	3/3	-	-
E M M Boyagoda	NED / ID	5/5	5/5	4/4
S A B Ekanayake	NED / ID	5/5	5/5*	4/4*
S P S Ranatunga (resigned w.e.f 31/08/2019)	NED	2/2	-	-

NED - Non-Executive Director

ED - Executive Director

ID - Independent Director

* Chairman of Respective Committees

Audit Committee

Audit Committee consists of two (02) Non-Executive Independent Directors and one (01) Non-Executive Director. The Chief Executive Officer and Finance Manager attended meetings by an invitation.

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

and external auditors have direct access to the Audit Committee.

The Audit Committee met five (05) times during 2019/20 and the attendance is given above in Table 01.

Audit Committee Report is given in page 18.

Remuneration Committee

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

Directors' Remuneration

Total remuneration paid to Executive and Non-Executive Directors are given in page 59.

Nominations Committee

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

Related Party Transactions Review Committee

The Committee consists of two (02) Non-Executive Independent Directors.

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

The Committee met four (04) times during the year and the attendance is given above in Table 01.

Related Party Transactions Review Committee Report is given in page 19.

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

SECTION	SUBJECT	DESCRIPTION	STATUS	DETAILS
7.10.1 (a)	Non-Executive Directors	At least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of the total number of Directors, whichever is higher	Compliant	3 Non-Executive Directors
7.10.2 (a)	Independent Directors	Where the Board includes only two Non-Executive Directors, both shall be Independent. In all other instances two or one third of Non-Executive Directors, whichever is higher	Compliant	2 Independent Directors
7.10.2 (b)	Independent Directors	Each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or Non-Independence	Compliant	Refer page 14 for Corporate Governance Report
7.10.3 (a)	Disclosure Relating to Directors	The Board shall make a determination annually as to the independence or non-independence of Non- Executive Directors.	Compliant	Regular evaluation is made against the criteria set out in section 7.10.4
7.10.3 (b)	Disclosure relating to Directors	In the event a Director does not qualify as "independent" but if the Board is of the opinion that the Director is "independent", the Board shall specify the criteria not met and the basis for its determination.	Not Applicable	Both Independent Directors qualify according to the criteria set out in section 7.10.4
7.10.3 (c)	Disclosure relating to Directors	The Board shall publish in its Annual Report a brief resume of each Director	Compliant	Refer Page 9 for the profile of Board Members
7.10.3 (d)	Disclosure relating to Directors	Upon the appointment of new Directors, the entity shall forthwith provide the Colombo Stock Exchange a brief resume of such Director	Compliant	Regular information provided to the Colombo Stock Exchange upon the appointment of new Directors.

Corporate Governance

SECTION	SUBJECT	DESCRIPTION	STATUS	DETAILS
7.10.5 (a)	Remuneration Committee	The Remuneration Committee shall comprise of a minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be independent, whichever is higher.	Compliant	Remuneration Committee of the Parent Company, CIC Holdings PLC, is applicable to Chemanex PLC, as decided by the Board of Directors on 19th May 2015.
7.10.5 (b)	Remuneration Committee	Functions of Remuneration Committee	Compliant	Functions of the Remuneration Committee of the Parent Company, CIC Holdings PLC, is applicable to Chemanex PLC, as decided by the Board of Directors on 19th May 2015.
7.10.5 (c)	Remuneration Committee	Disclosure in the Annual Report about the name of Directors comprising the Remuneration Committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	The Remuneration Committee of the Parent Company, CIC Holdings PLC, is applicable to Chemanex PLC, as decided by the Board of Directors on 19th May 2015. Total remuneration paid to executive and non-executive directors are given in page 59.
7.10.6 (a)	Composition of the Audit Committee	Minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be Independent, whichever shall be higher. One Non-Executive Director shall be appointed as Chairman of the Committee. The Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend Audit Committee meetings. The Chairman or one member of the Committee should be a member of a recognised professional accounting body.	Compliant	The Audit Committee comprise of three Non-Executive Directors, two of whom are Independent. The Chairman of the Audit Committee is a Non-Executive Director. The Chief Executive Officer and the Finance Manager attended Audit Committee meetings by invitation. One member of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka.
7.10.6 (b)	Audit Committee	Functions of the Audit Committee	Compliant	Refer page 18 for the Audit Committee Report
7.10.6 (c)	Audit Committee	Disclosure in the Annual Report	Compliant	Refer page 18 for the Audit Committee Report

SECTION	SUBJECT	DESCRIPTION	STATUS	DETAILS
9.2.1	Related Party Transactions Review Committee	All Related Party Transactions should be reviewed by the Related Party Transactions Review Committee.	Compliant	Refer page 19 for the Related Party Transactions Review Committee Report
9.2.2	Composition of Related Party Transactions Review Committee	The Committee should comprise a combination of Non-Executive Directors and Independent Non-Executive Directors. The composition may also include Executive Directors. One Independent Non-Executive Director shall be appointed as Chairman of the Committee.	Compliant	The Committee comprise of two Independent Non-Executive Directors. Chairman of the Committee is a Non-Executive Independent Director
9.2.4	Frequency of Meetings and Minutes	The Committee shall meet at least once a calendar quarter. The Committee shall ensure that the minutes of the meeting are properly documented and communicated to the Board of Directors.	Compliant	Refer page 19 for the Related Party Transactions Review Committee Report
9.3.2 (c)	Disclosure in the Annual Report	Requirements listed in the section	Compliant	Refer page 19 for the Report of the Related Party Transactions Review Committee
9.3.2 (d)	Disclosure in the Annual Report	A declaration by the Board of Directors in the Annual Report as an affirmative/negative statement of the compliance with the rules pertaining to Related Party Transactions.	Compliant	Refer page 19 for the report of the Related Party Transactions Review Committee

Report of the Audit Committee

Composition of the Committee

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

Activities during the year

Five (05) Audit Committee meetings were held during the year. The attendance of the Committee members is given on page 14.

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

The Committee is also responsible for internal audit functions of the Company as well as annual independent audit of the Company's Financial Statements. The Committee reviews the future plans and activities of the internal audit functions with the Management and the Internal Auditors and also ensures that there are

no unjustified restrictions or limitations on the internal audit functions. The Committee also reviews and approves the appointment of External Auditors. On a regular basis the Committee summons the senior corporate officers to report on the Company's adherence to the relevant procedures, rules and regulations. Consequently, the Committee reports to the Board regularly regarding the effectiveness of the Company's internal controls over financial reporting. After reviewing the internal financial statements, the Committee recommends the same to the Board to be published. The Committee also concentrates on the adequacy of disclosure in the Financial Statements as required by the Sri Lanka Accounting Standards, the Companies Act and other relevant financial reporting regulations.

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

The Audit Committee has recommended to the Board of Directors, that Messrs. Ernst & Young, be re-appointed as

Auditors for the financial year ending 31st March 2021 subject to the approval of shareholders at the Annual General Meeting to be held on 30th September 2020.

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



S A B Ekanayake
Chairman

Audit Committee
21st August 2020

Report of the Related Party Transactions Review Committee

Composition of the Committee

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

Terms of Reference of the Committee

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

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

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

Activities during the year

Four (04) committee meetings were held during the year to identify, review and recommend the related parties and the policy to the Board. The attendance of the Committee members is given on Page 14 In addition, the Board of Directors was updated on the Related Party Transactions of the Group companies on a quarterly basis.

Any member of the Committee who has an interest in a RPT under discussion shall refrain from participating in the review discussion. Upon completion of its review of the transaction the Committee may determine to permit or prohibit the RPT. A RPT entered into without pre-approval of the Committee shall not be deemed to violate this policy or be invalid or unenforceable so long as the transaction is brought to the Committee within a reasonable and practical time period. Thereafter it is entered into or after it becomes reasonable apparent that the transaction is covered by this policy. As such all RPT other than the exempted transactions will be reviewed either prior to the transaction being entered into or if the transaction is expressed to be conditional on such review prior to the completion of the transaction.



Dr. S A B Ekanayake
Chairman

Related Party Transactions Review
Committee

21st August 2020



FINANCIAL STATEMENTS

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

The Directors have pleasure in presenting to the members, the 47th Annual Report together with the Audited Financial Statements for the year ended 31st March 2020 of Chemanex PLC.

GENERAL

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

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

REVIEW OF THE YEAR

The Statement of Accounts was approved by the Board of Directors on 21st August 2020. The Chairman's Review (pages 6 to 7) in the Annual Report set out the state of affairs and performance of the Company and the Group during the year and notes to the Financial Statements incorporate events subsequent to the date of the Statement of Financial Position.

PRINCIPAL ACTIVITIES

Chemanex PLC is manufacturing and marketing value added speciality compounds and intermediates whilst acting as an agent and a distributor for

the domestic market. During the year, the Company divested its investments in its associate Commercial Insurance Brokers (Private) Limited as the Company rationalised its' business activities. Winding-up of subsidiary company, Yasui Lanka (Private) Limited was completed during the year.

PARENT COMPANY AND ULTIMATE PARENT COMPANY

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

SUBSIDIARIES

The Subsidiaries and their activities within the Group and their business activities are described in the Group Structure on page 95.

CHEMCEL (PRIVATE) LIMITED

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

CHEMANEX EXPORTS (PRIVATE) LIMITED

With the Group ceasing its export business due to rationalisation of business activities, Chemanex Exports (Private) Limited wound up its operations during the financial year 2018/19, and is now under liquidation.

EQUITY ACCOUNTED INVESTEEES

The Equity Accounted Investees within the Group and their business activities are described in the Group structure on page 95 of this Report.

FUTURE DEVELOPMENTS

The Group is at present focusing on its Chemical Trading business in Sri Lanka and the Board of Directors was contemplating of reviewing and formulating a plan on the Company's existing resources and assets but had to delay same due to current COVID-19 situation.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group which are duly certified by the Manager-Finance and approved by the Board of Directors and signed by two directors of the Company in compliance with the requirements of Sections 151, 152, and 168 of the Companies Act No.07 of 2007 are given on pages 34 to 93 of the Annual Report.

PROFITS & APPROPRIATIONS

For the year ended 31st March

	2020		2019	
	Company	Group	Company	Group
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit for the year after depreciation	314,230	237,288	132,920	101,816
From which a deduction is made for taxation and	(10,181)	(10,181)	(8,986)	(8,986)
For discontinued operations	-	2,218	18,678	28,750
From which an adjustment is made for non-controlling interest	-	131	-	(2,118)
To which must be added adjustment on initial application SLFRS 9 / SLFRS 16	(1,410)	(1,410)	1,208	1,208
Added de-recognition of financial assets due to disposal	(154,796)	(154,796)	1,205	1,205
To which must be added/(deducted) other comprehensive income	(98)	(98)	2,103	2,103
Total comprehensive income	147,745	73,152	147,128	123,978
To which must be added the unappropriated profit brought forward from the previous years and	1,441,716	1,613,629	1,326,088	1,521,151
Adjustment due to share re-purchase	(2,689)	(2,689)	-	-
Adjustment due to liquidation of subsidiary	-	356	-	-
Making available for appropriation amount of	1,586,772	1,684,448	1,473,216	1,645,129
out of which a dividend of Rs.1.00 (2019- Rs.2.00) per share was paid	(15,750)	(15,750)	(31,500)	(31,500)
so that the unappropriated profit carried forward will be	1,571,022	1,668,698	1,441,716	1,613,629

DIVIDENDS

For the year ended 31st March 2020 the Directors have recommended the payment of a final dividend of Rs. 2.00 per share amounting to Rs. 31.41Mn.

As required by Section 56(2) and 56(3) of the Companies Act No. 7 of 2007, the Board of Directors signed a certificate stating that in their opinion that the Company, based on the information available at present, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and has obtained a certificate from the Auditors prior to recommending the final dividend

of Rs. 2.00 per share for the year ended 31st March 2020 which it has to be approved by the shareholders at the Annual General Meeting to be held on 30th September 2020.

INDEPENDENT AUDITOR'S REPORT

The Company's Auditors Messrs. Ernst & Young, Chartered Accountants performed the audit on the Consolidated Financial Statements for the year ended 31st March 2020 and the Independent Auditor's Report on the Financial Statements is given on page 31 of the Annual Report as required by Section 168(1)(C) of the Companies Act No 07 of 2007.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The Company and the Group prepared their Financial Statements in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS). The significant accounting policies adopted in the Financial Statement is given on pages 40 to 56 of the Annual Report as required by Section 168 (1)(d) of the Companies Act No. 07 of 2007. The Board of Directors wish to confirm that there were no changes to the accounting policies used by the Company and the Group during the year.

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

INTERESTS REGISTER

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

The share ownership of the Directors are indicated on page 24 of the Annual Report.

Directors interest in contracts and remuneration paid to Directors, etc., have been included in the Interests Register which is made available for inspection under the Companies Act No. 07 of 2007 under reference. The details are given on page 83 and 84 of this Annual Report.

DIRECTORS

The qualifications and experience of the Directors are provided on page 9 The following persons were Directors of the Company at the end of the financial year.

P R Saldin – Chairman

S Fernando – Chief Executive Officer

E M M Boyagoda

S A B Ekanayake

APPOINTMENTS & RESIGNATIONS

Appointments

- 1) Mr. S Fernando was appointed to the Board of Directors on 01st September 2019.

Resignations

- 1) Mr. S P S Ranatunga resigned from the Board of Directors effective 31st August 2019.

RETIREMENT BY ROTATION AND RE-ELECTION

Mr. S Fernando retires in pursuant to Article 24(2) of the Articles of Association of the Company and being eligible, offers himself for re-election with the unanimous support of the Board.

Mr. E M M Boyagoda retires in pursuant to Article 24(6) of the Articles of Association of the Company and being eligible, offers himself for re-election with the unanimous support of the Board.

DIRECTORS' REMUNERATION

Directors' remuneration in respect of the Company and the Group, for the financial year ended 31 March 2020 are given in Note 11 of the Financial Statements on page 59 of this Annual Report.

LIST OF DIRECTORS OF SUBSIDIARIES AND ASSOCIATE OF THE COMPANY

Names of Directors of all Subsidiaries and Associate of the Company are given on page 95 of this Annual Report.

RELATED PARTY TRANSACTIONS

Related party transactions have been declared at meetings of the Directors and are detailed in Note 39 to the Financial Statements.

DIRECTORS' SHAREHOLDING

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

As at 31st March		2020	2019
Name of Director	Type		
P R Saldin	Non-Executive Chairman	-	-
S Fernando	Director/Chief Executive Officer	-	-
E M M Boyagoda	Non-Executive Independent Director	-	-
S A B Ekanayake	Non-Executive Independent Director	-	-

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the Company and the Group, which reflect a true and fair view of the state of the Company affairs. The Directors' responsibility in relation to the Financial Statements is detailed on page 28.

AUDIT COMMITTEE

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

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

Mr. S Fernando attends the meetings by invitation. Details of the Audit Committee are given on page 18.

HUMAN CAPITAL & COMPENSATION COMMITTEE (REMUNERATION COMMITTEE) AND THE NOMINATIONS COMMITTEE

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

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

Mr. P R Saldin (Chairman)

Mr. S H Amarasekera

Mr. R S Captain

Mr. S M Enderby

Mr. M P Jayawardena

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

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

Mr. S. Fernando attends the Meetings by invitation.

COMPLIANCE WITH SECTION 9 OF LISTING RULES

The Directors confirm compliance with Section 9 of the Listing Rules in relation to related party transactions.

ENTERPRISE GOVERNANCE

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

The practices in this regard are given in Corporate Governance of this Annual Report on pages 14 to 17.

VISION, MISSION & CORPORATE CONDUCT

The Company's Vision and Mission are given on the page 3 of this Report. The business activities of the Company are conducted with the highest level of ethical standards in achieving its Vision and Mission. The Company issues a copy of its code of ethics to each and every employee who are required to abide by the Company's Code of Conduct.

EQUITABLE TREATMENT TO SHAREHOLDERS

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

SYSTEMS AND INTERNAL CONTROLS

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

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

INCOME TAX EXPENSES

Income tax expenses have been computed at the rates given in Note 12 to the Financial Statements. The Group has also provided deferred tax on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting standards – LKAS 12 on "Income Taxes"

REVENUE

The revenue of the Group was Rs 396Mn. (2018/19 - Rs.460Mn). A detailed analysis of the Group revenue that identifies the contributions from different segments of the Group businesses is given in Note 6 to the Financial Statements.

CAPITAL EXPENDITURE

Details of property, plant & equipment and their movements during the year are listed in Note 16 to the Financial Statements. Capital Expenditure approved and contracted for are given in page 65.

INVESTMENTS

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

RESERVES

Total reserves of the Group stood at Rs. 1.64Bn as at 31st March 2020 (Rs. 1.83Bn as at 31st March 2019) details of which are given in the Statement of Changes in Equity.

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

STATED CAPITAL

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

SHARE INFORMATION

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

SHAREHOLDING

Company repurchased 42,688 shares from the shareholders who offered to re-purchase, for a total consideration of Rs. 2.69Mn during the year under review.

Subsequent to the re-purchase of shares by the Company, there were 1,205 registered shareholders holding 15,707,312 ordinary shares of the Company as at 31st March 2020. A list of top 20 shareholders is given on page 98 of this Report.

ENVIRONMENT PROTECTION

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

ANNUAL REPORT

The Board of Directors approved the Consolidated Financial Statements on 21st August 2020. The appropriate number of copies of this Report will be submitted to

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

COMPLIANCE WITH LAWS & REGULATIONS

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

STATUTORY PAYMENTS

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

HUMAN RESOURCE

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

There were no material issues pertaining to employees and industrial relations of the Company for the period ended 31st March 2020.

GOING CONCERN

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

EVENTS AFTER THE REPORTING DATE

No material events have taken place after the reporting date which require an adjustment to or a disclosure other than those disclosed in Note 38 to the Financial Statements.

AUDITORS' REMUNERATION AND INTEREST IN CONTRACTS WITH THE COMPANY

The Company's auditors during the period under review were Messrs. Ernst & Young, Chartered Accountants. A sum of Rs. 0.63 Mn was paid to them as consolidated audit fees during the year under review (Company— Rs. 0.47Mn) and a sum of Rs. 0.28Mn was paid by the Company for other related services.

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

RE-APPOINTMENT OF AUDITORS

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

NOTICE OF MEETING

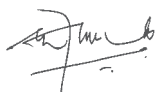
Notice of Meeting of the Forty Seventh Annual General Meeting is enclosed.

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

By Order of the Board.



P R Saldin
Chairman



S Fernando
Chief Executive Officer



T Wegodapola
Company Secretary

21st August 2020

Directors' Responsibility for Financial Reporting

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

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

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

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

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

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

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

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

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the Balance Sheet date have been paid or, where relevant provided for, except as specified in Note 37 to the Financial Statements covering contingent liabilities. Further, as required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors confirms that the Company, based on the information available as at present, satisfies the solvency test immediately after the distribution and in accordance with

Section 57 of the Companies Act No. 7 of 2007, have obtained a certificate from the Auditors, prior to recommending the final dividend of Rs. 2.00 per share for this year, which is to be approved by the shareholders at the Annual General Meeting to be held on 30th September 2020.

By Order of the Board,



T Wegodapola
Company Secretary

21st August 2020

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

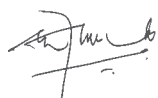
The Financial Statements are prepared in conformity with the requirements of the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act No. 7 of 2007, Sri Lanka Auditing and Auditing Standards Act No. 15 of 1995, the Listing Rules of the Colombo Stock Exchange.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs.

To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets, and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

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

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



S Fernando
Chief Executive Officer



D D Wickramanayake
Manager – Finance

21st August 2020

FINANCIAL CALENDER

1st Quarter Financial Results	Released on 05/08/2019
2nd Quarter Financial Results	Released on 07/11/2019
3rd Quarter Financial Results	Released on 07/02/2020
4th Quarter Financial Results	Released on 18/06/2020
<hr/>	
2018/19 Final Dividend Paid	09/07/2019
2019/20 Final Dividend Payment Date if approved at AGM	12/10/2020
47th Annual General Meeting	30/09/2020

Independent Auditors' Report



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

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TO THE SHAREHOLDERS OF CHEMANEX PLC

Report on the audit of the Financial Statements

Opinion

We have audited the Financial Statements of Chemanex PLC ("the Company") and the consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the Statement of Financial Position as at 31st March 2020, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2020,

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement,

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

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

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of Equity Instruments Designated at Fair Value Through OCI (FVTOCI)</p> <p>The company has a 11% investment in CIC Feeds (Private) Limited, an unquoted company, amounting to Rs. 185.5Mn, which accounts for 10% of the total assets of Chemanex PLC Group.</p> <p>Such investment has been classified as "equity instruments designated at fair value through OCI".</p> <p>Valuation of the same involves the use of significant assumptions such as the illiquidity discount rate which is adjusted as a discount for lack of marketability. Changes in the above assumption could have a significant effect on the valuation.</p> <p>Given the subjectivity of the assumptions involved in the valuation, we considered this to be a key audit matter.</p>	<p>To assess the reasonableness of the fair value, our audit procedures (among others) included following;</p> <ul style="list-style-type: none"> We engaged our internal specialised resources to assist us in performing corroborative calculations to assess the reasonableness of the valuation. We evaluated adequacy of the related disclosures given in notes 22.1 of the Financial Statements which contains the assumptions, sensitivity of the assumptions used, and the valuation methodology used.

Independent Auditors' Report

Other Information included in the 2020 Annual Report

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

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

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

Responsibilities of the management and those charged with governance

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

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

the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated

in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2097.



21st August 2020

Colombo

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

A member firm of Ernst & Young Global Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Notes	Company		Group	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Continuing operations					
Revenue	6	395,850	460,005	395,850	460,005
Cost of sales		(313,276)	(369,595)	(313,276)	(369,595)
Gross profit		82,574	90,410	82,574	90,410
Other income	7	295,237	93,354	202,457	48,017
Distribution expenses		(52,454)	(38,571)	(52,454)	(38,571)
Administrative expenses		(38,896)	(44,398)	(38,896)	(44,398)
Impairment loss on trade receivables and contract assets		(5,205)	(7,313)	(5,205)	(7,313)
Other expenses	8	(6,900)	(2,856)	-	(1,484)
Results from operating activities		274,356	90,626	188,476	46,661
Finance income (net)	9	39,874	42,294	39,874	42,294
Share of profit of equity accounted investees (net of tax)	10	-	-	8,938	12,861
Profit before tax	11	314,230	132,920	237,288	101,816
Income tax expense	12	(10,181)	(8,986)	(10,181)	(8,986)
Profit from continuing operations		304,049	123,934	227,107	92,830
Discontinued operations					
Profit from discontinued operations (net of tax)	13.1	-	18,678	2,218	28,750
Profit for the year		304,049	142,612	229,325	121,580
Other comprehensive (loss)/income					
Items that will not be re-classified to profit or loss					
Actuarial (loss)/gain on retirement benefit obligations	32	(136)	2,917	(136)	2,917
Income tax on other comprehensive income	12.1	38	(814)	38	(814)
Net loss from fair value change of financial assets		(395,771)	(250,780)	(397,800)	(253,933)
Other comprehensive loss for the year		(395,869)	(248,677)	(397,898)	(251,830)
Total comprehensive loss for the year		(91,820)	(106,065)	(168,573)	(130,250)
Profit attributable to:					
Equity holders of the Company		304,049	142,612	229,456	119,462
Non - controlling interests		-	-	(131)	2,118
Profit for the year		304,049	142,612	229,325	121,580
Total comprehensive loss attributable to:					
Equity holders of the Company		(91,820)	(106,065)	(168,442)	(132,053)
Non - controlling interests		-	-	(131)	1,803
Total comprehensive loss for the year		(91,820)	(106,065)	(168,573)	(130,250)
Earnings per share					
Basic/diluted earnings per share (Rs.)	14	19.31	9.05	14.58	7.58
Earnings per share-continuing operations					
Basic/diluted earnings per share (Rs.)		19.31	7.87	14.43	5.89

Notes from pages 40 to 93 form an integral part of the Financial Statements.

Figures in brackets indicate deductions

Statement of Financial Position

As at 31st March	Notes	Company		Group	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
ASSETS					
Non-current assets					
Property, plant & equipment	16	37,191	277	37,191	277
Investment in sub-lease	17	14,547	-	14,547	-
Intangible assets	18	1,216	1,355	1,216	1,355
Deferred tax assets	19	19,147	12,354	19,147	12,354
Investment in subsidiaries	20	-	-	-	-
Equity accounted investees	21	61,208	68,308	87,192	171,234
Equity investment at fair value through OCI	22	185,660	245,710	185,660	245,710
		318,969	328,004	344,953	430,930
Current assets					
Inventories	23	61,864	72,450	61,864	72,450
Trade receivables	24	137,702	139,951	137,702	139,951
Other receivables	25	61,262	64,964	61,262	64,964
Equity investment at fair value through OCI	26	743,697	858,843	743,697	858,843
Cash in hand and at bank	27	470,576	417,173	470,576	417,173
		1,475,101	1,553,381	1,475,101	1,553,381
Assets classified as held for distribution	13.4	47,000	47,000	32,371	33,201
Total assets		1,841,070	1,928,385	1,852,425	2,017,512
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the company					
Stated capital	28	126,250	126,250	126,250	126,250
Capital reserves	29	-	-	3,000	3,000
Revenue reserves	30	1,546,865	1,658,534	1,640,694	1,828,629
		1,673,115	1,784,784	1,769,944	1,957,879
Non-controlling interests		-	-	(17,673)	(17,695)
Total Equity		1,673,115	1,784,784	1,752,271	1,940,184
Non-current liabilities					
Loans and borrowings	31.2	45,130	-	45,130	-
Retirement benefit obligations	32	1,099	1,137	1,099	1,137
Total non current liabilities		46,229	1,137	46,229	1,137
Current liabilities					
Trade payables	33	6,175	14,002	6,175	14,002
Accruals and other payables	34	96,244	95,924	24,517	24,043
Loans and borrowings	31.3	19,307	32,538	19,307	32,538
		121,726	142,464	49,999	70,583
Liabilities classified as held for distribution	13.4	-	-	3,926	5,608
		121,726	142,464	53,925	76,191
Total liabilities		167,955	143,601	100,154	77,328
Total equity and liabilities		1,841,070	1,928,385	1,852,425	2,017,512
Net assets per share (Rs.)		106.52	113.32	112.68	124.31

Notes from pages 40 to 93 form an integral part of the Financial Statements.

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

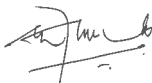


D D Wickramanayake
Manager - Finance


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



P R Saldin
Chairman



S Fernando
Chief Executive Officer



T Wegodapola
Company Secretary

21st August 2020
Colombo

Statement of Changes In Equity

For the year ended 31st March	Stated Capital Rs. '000	Reserve on Scrip Issue Rs. '000	General Reserve Rs. '000	Fair Value Reserve Rs. '000	Retained Earnings Rs. '000
Company					
As at 1st April 2018	126,250	-	232,841	235,962	1,326,088
Adjustment on initial application of SLFRS 9 (net of tax)	-	-	-	-	1,208
Adjusted balance as at 01st April 2018	126,250	-	232,841	235,962	1,327,296
Profit for the year	-	-	-	-	142,612
Other comprehensive loss	-	-	-	(250,780)	2,103
De-recognition of financial assets due to disposal	-	-	-	(1,205)	1,205
Total comprehensive loss	-	-	-	(251,985)	145,920
Dividend (Note 15)	-	-	-	-	(31,500)
Total contributions by and distributions to the owners of the company	-	-	-	-	(31,500)
As at 1st April 2019	126,250	-	232,841	(16,023)	1,441,716
Adjustment on initial application of SLFRS 16 (net of tax)	-	-	-	-	(1,410)
Adjusted balance as at 01st April 2019	126,250	-	232,841	(16,023)	1,440,306
Profit for the year	-	-	-	-	304,049
Other comprehensive loss	-	-	-	(395,771)	(98)
De-recognition of financial assets due to disposal	-	-	-	154,796	(154,796)
Total comprehensive loss	-	-	-	(240,975)	149,155
Adjustment due to share re-purchase	-	-	-	-	(2,689)
Dividend (Note 15)	-	-	-	-	(15,750)
Total contributions by and distributions to the owners of the company	-	-	-	-	(18,439)
As at 31st March 2020	126,250	-	232,841	(256,998)	1,571,022

For the year ended 31st March	Stated Capital Rs. '000	Reserve on Scrip Issue Rs. '000	General Reserve Rs. '000	Fair Value Reserve Rs. '000	Retained Earnings Rs. '000
Group					
As at 1st April 2018	126,250	3,000	232,841	236,982	1,521,151
Adjustment on initial application of SLFRS 9 (net of tax)	-	-	-	-	1,208
Adjusted balance as at 01st April 2018	126,250	3,000	232,841	236,982	1,522,359
Profit for the year	-	-	-	-	119,462
Other comprehensive loss	-	-	-	(253,618)	2,103
De-recognition of financial assets due to disposal	-	-	-	(1,205)	1,205
Total comprehensive loss	-	-	-	(254,823)	122,770
Dividend (Note 15)	-	-	-	-	(31,500)
Disposal of subsidiary	-	-	-	-	-
Total contributions by and distributions to the owners of the company	-	-	-	-	(31,500)
As at 1st April 2019	126,250	3,000	232,841	(17,841)	1,613,629
Adjustment on initial application of SLFRS 16 (net of tax)	-	-	-	-	(1,410)
Adjusted balance as at 01st April 2019	126,250	3,000	232,841	(17,841)	1,612,219
Profit for the year	-	-	-	-	229,456
Other comprehensive loss	-	-	-	(397,800)	(98)
De-recognition of financial assets due to disposal	-	-	-	154,796	(154,796)
Total comprehensive loss	-	-	-	(243,004)	74,562
Dividend (Note 15)	-	-	-	-	(15,750)
Liquidation of subsidiary	-	-	-	-	356
Adjustment due to share re-purchase	-	-	-	-	(2,689)
Total contributions by and distributions to the owners of the company	-	-	-	-	(18,083)
As at 31st March 2020	126,250	3,000	232,841	(260,845)	1,668,698

Notes from pages 40 to 93 form an integral part of the Financial Statements.

Figures in brackets indicate deductions

Total
Rs. '000
1,921,141
1,208
1,922,349
142,612
(248,677)
-
(106,065)
(31,500)
(31,500)
1,784,784
(1,410)
1,783,374
304,049
(395,869)
-
(91,820)
(2,689)
(15,750)
(18,439)
1,673,115

Total	Non Controlling Interest	Total
Rs. '000	Rs. '000	Rs. '000
2,120,224	11,869	2,132,093
1,208	-	1,208
2,121,432	11,869	2,133,301
119,462	2,118	121,580
(251,515)	(315)	(251,830)
-	-	-
(132,053)	1,803	(130,250)
(31,500)	-	(31,500)
-	(31,367)	(31,367)
(31,500)	(31,367)	(62,867)
1,957,879	(17,695)	1,940,184
(1,410)	-	(1,410)
1,956,469	(17,695)	1,938,774
229,456	(131)	229,325
(397,898)	-	(397,898)
-	-	-
(168,442)	(131)	(168,573)
(15,750)	-	(15,750)
356	153	509
(2,689)	-	(2,689)
(18,083)	153	(17,930)
1,769,944	(17,673)	1,752,271

Statement of Cash Flow

For the year ended 31st March	Note	Company		Group	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Cash flow from operating activities					
Cash generated from operations (Note A)		14,196	586,847	12,403	434,970
Interest received (net)		44,931	42,294	47,681	55,063
Retirement benefit costs paid	32	(509)	(8,452)	(509)	(8,452)
Income tax paid	25.2	(10,609)	(7,233)	(10,609)	(15,385)
Net cash inflow from operating activities		48,009	613,456	48,966	466,196
Cash flow from investing activities					
Addition to property, plant & equipment	16	-	(9)	-	(9)
Addition to assets held for sale		-	-	-	(1,257)
Addition to intangible assets	18	-	(1,390)	-	(1,390)
Proceeds from disposal of assets classified as held for sale		-	71,876	-	20,892
Proceeds from disposal of investments		173,068	23,827	173,068	23,827
Proceeds from disposal of equity accounted investees		250,000	-	250,000	-
Proceeds from disposal of property, plant & equipment		3	17,321	3	94,227
Share buyback payment		-	-	-	(24,431)
Dividend received from equity accounted investees		-	5,160	-	5,160
Dividend income from other Companies	7	40,304	13,603	40,304	13,603
Acquisition of Investment		(393,643)	(684,117)	(393,643)	(684,117)
Net cash inflow / (outflow) from investing activities		69,732	(553,729)	69,732	(553,495)
Net cash inflow/(outflow) before financing activities		117,741	59,727	118,698	(87,299)
Cash flow from financing activities					
Settlement of lease liability	31.2	(19,343)	-	(19,343)	-
Share re-purchase payment	28	(2,689)	-	(2,689)	-
Dividends paid to equity holders of the parent	15	(15,750)	(31,500)	(15,750)	(31,500)
Net cash outflow from financing activities		(37,782)	(31,500)	(37,782)	(31,500)
Net increase / (decrease) in cash & cash equivalents during the period		79,959	28,227	80,916	(118,799)
Cash & cash equivalents at the beginning of the period		384,635	356,408	411,252	530,051
Cash & cash equivalents at the end of the period (Note B)		464,594	384,635	492,168	411,252

For the year ended 31st March	Note	Company		Group	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000

Note A - Cash generated from / (used for) operations

Profit before interest and tax from continued operations		274,356	90,626	188,476	46,661
Profit/(loss) before interest and tax from discontinued operations		-	18,678	(532)	22,311

Adjustments for:

Depreciation on property, plant & equipment	16	264	921	264	921
Depreciation on assets held for sale		-	-	-	349
Impairment of investment in Rainforest Ecolodge (Private) Limited	8	6,900	1,200	-	-
Write-off of property, plant & equipment		-	631	-	631
Amortisation of right of use asset	16	8,784	-	8,784	-
Amortisation of intangible assets	18	139	35	139	35
Gain on disposal of property, plant & equipment	7	(3)	(17,291)	(3)	(17,291)
Gain on disposal of equity accounted investees	7	(249,800)	-	(157,020)	-
Gain on disposal of assets classified as held for sale		-	(42,476)	-	(4,708)
Gain on disposal of assets classified as held for distribution		-	-	-	(3,531)
Provision for retirement benefit	32	335	1,516	335	1,516
Provision for assets held for distribution		-	172	-	-
Reversal of provision for inter company receivable		-	(2,409)	-	-
Provision for impairment of trade receivables	24.2	5,205	1,235	5,205	1,235
Provision for write-down of inventories	23.1	7,667	(26,792)	7,667	(26,792)
Dividend income		(40,304)	(18,763)	(40,304)	(13,603)
Operating profit before working capital changes		13,543	7,283	13,011	7,734
Decrease in trade and other receivables		5,241	528,827	4,975	415,890
Decrease in inventories		2,919	35,740	2,919	35,740
Increase/(decrease) in trade and other payables		(7,507)	14,997	(8,502)	(24,394)
Cash generated from operations		14,196	586,847	12,403	434,970

Note B - Analysis of cash & cash equivalents at the end of the year

Cash in hand and at bank		470,576	417,173	498,150	443,790
Interest bearing short-term borrowings		(5,982)	(32,538)	(5,982)	(32,538)
		464,594	384,635	492,168	411,252

Notes from pages 40 to 93 form an integral part of the Financial Statements.

Figures in brackets indicate deductions

Notes to the Financial Statements

1. REPORTING ENTITY

1.1 Domicile and Legal Form

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

1.2 Principal Activities and Nature of Operations

The principal activities of the Company is provided in the Group Structure of this Annual Report.

The principal activities of the subsidiaries and equity accounted investees are provided on page 95.

1.3 Parent and Ultimate Parent Enterprise

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

1.4 Authorisation for Issue

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements. The Financial Statements were authorised for issue in accordance with a resolution of the Board of Directors on 21st August 2020.

2. BASIS OF PREPARATION

These Financial Statements, comprising both the Company's separate Financial Statements and the Consolidated Financial Statements of the Company and its Subsidiaries ("Group") and the Group's interest in equity accounted investees; comprise the Statements of Financial Position, Statements of Profit or Loss and other Comprehensive Income, Statements

of Changes in Equity and Statements of Cash Flows together with the Accounting Policies and Notes to the Financial Statements.

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

2.1 Statement of Compliance

These Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 which requires compliance with Sri Lanka Accounting Standards (SLFRS/ LKAS) promulgated by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 7 of 2007.

2.2 Basis of Measurement

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

2.3 Functional and Presentation Currency

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

2.4 Use of Estimates and Judgements and Assumptions.

The preparation of Consolidated Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS/

LKAS) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

2.4.1 Judgements

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

- Note 07 – commission income: whether the Group acts as an agent in the transaction rather as a principal;
- Note 21 – consolidation: whether the Group has control over an investee; and
- Note 31- lease term; whether the Group is reasonably certain to exercise extension options.

2.4.2 Assumptions and Estimation Uncertainties

Information about the assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustments in the year ended 31st March 2020 is included in the following notes.

- Note 32 – measuring of defined benefit obligations: key actuarial assumptions;
- Note 19 – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses

carried forward can be utilised;

- Note 13 – determining the fair value less cost to sell of the disposal group on the basis of significant unobservable input data;
- Note 37 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude;
- Note 41 - measurement of ECL allowance for trade receivables and contract assets: key assumptions in determining the weighted- average loss rate and
- Note 20 – acquisition of subsidiary: fair value measured on a provisional basis.
- Note 31 – Leases (SLFRS 16 – Incremental Borrowing Rate)

At the commencement date, a lessee (the Company) shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's (the Company's) incremental borrowing rate.

- Note 12 – Income tax and deferred tax rates

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

The Company's management having applied significant judgement to the said proposed revision of

income tax rates, have determined that it is probable that formal amendments to the IRA will be made. The management concluded that Circular No. PN/IT/2020-03 (Revised) is more likely to be enacted in the near future and therefore, income tax rates and proposed basis of quantifying current income tax stipulated in the said Circular to be effective from 01/01/2020 have been used to calculate the last quarter income tax provision of the 2019/20 financial year of the Company. Accordingly, the Company has decided to apply the revised income tax rates with effective from 1st January 2020.

The Company has computed deferred tax at the rates based on substantively enacted rate (28%), which is the statutory rate specified in the IRA, as of the reporting date, since the Inland Revenue Department Circular No. PN/IT/2020-03 (Revised) has not been enacted as of the reporting date.

2.4.3 Measurement of Fair Values

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

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the General Manager Finance.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows,

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

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

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

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

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

- Note 22 – other non current financial assets.

2.4.4 Retirement Benefits

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

Notes to the Financial Statements

2.4.5 Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position can not be derived from the active markets, their fair value is determined using valuation techniques including the discounted cash flow model and the net assets basis. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in the assumptions about these factors could affect the reported fair value of financial instruments.

2.4.6 Development Costs

Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of cost is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

2.4.7 Recognition of Deferred Tax Assets

Management applies significant judgement on the extent to which deferred tax assets can be recognised based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various future tax jurisdictions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Basis of Consolidation

The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future, and they do not intend either to liquidate or to cease trading. The board of directors is of the view that the Company's operations have not been materially impacted by the COVID 19 outbreak. Further it is described in note 40 to the Financial Statements.

In relation to the operations of Yasui Lanka (Private) Limited, a subsidiary of the Group; liquidation process was completed during the current financial year.

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

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

The assets relating to Chemcel (Private) Limited, and ChemaneX Exports (Private) Limited have therefore been designated as assets held for distribution in the preparation of the Consolidated Financial Statements. Liabilities pertaining to

these businesses have been presented separately within current liabilities as liabilities relating to discontinued operations. The operational results of Chemcel (Private) Limited, ChemaneX Exports (Private) Limited and paints business have been presented as 'Discontinued Operations' in the Statement of Profit or Loss and Other Comprehensive Income.

3.1.1 Subsidiaries

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

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

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

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

3.1.2 Non-Controlling Interests

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

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

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

3.1.3 Loss of Control

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

3.1.4 Equity Accounted Investees

An associate is an entity in which the Group has significant influence, but no control over the financial and operating policies. Significant influence is the power to participate in the financial and

operating policy decisions of the investee, but does not have the control or joint control over those policies.

Joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

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

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

The Financial Statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

At each reporting date, the Group determines whether there is objective evidence that the investment in associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the Income Statement.

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

The Group discontinues the use of the equity method from the date that it ceases to have significant influence over an associate or joint control over the joint venture and accounts for the investment in accordance with the Group's accounting policy for financial instruments. Any difference between the carrying amount of the associate or joint

Notes to the Financial Statements

venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

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

3.1.5 Intra-Group Transactions

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

3.1.6 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2. Changes in Significant Accounting Policies

The Group initially applied SLFRS 16 Leases from 01 April 2019. The Group applied SLFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 01st April 2019. Accordingly, comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under LKAS 17

and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SLFRS16 have not generally been applied to comparative information.

3.2.1 Definition of a lease

Previously the Group determined at contract inception whether an arrangement was or contained a lease IFRIC 4 Determining whether an Arrangement contains a lease. The Group now assess whether a contract is or contains a lease based on the definition of a lease.

On transition of SLFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not re assessed for whether there is a lease under SLFRS 16. Therefore, the definition of a lease under SLFRS 16 was applied only to the contracts entered in to or changed on or after 01 April 2019.

3.2.2 As a lessee,

The Group leases its property. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlined asset to the Group. Under SLFRS 16, the Group recognises right-of use assets and lease liabilities for most of these leases.

At commencement on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standard-alone price.

However, for leases of property the Group has elected not to separate non- lease components and account for the lease and associated non-lease components as a single lease component.

3.2.2.1 Leases classified as operating leases under LKAS 17

Previously, the Group classified property leases as operating leases under LKAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group incremental borrowing rates as at 01st April 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application; the Group applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepayment or accrued lease payments; the Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases for low value assets;

- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term.

3.2.3 As a lessor

The Group leases out its property. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to SLFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

The Group sub-leases some of its properties. Under LKAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to SLFRS 16, the right-of-use assets recognised from the head leases are presented in investment in sub-lease and measured at fair value as at that date. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that their operating leases under SLFRS 16.

The Group has also applied SLFRS 15 Revenue from contracts with customers to allocate consideration in the contract to each lease and non-lease component.

3.2.4 Impact on Financial Statements

3.2.4.1 Transition

On transition to SLFRS 16 the Group recognised additional right-of-use asset including net investment in sub-lease and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	01st April 2019 Rs.,000
Right-of-use asset, property, plant & equipment	45,962
Right-of-use asset, investment property	23,630
Deferred tax assets	308
Lease liabilities	70,694
Retained earnings	1,410

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rates as at 01 April 2019. The weighted average rate applied is 11%.

	Rs.,000
Operating lease commitment at 31st March 2019 as disclosed under LKAS 17 in the Group's Consolidated Financial Statements	123,280
Discounted using the incremental borrowing rate at 01st April 2019	70,694
Lease liabilities recognised as at 01st April 2019	70,694

3.3 Foreign Currency

3.3.1 Foreign Currency Transactions

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

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

3.4 Revenue

Company is applying SLFRS 15 on recognising the Company's revenue from contracts with customers is described in Note 6.

Notes to the Financial Statements

3.4.1 Revenue Streams

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

3.4.2 Disaggregation of Revenue from Contract with Customers

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

3.4.3 Performance Obligations and Revenue Recognition Policies

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

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

Type of product / service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15
Sale of goods & services	The Company operates in different divisions and engaged in varieties of sale of goods under each divisions / clusters.	The revenue is recognised based on the identified performance obligation. The transaction price is determined taking into account of variable considerations. The transaction price is allocated to performance obligations and recognised the revenue either over the time of the contract or point in time upon analysis of each sale of good under separate divisions.

3.4.4 Rendering of Services

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

3.4.5 Interest Income

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

3.4.6 Dividend Income

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

3.4.7 Commissions

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

3.4.8 Others

Other income is recognised on an accrual basis.

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

3.5 Tax

3.5.1 Current Income Tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates and tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

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

3.5.2 Deferred Tax

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

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

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates (and tax laws) enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.6 Discontinued Operations and Assets Held for Sale/Distribution

3.6.1 Discontinued Operations

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

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

- is a subsidiary acquired exclusively with a view to re-sale.

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

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

3.6.2 Assets Held for Distribution

Before the classification as held for distribution non current assets and liabilities in the disposal group are measured in accordance with relevant SLFRSs.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets are classified as held for distribution when the Company/Group committed to distribute the assets or disposal group to its owners.

Impairment losses on initial classification as held-for-distribution and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. property, plant & equipment and intangible assets once classified as held for distribution are not depreciated or amortised.

3.7 Property, plant & equipment

3.7.1 Initial Recognition and Measurement

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

Notes to the Financial Statements

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

The cost of self-constructed assets includes the following:

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

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

3.7.2 Subsequent Costs

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

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Significant accounting judgements, estimates and assumptions (Note 2.4) and Provisions (Note 3.14) for further information about the recorded decommissioning provision.

3.7.3 Depreciation

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

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

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

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

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

3.7.4 De-recognition

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

3.8 Leases

The Group has SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4.

The details of the accounting policies under LKAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 01st April 2019

At inception of contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in the exchange of for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease SLFRS 16.

This policy is applied to contracts entered into, on or after 01st April 2019.

3.8.1 As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site in which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to

the end of the lease term (2 - 20 years), unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain premeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discontinued using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rate from various external financial sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise of the following;

- Fixed payments, including in-substances fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or the rate as at the commencement date;
- Amounts expected to be payable under a residential value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an option renewal period if

the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under the residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of net investment in sub-lease in "property, plant & equipment" and lease liabilities in "loans and borrowings" in the Statement of Financial Position.

Short term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on straight-line basis over the lease term.

3.8.2 As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease. If not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SLFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease (see Note 17). The Group further regularly reviews the estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

Notes to the Financial Statements

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SLFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

Policy applicable before 01st April 2019

For contracts entered into before 01st April 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether;

- Fulfillment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right-to-use the asset. An arrangement conveyed the right to use asset if one of the following was met:
 - The purchaser had the ability or right to operate the asset while obtaining or controlling more than a significant amount of the output;
 - The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of the ownership as finance leases. When this was the case, the leased assets were

measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's Statement of Financial Position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total leases expense, over the term of the lease.

As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease. If not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

3.9 Borrowing Costs

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

3.10 Intangible Assets

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

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

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

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

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

3.10.1 ERP Implementation Cost

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

3.10.2 Research and Development Costs

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete and the ability to use or sell the asset
- Probability of generating future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when

development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

3.11 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future

cash flows after the fifth year. Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

The following asset has specific characteristics for impairment testing.

3.11.1 Intangible Assets

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

Notes to the Financial Statements

3.12 Financial Instruments

3.12.1 Financial Assets

(A) Initial Recognition and Measurement

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

Classification and Subsequent Measurement

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

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

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

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

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

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

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

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

(B). Financial assets – Business model assessment

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

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

through the sale of the asset;

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

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

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the

contractual terms of the instrument. This include assessing whether the financial assets contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition in making assessment, the Group considers:

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

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

(D) Financial asset- subsequent measurement and gain and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gain and losses including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss re recognition is recognised in profit or loss.
Debt investment at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gain and losses and impairment are recognised in profit or loss. Other net gain and losses are recognised in OCI capital. On de-recognition, gain and losses accumulated in OCI capital are reclassified to profit or loss.
Equity investment at 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 and are never reclassified to profit or loss.

3.12.2 Financial liabilities- classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are

measured at fair value and net gains and losses, including any interest expenses, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gain and losses are recognised in profit or loss. Any gain or loss recognition is also recognised in profit or loss.

3.12.3 De-recognition

Financial asset

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

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

Financial liabilities

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

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

Notes to the Financial Statements

3.12.4 Offsetting

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

3.12.5 Impairment

(A) Non-Derivative Financial Assets

Financial instruments and contract assets

The Group recognises a loss allowance for ECLs on:

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

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

- Debt securities that are determined to have no credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since the initial recognition.

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

When determining whether a credit risk of financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost of effort. This includes both quantitative and qualitative

information and analysis, based on Group's historical experience and informed credit assessment and including forward – looking information.

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

The Group considers financial asset to be in default when:

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

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

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

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

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

Measurement of ECLs

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

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

(B) Credit-Impaired Financial Assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

3.12.6 Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovery of financial asset in its entirety or a portion

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

3.13 Inventories

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

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

Provision for obsolete and slow moving inventory.

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

3.14 Provisions

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

3.15 Employment benefits

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan, other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted.

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

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

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

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

3.16 Earnings Per Share

The Group presents basic Earnings Per Share (EPS) for its ordinary shares. Basic

EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted number of ordinary shares outstanding during the period.

3.17 Cash Flow Statement

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

3.18 Segment Reporting

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

A summary describing the operations of each reportable segment is given in page 57.

Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Unallocated expenses comprise mainly corporate assets (primarily the Company's head office), head office expenses and tax assets and liabilities.

3.19 Events Occurring after the Reporting Date

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

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

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st April 2020 or at a later date. Accordingly, these Standards have not been applied in preparing these Financial Statements.

Notes to the Financial Statements

New or amended standards	Summary of the requirement	Possible impact on consolidated Financial Statements
SLFRS 3 Definition of a Business	SLFRS 3 helps entities to determine whether an acquired set of activities and assets is a business or not. These amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test.	The Group shall apply amendments to business combinations prospectively for annual financial periods beginning on or after 01st April 2020, if the assets acquisition occurs on or after the beginning of that period.
LKAS 1 and LKAS 8 Definition of Material	Amendments to LKAS 1 and LKAS 8 on "Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of "material" across the standards and to clarify certain aspects of the term "definition". The new definition states that "information" is material if omitting, misstating or obscuring it could reasonably be expected to influence decision that the primary users of general purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity.	The Group shall apply those amendments prospectively for annual financial periods beginning on or after 01st April 2020.
Amendments to References to Conceptual Framework in SLFRS Standards	Conceptual Framework which will be used in Standard setting decisions with immediate effect. Key changes include; <ul style="list-style-type: none"> Increasing the prominence of stewardship in the objective of financial reporting Reinstating prudence as a component of neutrality Defining a reporting entity, which may be a legal entity, or a portion of an entity Revising the definitions of an asset and a liability Removing the probability threshold for recognition and adding guidance on derecognition Adding guidance on different measurements basis, and Stating that profit or loss is the primary performance indicator and that, in principal, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the Financial Statements. 	No changes will be made to any of the current Accounting Standards. However, if the Group rely on the framework in determining certain accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from 01st April 2020.

5. INDUSTRY SEGMENT INFORMATION

For the year ended 31st March	Capital Expenditure		Depreciation		Total Assets	
	2020	2019	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets						
Rubber and plastic	-	700	202	478	103,072	101,785
Coating and packaging	-	466	134	319	75,905	55,658
Home and personal care	-	233	67	159	58,996	56,590
Investments/other	-	-	-	-	1,614,452	1,803,479
	-	1,399	403	956	1,852,425	2,017,512

For the year ended 31st March	Employee Benefit Liabilities		Trade and Other Payables	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Liabilities				
Rubber and plastic	263	195	4,781	6,669
Coating and packaging	776	769	593	6,233
Home and personal care	60	173	801	1,100
Investments/other	-	-	24,517	24,043
	1,099	1,137	30,692	38,045

6. REVENUE

For the year ended 31st March	Company		Group	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	395,850	460,005	395,850	460,005
Net Revenue				
Local	395,850	459,159	395,850	459,159
Exports	-	846	-	846
Total	395,850	460,005	395,850	460,005
Industry segment revenue				
Rubber and plastic			163,185	233,197
Coating and packaging			137,447	132,334
Home and personal care			94,772	93,130
Services			446	1,344
Total			395,850	460,005

Notes to the Financial Statements

7 OTHER INCOME

For the year ended 31st March	Company		Group	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Dividend income				
Quoted	40,304	13,603	40,304	13,603
Unquoted	-	5,160	-	-
Net gain on disposal of property, plant & equipment	3	17,291	3	17,291
Direct sales commission	3,838	6,240	3,838	6,240
Gain on disposal of investment	249,800	42,476	157,020	4,708
Rent income	-	6,160	-	6,160
Reversal of provision relating to inter-company receivables	-	2,409	-	-
Sundry income	1,292	15	1,292	15
Total	295,237	93,354	202,457	48,017

8 OTHER EXPENSES

For the year ended 31st March	Company		Group	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Expenses incurred on assets held for distribution	-	853	-	853
Impairment of investment in Rainforest Ecolodge (Private) Limited	6,900	1,200	-	-
Impairment of investment in Chemcel (Private) Limited	-	172	-	-
Write-off property, plant & equipments	-	631	-	631
Total	6,900	2,856	-	1,484

9 FINANCING COST (NET)

For the year ended 31st March	Company		Group	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Finance cost				
Short-term loans and overdrafts	428	2,772	428	2,772
Interest on leasing	7,104	-	7,104	-
Foreign exchange loss	187	280	187	280
	7,719	3,052	7,719	3,052
Finance income				
Interest on staff loans	36	5	36	5
Interest on treasury bills	1,604	2,100	1,604	2,100
Interest on sub-leasing	2,047	-	2,047	-
Interest on deposits	43,906	43,241	43,906	43,241
	47,593	45,346	47,593	45,346
Finance income (Net)	39,874	42,294	39,874	42,294

10 SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES (NET OF TAX)

For the year ended 31st March	Group	
	2020 Rs.'000	2019 Rs.'000
Rainforest Ecolodge (Private) Limited	-	(349)
Commercial Insurance Brokers (Private) Limited	8,938	13,210
Total	8,938	12,861

11 PROFIT BEFORE TAX IS STATED AFTER CHARGING ALL EXPENSES INCLUDING THE FOLLOWING:

For the year ended 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Directors' emoluments and retirement benefits	-	-	-	-
Depreciation of property, plant & equipment	9,048	921	9,048	921
Directors' fees	4,800	4,800	4,800	4,800
Donations	-	100	-	100
Staff training and development	18	-	18	-
Legal fees	325	439	325	439
Auditors' remuneration				
Statutory audit fees	477	477	477	477
Audit related fees	252	547	252	547
Non-audit fees	281	51	281	51
Professional Fees	196	605	196	605
Provision for inventories/(reversal) of provision for inventories	7,667	(12,950)	7,667	(12,950)
Personnel costs * (Note 11.1)	12,959	23,610	12,959	23,610

11.1 Personnel Costs

For the year ended 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Salaries	10,487	18,845	10,487	18,845
EPF/MSPS - Defined contribution plan	1,636	1,688	1,636	1,688
ETF - Defined contribution plan	306	422	306	422
Bonus	195	1,139	195	1,139
Provision for retirement benefits	335	1,516	335	1,516
Total	12,959	23,610	12,959	23,610
Number of employees as at 31st March	15	16	15	16

Notes to the Financial Statements

12 INCOME TAX EXPENSES

For the year ended 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Current tax expenses on profit for the year (Note 12.2)	6,266	-	6,266	-
Capital gain tax	5,260	-	5,260	-
Under provision in respect of previous years	5,718	-	5,718	-
	17,244	-	17,244	-
Origination of temporary differences (Note 12.1)	(7,063)	8,986	(7,063)	8,986
	10,181	8,986	10,181	8,986

12.1 Deferred Tax Expense

For the year ended 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Income Statements				
Deferred tax expense arising from :				
Accelerated depreciation for tax purposes	152	832	152	832
Retirement benefit obligations	48	1,228	48	1,228
Accumulated tax losses	11,961	6,926	11,961	6,926
Right-of-use-asset and net investment in sub-lease	33,969	-	33,969	-
Provision for impairment of trade receivables	(17,032)	-	(17,032)	-
Lease liability	(36,161)	-	(36,161)	-
	(7,063)	8,986	(7,063)	8,986
Other Comprehensive Income				
Deferred tax expense arising from :				
Actuarial losses/(gains) on retirement benefit obligations	(38)	814	(38)	814
	(38)	814	(38)	814
Total	(7,101)	9,800	(7,101)	9,800

12.2 Reconciliation of the Accounting Profit and Taxable Profit

For the year ended 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Profit before tax-continuing operations	314,230	132,920	237,288	101,816
Profit before tax-discontinued operations	-	18,678	2,218	35,080
	314,230	151,598	239,506	136,896
Share of Profit of equity accounted investee	-	-	(8,938)	(12,861)
Other sources of income	(249,800)	(43,825)	(157,020)	(6,057)
Disallowable expenses	39,283	(22,746)	32,493	(21,729)
Tax deductible expenses	(10,702)	(8,452)	(10,702)	(8,452)
Capital allowances	(738)	(706)	(738)	(706)
Tax exempt income	(30,553)	(18,762)	(30,674)	(18,802)
Tax loss utilised during the year	(34,954)	(57,107)	(37,597)	(66,682)
Taxable profit	26,766	-	26,330	1,607
Income tax @ 14%	1,365	-	1,365	-
Income tax @ 28%	4,901	-	4,901	450
Current tax expense on discontinued operations	-	-	-	450
Current tax expense on continued operations	6,266	-	6,266	-
	6,266	-	6,266	450
Accumulated tax losses				
Tax loss brought forward	42,717	99,824	49,396	167,078
Adjustment to brought forward tax losses	(7,763)	-	(7,742)	
Tax loss utilised during the year	(34,954)	(57,107)	(37,597)	(66,682)
Disposal of subsidiary	-	-	-	(51,000)
Tax loss carried forward	-	42,717	4,057	49,396
Effective tax rate	23%	28%	24%	28%

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

12.4 Details of the Current Tax Computation

As per the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto and from 01 April 2018 new IRD Act No 24 of 2017, Chemanex PLC and all other companies within the Group, excluding those which enjoy a tax holiday or concessionary rate taxation are liable to income tax at 28% of the adjusted taxable profits for the year. Further, the Company has used proposed revised income tax rates with effect from 01st January 2020.

12.5 Irrecoverable Economic Service Charge (ESC) has been charged to the Profit or Loss.

Notes to the Financial Statements

13 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

ChemaneX PLC has decided to cease its' paints business in a managed manner and accordingly the entire operation has been classified as discontinued operation. Since the business is planning to recover its assets through a continuing use, assets and liabilities are not being classified as held for sale. Accordingly the "paints" segment will be classified as discontinued operation.

In 2018/19 CAL Exports Lanka (Private) Limited has re-purchased 2,730,000 ordinary shares from its shareholders in the proportion of 52 shares for every 100 shares held at Rs.22/- per share for a total re-purchase consideration of Rs.51.60Mn net of tax. Further the company reduced its stated capital from Rs.42.0Mn to Rs.18.7Mn and ChemaneX PLC's entitlement was Rs.16.3Mn. Subsequently, ChemaneX PLC sold entirety of its holding in CAL Exports Lanka (Private) Limited to the existing shareholders of CAL Exports (Private) Limited for a total consideration of Rs.20.0Mn. Previously this business was categorised under the "chemicals" segment.

ChemaneX Exports (Private) Limited and Chemcel (Private) Limited also have been classified under "assets held for distribution" due to the Board decision of winding up of the business.

13.1 Profit after tax From Discontinued Operations

For the year ended 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Revenue	-	454	-	43,965
Cost of sales	-	(1,066)	-	(33,710)
Gross profit/(loss)	-	(612)	-	10,255
Other income	-	-	121	3,930
Administrative expenses	-	(20)	(653)	(10,466)
Distribution expenses	-	(404)	-	(1,122)
Reversal of provision for receivables and inventories	-	19,714	-	19,714
Results from operating activities	-	18,678	(532)	22,311
Finance income	-	-	2,750	12,769
Profit before tax from a discontinued operations	-	18,678	2,218	35,080
Tax expense	-	-	-	(6,330)
Profit for the year from a discontinued operations	-	18,678	2,218	28,750

13.2 Cash Flows Generated From Discontinued Operations

For the year ended 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Net cash from investing activities	-	71,876	957	96,906
Net cash inflow	-	71,876	957	96,906

13.3 Earnings per Share

For the year ended 31st March	Company		Group	
	2020	2019	2020	2019
Basic/diluted earnings per share for the year, from discontinued operations (Rs.)	-	1.19	0.14	1.83

13.4 Major Classes of Assets and Liabilities Classified as held for distribution

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Assets				
Other receivables	-	-	1,569	1,327
Investments	47,000	47,000	3,228	5,257
Cash in hand and at bank	-	-	27,574	26,617
Assets classified as held for distribution	47,000	47,000	32,371	33,201
Liabilities				
Trade and other payables	-	-	3,926	5,498
Income tax payable	-	-	-	110
Liabilities directly associated with assets classified as held for distribution	-	-	3,926	5,608

During the year liquidation of Yasui Lanka (Private) Limited was completed.

ChemaneX Exports (Private) Limited has Rs.3.3Mn worth inventories which has been fully provided in the Financial Statements.

In 2018/19 company impaired its investment in Chemcel (Private) Limited amounting to Rs.0.17Mn.

Notes to the Financial Statements

14 EARNING PER SHARE

For the year ended 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Profit attributable to equity holders of the Company	304,049	142,612	229,456	119,462

The share capital is as follows :

Ordinary Shares

Number of shares	15,707,312	15,750,000	15,707,312	15,750,000
Basic / diluted earning per share (Rs.)	19.31	9.05	14.58	7.58

Basic Earning per share

The calculation of basic earning per share is based on the profit attributable to ordinary shareholders and the weighted average number of shares outstanding during the year.

Diluted Earning per share

The calculation of diluted earning per share is based on the profit attributable to ordinary shares outstanding after adjustment for the effect of all potentially dilutive ordinary shares.

There were no potentially dilutive ordinary shares at any time during the year/previous year.

15 GROSS DIVIDENDS

For the year ended 31st March	2020 Rs.'000	2019 Rs.'000
Interim Dividend		
Interim dividend paid per share Rs.Nil (2018/19-Rs. 1.00 per share) 15,750,000 ordinary shares	-	15,750
	-	15,750
Final Dividend		
Final dividend proposed and paid Rs. 1.00 (2018/19) per share (2017/18-Rs. 1.00 per share) 15,750,000 ordinary shares	15,750	15,750
	15,750	15,750
Total	15,750	31,500

Directors have recommended the payment of a final dividend of Rs. 2.00 per share on Ordinary shares for the year ended 31st March 2020. This proposed dividend has not yet been recognised as a liability as at 31st March 2020. This would result in a total dividend per share of Rs. 2.00 (2019 - Rs.2.00) once it is approved at the Annual General Meeting.

No interim dividend was paid for 2019/20 (2018/19 -Rs. 1.00).

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

	Buildings Rs.'000	Plant & Machinery Rs.'000	Equipments Rs.'000	Computers Rs.'000	Furniture & Fittings Rs.'000	Motor Vehicles Rs.'000	Total 2020 Rs.'000	Total 2019 Rs.'000
Freehold								
Cost/Valuation								
At the beginning of the year	459	838	5,254	12,825	173	8,491	28,040	72,942
Additions	-	-	-	-	-	-	-	9
Disposals/write off	-	-	-	(93)	-	-	(93)	(44,911)
At the end of the year	459	838	5,254	12,732	173	8,491	27,947	28,040
Depreciation/Impairment								
At the beginning of the year	459	838	5,211	12,593	171	8,491	27,763	71,092
Depreciation	-	-	36	226	2	-	264	921
Disposals/write off	-	-	-	(93)	-	-	(93)	(44,250)
At the end of the year	459	838	5,247	12,726	173	8,491	27,934	27,763
Leasehold								
Cost/Valuation								
Recognition of right-of-use asset on initial application of SLFRS 16	45,962	-	-	-	-	-	45,962	-
At the end of the year	45,962	-	-	-	-	-	45,962	-
Depreciation								
Amortisation	8,784	-	-	-	-	-	8,784	-
At the end of the year	8,784	-	-	-	-	-	8,784	-
Carrying value as at 31st March 2020	37,178	-	7	6	-	-	37,191	-
Carrying value as at 31st March 2019	-	-	43	232	2	-	-	277

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

ii) No borrowing cost was capitalised during the year.

Notes to the Financial Statements

16 PROPERTY, PLANT & EQUIPMENT

B. Carrying Value

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At Cost	37,191	277	37,191	277
Total	37,191	277	37,191	277

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

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

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Buildings	459	459	459	459
Plant & Machinery	838	838	838	838
Equipment	5,182	6,717	5,182	6,717
Data processing equipment	12,723	11,538	12,723	11,538
Furniture & Fittings	173	173	173	173
Motor Vehicles	8,492	8,492	8,492	8,492
Total	27,867	28,217	27,867	28,217

17 INVESTMENT IN SUB-LEASE

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Recognition of right-of-use asset on initial application	23,630	-	23,630	-
Sub-lease interest income	2,047	-	2,047	-
Rent income received	(11,130)	-	(11,130)	-
Carrying value	14,547	-	14,547	-

A Amounts recognised in profit or loss

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

18 INTANGIBLE ASSETS

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Software cost capitalised	1,355	1,390	1,355	1,390
Amortisation for the year	(139)	(35)	(139)	(35)
Net software cost capitalised	1,216	1,355	1,216	1,355

A The Company capitalised the ERP implementation cost, which is amortised over 10 years.

19 DEFERRED TAX

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	12,354	22,154	12,354	22,154
Adjustment due to SLFRS 16	(308)	-	(308)	-
Adjusted balance as at 01st April 2019	12,046	22,154	12,046	22,154
Amount origination/(Reversal) of temporary differences				
Recognised in profit or loss	7,063	(8,986)	7,063	(8,986)
Recognised in other comprehensive income	38	(814)	38	(814)
At the end of the year	19,147	12,354	19,147	12,354
Deferred tax assets	19,147	12,354	19,147	12,354

The Group recognised deferred tax asset of Rs.19.15Mn (2018-Rs.12.35Mn) as at the reporting date, since the management is confident that the deferred tax asset would be realised in the future due to the availability of taxable profits in future periods.

A. Movement in Deferred Tax (Assets)/Liabilities

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

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Deferred tax assets				
Deferred tax assets to be recovered within 12 months	3,731	12,016	3,731	12,016
Deferred tax assets to be recovered after 12 months	15,416	338	15,416	338
Deferred tax assets	19,147	12,354	19,147	12,354

Notes to the Financial Statements

B Movements in Deferred Tax Balances

Company

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

2019					Balance as at 31 March		
	Net balances at 1-Apr	Recognised in Profit or loss	Recognised in OCI		Net Deferred tax assets	Deferred tax liabilities	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant & equipment	907	(822)	-	-	85	(85)	-
Intangible assets	-	(10)	-	-	(10)	-	10
Accumulated tax losses	18,887	(6,926)	-	-	11,961	(11,961)	-
Retirement benefit obligation	2,360	(1,228)	(814)	-	318	(318)	-
Net tax (assets)/liabilities	22,154	(8,986)	(814)	-	12,354	(12,364)	10

B Movements in Deferred Tax Balances**Group**

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

2019	Balance as at 31 March						
	Net balances at 1-Apr	Recognised in Profit or loss	Recognised in OCI	Net	Deferred tax assets	Deferred tax liabilities	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Property, plant & equipment	907	(822)	-	85	(85)	-	
Intangible assets	-	(10)	-	(10)	-	10	
Accumulated tax losses	18,887	(6,926)	-	11,961	(11,961)	-	
Retirement benefit obligation	2,360	(1,228)	(814)	318	(318)	-	
Net tax (assets)/liabilities	22,154	(8,986)	(814)	12,354	(12,364)	10	

Notes to the Financial Statements

C Deferred tax effect of temporary differences

Company

As at 31st March	2020		2019	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant & equipment	107	30	304	85
Intangible assets	382	(107)	35	(10)
Accumulated tax losses	-	-	42,717	11,961
Retirement benefit obligation	1,098	308	1,137	318
Right-of-use-asset	37,178	(10,410)	-	-
Net investment in sub-lease	14,547	(4,073)	-	-
Debtor provision	60,829	17,032	-	-
Lease liability	58,455	16,367	-	-
Net tax liabilities	172,596	19,147	44,193	12,354

Group

As at 31st March	2020		2019	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant & equipment	107	30	304	85
Intangible assets	382	(107)	35	(10)
Accumulated tax losses	-	-	42,717	11,961
Retirement benefit obligation	1,098	308	1,137	318
Right-of-use-asset	37,178	(10,410)	-	-
Net investment in sub-lease	14,547	(4,073)	-	-
Impairment of trade receivables	60,829	17,032	-	-
Lease liability	58,455	16,367	-	-
Net tax liabilities	172,596	19,147	44,193	12,354

D Unrecognised deferred tax (assets)/liabilities

i Group

As at 31st March	2020	Expiry date	2019	Expiry date
	Rs.'000		Rs.'000	
Accumulated tax losses expire	4,057	31/03/2024	6,679	31/03/2024

ii Unremitted income from Subsidiaries and Associates.

The Group has determined that the undistributed profits of its subsidiaries or associate will not be distributed in the foreseeable future. The Group has an agreement with its associate that the profit of the associate will not be distributed until it obtains the consent of the Group. The Group does not anticipate giving such consent at the reporting date.

20 INVESTMENT IN SUBSIDIARIES

Company

As at 31st March	No of shares	Percentage of holding	2020 Rs.'000	2019 Rs.'000
Unquoted - Subsidiaries				
Chemanex Exports (Private) Limited	860,000	100%	47,000	47,000
Yasui Lanka (Private) Limited	2,286,000	69.2%	-	23,485
Chemcel (Private) Limited	82,041	70%	172	172
			47,172	70,657
Transferred to assets classified as held for distribution (Note 13.4)			(47,172)	(70,657)
Total			-	-

- i) The subsidiaries of the Company are incorporated in Sri Lanka.
- ii) In 2017/18, in accordance with SLFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations” Company classified its investment in Chemanex Exports (Private) Limited, Yasui Lanka (Private) Limited, Chemcel (Private) Limited as “Assets Held For Distribution”. During the year liquidation process of Yasui Lanka (Private) Limited was completed.
- iii) The main activities of the subsidiary companies are given in page 95.
- iv) The Group has assessed each subsidiary that has non-controlling interests based on contributions made to the Group revenue, Group profit, total assets and net assets and have determined that such non-controlling interests are not material to the Group.
- v) Loss attributable to non-controlling interest of Rs.0.13Mn arise from Chemcel (Private) Limited.

21 EQUITY ACCOUNTED INVESTEEES

As at 31st March	No of shares	Percentage holding	Company		Group	
			2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Unquoted						
Rainforest Ecolodge (Private) Limited	9,950,968	20.89%	99,510	99,510	87,192	87,192
Commercial Insurance Brokers (Private) Limited	239,999	40.00%	-	200	-	84,042
Provision for Impairment of investment in Associate			(38,302)	(31,402)	-	-
Total			61,208	68,308	87,192	171,234

- i) The equity accounted investees of the Company are incorporated in Sri Lanka.
- ii) Unrecognised share of losses of Rainforest Ecolodge (Private) Limited as at 31st March 2020 is Rs.2.89Mn.
- iii) Company has neither contingent liabilities nor capital commitments in respect of the equity accounted investees.
- iv) During the year company impaired its investment in Rainforest Ecolodge (Private) Limited amounting to Rs.6.9Mn (2018/19-Rs.1.2Mn) due to the decrease of net assets of Rainforest Ecolodge (Private) Limited.
- v) The main activities of the equity accounted investees are given in page 95.

Notes to the Financial Statements

- vi) Company disposed its investment in Commercial Insurance Brokers (Private) Limited for Rs.250Mn and it generated a profit of Rs.249.80Mn at the Company level and Rs.157.02Mn at the Group level.
- vii) Summarised financial information of equity accounted investees as follows;

	2020 Rs.'000	2019 Rs.'000
Revenue	77,681	366,779
Expenses	(96,284)	(335,427)
Profit/(loss) after tax	(18,603)	31,352
Non- current assets	392,148	534,947
Current assets	43,187	250,196
Total assets	435,335	785,143
Non- current liabilities	102,363	97,505
Current liabilities	37,291	111,352
Total liabilities	139,654	208,857
Net assets	295,681	576,286

22 EQUITY INVESTMENT AT FAIR VALUE THROUGH OCI

As at 31st March	No of shares	Company/Group Fair value	
		2020 Rs.'000	2019 Rs.'000
CIC Agri Businesses (Private) Limited	2,680,001	-	-
CIC Feeds (Private) Limited	500,000	185,510	245,560
Equity investments Lanka (Private) Limited	15,000	150	150
		185,660	245,710

Company recognised its' investment in CIC Agri Businesses (Private) Limited as nil, due to the negative net assets position of CIC Agri Businesses (Private) Limited.

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

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

Significant unobservable input used in the fair value measurements categorised within level 3 of the fair value hierarchy, together with the quantitative sensitivity analysis as at 31st March 2020 is as follows:

Financial Asset	Valuation technique	Unobservable inputs	Range of unobservable inputs and the sensitivity
Non listed equity investment: CIC Feeds (Private) Limited	Adjusted net assets method	- Adjusted net assets value per share - Rs. 371/-. - Illiquidity adjustment based on comparable peers.	1% increase in the illiquidity discount rate would reduce the investment value by Rs.1.89Mn and 1% reduction in the illiquidity discount rate would increase investment value by Rs.1.89Mn.

23 INVENTORIES

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Raw materials and consumables	11,738	7,338	11,738	7,338
Finished goods	93,008	119,950	93,008	119,950
Biological assets	104,746	127,288	104,746	127,288
Provision for inventories (Note 23.1)	(42,882)	(54,838)	(42,882)	(54,838)
Total	61,864	72,450	61,864	72,450

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

For the year ended 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At Cost	61,864	72,450	61,864	72,450
Total	61,864	72,450	61,864	72,450

23.1 Provision for inventories

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	54,838	85,124	54,838	85,124
Provision/(Reversal) during the year	7,667	(26,792)	7,667	(26,792)
Write off made during the year	(19,623)	(3,494)	(19,623)	(3,494)
At the end of the year	42,882	54,838	42,882	54,838
Provision relating to continuing operations	42,882	54,838	42,882	54,838

Bank facilities have been obtained on negative pledge of inventories.

24 TRADE RECEIVABLES

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Trade receivables from Group Companies (Note 24.1)	10,800	8,013	10,800	5,660
Other trade receivables	232,608	232,439	232,608	234,792
Total	243,408	240,452	243,408	240,452
Provision for impairment for trade receivables (Note 24.2)	(105,706)	(100,501)	(105,706)	(100,501)
Total	137,702	139,951	137,702	139,951

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

Notes to the Financial Statements

24.1 Trade receivables from Group Companies

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Link Natural Products (Private) Limited	4,802	2,353	4,802	-
CIC Holdings PLC	470	-	470	-
CIC Dairies (Private) Limited	3,758	-	3,758	-
CIC Agri Businesses (Private) Limited	1,770	5,660	1,770	5,660
	10,800	8,013	10,800	5,660

24.2 Provision for impairment for trade receivables

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	100,501	100,474	100,501	100,474
Adjustment on initial application of SLFRS 9	-	(1,208)	-	(1,208)
Provision during the year	5,205	1,235	5,205	1,235
At the end of the year	105,706	100,501	105,706	100,501
Provision relating to continuing trade receivables	105,706	100,501	105,706	100,501

24.3 2018/19 provision includes a provision reversal of Rs. 6.08Mn relating to discontinued debtors.

24.4 Trade Receivables Currency-wise

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Sri Lankan Rupees	137,702	139,951	137,702	139,951
Total	137,702	139,951	137,702	139,951

25 OTHER RECEIVABLES

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Non trade receivable from Group companies (Note 25.1)	2,145	1,229	2,145	1,229
Other non trade receivables (Net)	24,137	31,022	24,137	31,022
VAT receivable	27,817	19,808	27,817	19,808
Income tax receivable (Note 25.2)	6,270	12,905	6,270	12,905
Loans to employees	893	-	893	-
Total	61,262	64,964	61,262	64,964

25.1 Non Trade Receivable from Group Companies

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Chemcel (Private) Limited	8,401	8,384	-	-
Yasui Lanka (Private) Limited	-	48,331	-	-
Unipower (Private) Limited	1,872	1,151	1,872	1,151
CIC Lifesciences (Private) Limited	32	22	32	22
CISCO Speciality Packaging (Private) Limited	46	-	46	-
CIC CropGuard (Private) Limited	195	56	195	56
	10,546	57,944	2,145	1,229
Less: Provision for impairment	(8,401)	(56,715)	-	-
Total	2,145	1,229	2,145	1,229

25.2 Income tax payable/ (receivable)

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	(12,905)	(5,672)	(12,905)	(5,672)
Provision made during the year	17,244	-	17,244	-
Payments made during the year	(10,609)	(7,233)	(10,609)	(7,233)
At the end of the year	(6,270)	(12,905)	(6,270)	(12,905)
Income tax receivable	6,270	12,905	6,270	12,905

26 EQUITY INVESTMENT AT FAIR VALUE THROUGH OCI

As at 31st March	2020		2019	
	No. of Shares Rs.'000	Fair value Rs.'000	No. of Shares Rs.'000	Fair value Rs.'000
Company				
Quoted				
Lanka Orix Leasing Company PLC	11,000	999	11,000	978
Hatton National Bank PLC	1,234,069	129,701	1,215,951	212,791
National Development Bank PLC	106,977	7,081	96,714	9,110
John Keells Holdings PLC	5,250,569	605,916	2,840,139	443,062
Sampath Bank PLC	-	-	1,071,081	192,902
Total		743,697		858,843

Notes to the Financial Statements

As at 31st March	2020		2019	
	No. of Shares	Fair value	No. of Shares	Fair value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group				
Quoted				
Lanka Orix Leasing Company PLC	11,000	999	11,000	978
Hatton National Bank PLC	1,234,069	129,701	1,215,951	212,791
National Development Bank PLC	106,977	7,081	96,714	9,110
John Keells Holdings PLC	5,250,569	605,916	2,840,139	443,062
Sampath Bank PLC	-	-	1,071,081	192,902
Total		743,697		858,843

During the year Company disposed 1,115,116 shares of Sampath Bank PLC for a value of Rs.173.07Mn.

27 CASH AND CASH EQUIVALENTS

27.1 Favourable cash and cash equivalents

As at 31st March	Company		Group	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash and bank balances	470,576	417,173	470,576	417,173
	470,576	417,173	470,576	417,173

27.2 Unfavourable cash and cash equivalents

As at 31st March	Company		Group	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Bank overdrafts	(5,982)	(32,538)	(5,982)	(32,538)
	(5,982)	(32,538)	(5,982)	(32,538)
Cash and cash equivalents classified as assets held for distribution	-	-	27,574	26,617
Cash and cash equivalents for the purpose of cash flow statements	464,594	384,635	492,168	411,252

28 STATED CAPITAL

As at 31st March	Company / Group			
	2020 No. of Shares	Rs. '000	2019 No. of Shares	Rs. '000
Ordinary Shares				
As at the beginning of the year	15,707,312	126,250	15,750,000	126,250
As at the end of the year	15,707,312	126,250	15,750,000	126,250

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

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

29 CAPITAL RESERVES

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	-	-	3,000	3,000
At the end of the year	-	-	3,000	3,000

29.1 Capital reserve consist of reserve on scrip issue which is originated from post-acquisition scrip issues made by the subsidiaries.

30 REVENUE RESERVES

Revenue reserves comprises of retained earnings, general reserves and fair value reserves.

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

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

Notes to the Financial Statements

31 LOANS AND BORROWINGS

31.1 Loans and borrowings

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Lease liability relating to ROU asset (Note 31.2)	58,455	-	58,455	-
Bank overdraft	5,982	32,538	5,982	32,538
Total	64,437	32,538	64,437	32,538

31.2 Lease liability relating to ROU asset

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Balance as at 01 April 2019	70,694	-	70,694	-
Interest charge	7,104	-	7,104	-
Payments	(19,343)	-	(19,343)	-
At the end of the year	58,455	-	58,455	-
Less: Repayable within one year	(13,325)	-	(13,325)	-
Repayable after one year	45,130	-	45,130	-

31.3 Loans and borrowings repayable within one year from the year end

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Lease liabilities	13,325	-	13,325	-
Bank overdrafts	5,982	32,538	5,982	32,538
Total	19,307	32,538	19,307	32,538

31.4 Loans and borrowings repayable after one year from the year end

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Lease liabilities	45,130	-	45,130	-
	45,130	-	45,130	-

32 RETIREMENT BENEFIT OBLIGATIONS

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Present value of the gratuity				
At the beginning of the year	1,137	10,990	1,137	10,990
Current service cost	204	197	204	197
Benefits paid by the plan	(509)	(8,452)	(509)	(8,452)
Interest cost	131	1,319	131	1,319
Actuarial loss/(gain)	136	(2,917)	136	(2,917)
At the end of the year	1,099	1,137	1,099	1,137

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

As at 31st March	Company		Group	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Distribution expenses	99	1,240	99	1,240
Administrative expenses	236	276	236	276
	335	1,516	335	1,516
Other comprehensive income	136	(2,917)	136	(2,917)
Total	471	(1,401)	471	(1,401)

32.2 The gratuity liability of the Company, and the Group is based on the actuarial valuation carried out by Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The liability is not externally funded.

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

32.4 Following key assumptions were made in arriving at the above figures.

	2020	2019
Rate of discount	10.5%	11.5%
Salary increase	10%	10%
Retirement age management staff	55 years	55 years

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

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

Notes to the Financial Statements

32.7 Sensitivity of Assumptions Used

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

As at 31st March 2020	Increase by 1%		Decrease by 1%	
	Discount Rate	Future Salary Growth	Discount Rate	Future Salary Growth
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Company - the present value change in retirement benefit obligations	(30)	32	30	(33)

33 TRADE PAYABLES

As at 31st March	Company		Group	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Bills payable	5,042	13,201	5,042	13,201
Other Trade payables	1,133	801	1,133	801
Total	6,175	14,002	6,175	14,002

33.1 Currency - wise Trade Payables

As at 31st March	Company		Group	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
US Dollars	3,756	4,320	3,756	4,320
Sri Lankan Rupees	2,419	9,682	2,419	9,682
Total	6,175	14,002	6,175	14,002

34 ACCRUALS AND OTHER PAYABLES

As at 31st March	Company		Group	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Other payables to Group Companies (Note 34.1)	74,394	75,101	2,667	3,220
Other payables	19,737	19,545	19,737	19,545
Accruals	2,113	1,278	2,113	1,278
Total	96,244	95,924	24,517	24,043

34.1 Other Payables to Group Companies

As at 31st March	Company		Group	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Chemanex Exports (Private) Limited	71,727	71,881	-	-
CIC Holdings PLC	2,667	3,220	2,667	3,220
Total	74,394	75,101	2,667	3,220

35 LEASES

See accounting policy in Note 3.8

35.1 Leases as lessee (SLFRS 16)

ChemaneX PLC has entered into lease agreements with CIC Holdings PLC and O.L.M. Macan Macar Limited to use their buildings. Macan Macar premises has been further sub-let to Unipower (Private) Limited and CAL Exports Lanka (Private) Limited.

35.1.1 Right-of-use-assets

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

	Buildings Rs. '000	Total Rs. '000
Balance at 01st April 2019	45,962	45,962
Depreciation charge for the year	(8,784)	(8,784)
Balance at 31st March 2020	37,178	37,178

35.1.2 Amounts recognised in profit or loss

	Rs. '000
2020-Leases under SLFRS 16	
Interest on lease liabilities	7,104
Income from sub-leasing right-of-use assets presented in "finance income"	2,047
2019- Operating leases under LKAS 17	
Rent expense	16,011
Sub-lease income presented in "other income" (Note 07)	6,160

35.1.3 Amounts recognised in statement of cash flows

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

35.1.4 Maturity analysis - Contractual undiscounted cash flows

As at 31st March	2020 Rs. '000
Less than one year	11,747
Later than one year and not later than five years	31,355
More than five years	53,913
Total undiscounted lease liability	97,015

Notes to the Financial Statements

35.1.5 Extension options

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

35.2 Leases as lessor

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

35.2.1 Lease

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

During 2020, the Group recognised interest income on lease receivable of Rs. 2.05Mn (2019-nil).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date. Under LKAS 17, the Group did not have any finance leases as a lessor.

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

36 CAPITAL COMMITMENTS

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

37 CONTINGENT LIABILITIES

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

38 EVENTS AFTER THE REPORTING DATE

On 10th August 2020, Company has sold its 16.92% holding in CIC Agri Businesses (Private) Limited for a consideration of Rs. 200.33Mn to its holding company CIC Holdings PLC.

The Board of Directors has recommended a final dividend of Rs.2.00 per share amounting to Rs. 31.41Mn on the issued capital which is payable on 12th October 2020 if approved by the shareholders at the Annual General Meeting.

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

39 RELATED PARTY DISCLOSURE

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

39.1 Parent and Ultimate Controlling Party

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

Transactions with Paints and General Industries Limited

	2020 Rs. Mn	2019 Rs. Mn
Sales	4.35	3.90
Trade receivables	0.37	0.60

Transactions with CIC Holdings PLC

	2020 Rs. Mn	2019 Rs. Mn
Dividend paid	7.94	15.88
Sale of goods	1.24	-
Rent received	-	0.62
Rent paid	12.13	10.61
Secretarial fees received	0.45	1.34
Staff cost paid	4.53	1.58
Staff cost received	1.67	0.07
Service charges paid	13.07	13.62
Non trade payables	2.67	3.22

39.2 Key Management Personnel (KMP)

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

KMP of the Company

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

KMP of the Group

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

Notes to the Financial Statements

39.3 Transactions with KMP

a) Loans to Directors

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

b) Key Management Personnel Compensation

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

c) Other Transactions with Key Management Personnel

The names of Directors of Chemanex PLC, who are also Directors of subsidiaries, sub-subsidiaries and the equity accounted investees, are stated on page 95.

d) Details of Directors and their spouses' shareholdings are given in the Annual Report of the Directors' on the Affairs of the Company on page 24.

e) Transactions in the ordinary course of the business with the entities where Board of Directors of the Company and the Holding Company and their close family members have substantial holdings/ influence.

Company	Name of the Director	Nature of the Transaction	2020 Rs.'000	2019 Rs.'000
Polypak Secco Limited	P.R. Saldin	Payments for purchases of goods	288	641

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

39.4 Transactions with Subsidiaries and Equity Accounted Investees

(i) Companies within the Group engage in trading transactions under normal commercial terms and conditions.

(ii) Company provides office space to some affiliated companies and charge rent. Further it pays rent to the parent company for utilising its premises.

39.4.1 Recurring Transactions

Company	Relationship	Nature of the Transaction	2020	2019
			Rs. Mn	Rs. Mn
Chemanex Exports (Private) Limited	Subsidiary	Non trade payable	71.73	71.88
Chemcel (Private) Limited	Subsidiary	Amount receivables	8.40	8.38
Commercial Insurance Brokers (Private) Limited	Equity accounted investee	Dividend received	-	5.16
CIC Agri Businesses (Private) Limited	Affiliated Company	Sales	7.53	6.81
		Trade receivables	1.77	5.66
		Dividend paid	0.45	0.83
CIC Dairies (Private) Limited	Affiliated Company	Sales	3.48	-
		Trade receivables	3.76	-
Link Natural Products (Private) Limited	Affiliated Company	Sales	20.79	19.42
		Trade receivables	4.80	2.35
CIC CropGuard (Private) Limited	Affiliated Company	Service charges	0.12	0.01
		Non trade receivables	0.20	0.06
CISCO Speciality Packaging (Private) Limited	Affiliated Company	Service charges	0.04	0.04
		Non trade receivables	0.05	-
CIC Lifesciences (Private) Limited	Affiliated Company	Service charges	0.12	0.01
		Non trade receivables	0.03	0.22
Unipower (Private) Limited	Affiliated Company	Service charges	1.65	3.09
		Rent income received	5.30	-
		Non trade receivables	1.87	1.15

39.4.2 Non - Recurring Transactions

During the year there were no non-recurring related party transactions of the company which require disclosures in the Annual Report.

Notes to the Financial Statements

40. CORONAVIRUS (COVID-19) PANDEMIC

Following the spread of global pandemic COVID 19 in Sri Lanka, Company evaluated the resilience of its businesses considering factors such as profitability, cash reserves, and potential sources of financing facilities; if required and possibility of differing non-essential capital expenditure. Having considering the above management is satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future.

With relating to the liquidity, at each business unit level a disciplined approach has been adopted to control the expenditure and optimise the collection via rigid credit control management process which also reduces the credit risk of the Company.

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

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

After a stringent lockdown period of over a month, curfew has been gradually eased off in the country, accordingly business activity has resumed across the country and the Company is also enjoying a positive momentum. The Company has evaluated all guidelines issued by the Government as well as international best practices and has developed health and safety guidelines to ensure suitable working arrangements and safe conditions for employees, customers and other stakeholders.

There are no changes to the followings disclosures;

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

41 FINANCIAL INSTRUMENTS

Risk Management

The Group's principal financial liabilities comprise of trade and other payables and the lease liability arose with the adoption of SLFRS-16. The Group has trade and other receivables and cash and cash equivalents that derive directly from its operations. The Group also holds investments in equity securities. Therefore, the Group is exposed to market risk, credit risk and liquidity risk.

Risk Management Framework

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

a) **Credit risk**

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

As at 31st March	Company	
	2020 Rs.'000	2019 Rs.'000
Exposure to credit risk		
Equity securities-fair value through OCI	929,357	1,104,553
Trade receivables	137,702	139,951
Other receivables	61,262	64,964
Cash and cash equivalent	470,576	417,173
Total	1,598,897	1,726,641

As at 31st March	Group	
	2020 Rs.'000	2019 Rs.'000
Equity securities-fair value through OCI	929,357	1,104,553
Trade receivables	137,702	139,951
Other receivables	61,262	64,964
Cash and cash equivalent	470,576	417,173
Total	1,598,897	1,726,641

Trade and other receivables

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

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

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

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

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

Notes to the Financial Statements

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

As at 31st March	Company	
	2020 Rs.'000	2019 Rs.'000
Domestic	137,702	139,951
Total	137,702	139,951

Impairment losses

All trade receivables that are past due, have been considered for impairment as at 31st March 2020.

The movement in the allowance for impairment of trade receivables is disclosed in Note 24.2.

Debt securities

The Group limits its exposure to credit risk by investing only in liquid debt securities.

The Group did not have any debt securities that were past due but not impaired at 31st March 2020 (2019: nil).

Cash and cash equivalents

The Company held cash and cash equivalents of Rs.470.58Mn as at 31st March 2020, (2019: Rs, 417.17Mn) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks, which are rated AA- to AA+, based on Fitch ratings. Following table depicts the credit ratings of the financial institutions that the Group hold its deposits.

Name of the Bank	Rating
Commercial Bank PLC	AA+
National Development Bank PLC	AA
Hatton National Bank PLC	AA-

b) Liquidity risk

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

As at 31st March		Company	
		2020 Rs.'000	2019 Rs.'000
Trade payables	Less than 90 days	6,175	14,002
Accruals and other payables	Less than 90 days	96,244	95,924
Lease liability	Less than 90 days	13,325	-
Bank overdraft	On demand	5,982	32,538

c) Market risk

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

d) Currency risk

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

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

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

As at 31st March	2020			2019		
	Selling Rate Rs.	Buying Rate Rs.	Average Rate Rs.	Selling Rate Rs.	Buying Rate Rs.	Average Rate Rs.
US Dollar	192.45	187.36	188.62	178.02	174.17	176.13
Euro	213.56	205.27	207.96	201.25	194.3	197.8
Sterling Pound	238.79	230.01	232.67	233.92	226.51	230.16

e) Capital management

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

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

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

As at 31st March	Company	
	2020 Rs.'000	2019 Rs.'000
Total Debts	37,396	48,288
Less: cash and cash equivalents	(470,576)	(417,173)
Net debt	(433,180)	(368,885)
Total equity	1,673,115	1,784,784
Adjusted equity	1,641,701	1,769,034
Net debt to adjusted equity ratio at 31 March(Times)	(0.26)	(0.21)

Notes to the Financial Statements

f) Accounting classifications and fair value

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

Company

As at 31st March 2020	Fair Value through OCI Rs'000	Financial assets at amortised cost Rs'000	Other financial liabilities Rs'000	Carrying amount Rs'000	Fair Value Rs'000
Cash and cash equivalent	-	470,576	-	470,576	470,576
Trade receivables	-	137,702	-	137,702	137,702
Other receivables	-	61,262	-	61,262	61,262
Equity investment at fair value through OCI	929,357	-	-	929,357	929,357
	929,357	669,540	-	1,598,897	1,598,897
Trade payables	-	-	(6,175)	(6,175)	(6,175)
Other payables	-	-	(96,244)	(96,244)	(96,244)
Lease liabilities	-	-	(58,455)	(58,455)	(58,455)
Bank overdraft	-	-	(5,982)	(5,982)	(5,982)
	-	-	(166,856)	(166,856)	(166,856)
As at 31st March 2019	Fair Value through OCI Rs'000	Financial assets at amortised cost Rs'000	Other financial liabilities Rs'000	Carrying amount Rs'000	Fair Value Rs'000
Cash and cash equivalent	-	417,173	-	417,173	417,173
Trade receivables	-	139,951	-	139,951	139,951
Other receivables	-	64,964	-	64,964	64,964
Equity investment at fair value through OCI	1,104,553	-	-	1,104,553	1,104,553
	1,104,553	622,088	-	1,726,641	1,726,641
Trade payables	-	-	(14,002)	(14,002)	(14,002)
Other payables	-	-	(95,924)	(95,924)	(95,924)
Bank overdraft	-	-	(32,538)	(32,538)	(32,538)
	-	-	(142,464)	(142,464)	(142,464)

Group

As at 31st March 2020	Fair Value through OCI Rs'000	Financial assets at amortised cost Rs'000	Other financial liabilities Rs'000	Carrying amount Rs'000	Fair Value Rs'000
Cash and cash equivalent	-	470,576	-	470,576	470,576
Trade receivables	-	137,702	-	137,702	137,702
Other receivables	-	61,262	-	61,262	61,262
Equity investment at fair value through OCI	929,357	-	-	929,357	929,357
	929,357	669,540	-	1,598,897	1,598,897
Trade payables	-	-	(6,175)	(6,175)	(6,175)
Other payables	-	-	(24,517)	(24,517)	(24,517)
Lease liabilities	-	-	(58,455)	(58,455)	(58,455)
Bank overdrafts	-	-	(5,982)	(5,982)	(5,982)
	-	-	(95,129)	(95,129)	(95,129)
As at 31st March 2019	Fair Value through OCI Rs'000	Financial assets at amortised cost Rs'000	Other financial liabilities Rs'000	Carrying amount Rs'000	Fair Value Rs'000
Cash and cash equivalent	-	417,173	-	417,173	417,173
Trade receivables	-	139,951	-	139,951	139,951
Other receivables	-	64,964	-	64,964	64,964
Equity investment at fair value through OCI	1,104,553	-	-	1,104,553	1,104,553
	1,104,553	622,088	-	1,726,641	1,726,641
Trade payables	-	-	(14,002)	(14,002)	(14,002)
Other payables	-	-	(24,043)	(24,043)	(24,043)
Bank overdrafts	-	-	(32,538)	(32,538)	(32,538)
	-	-	(70,583)	(70,583)	(70,583)

Notes to the Financial Statements

Fair value measurement hierarchy

Company

As at 31st March	Level 01		Level 02		Level 03	
	2020 Rs'000	2019 Rs'000	2020 Rs'000	2019 Rs'000	2020 Rs'000	2019 Rs'000
Recurring fair value measurements-						
Assets measured at fair value						
Equity investment at fair value through OCI	-	858,843	743,697	-	185,660	245,710
	-	858,843	743,697	-	185,660	245,710
Non - recurring fair value measurements-						
Net asset classified as held for distribution	-	-	-	-	47,000	47,000

Group

As at 31st March	Level 01		Level 02		Level 03	
	2020 Rs'000	2019 Rs'000	2020 Rs'000	2019 Rs'000	2020 Rs'000	2019 Rs'000
Recurring fair value measurements-						
Assets measured at fair value						
Equity investment at fair value through OCI	-	858,843	743,697	-	185,660	245,710
	-	858,843	743,697	-	185,660	245,710
Non-recurring fair value measurements						
Net asset classified as held for distribution	-	-	-	-	32,371	33,201
	-	-	-	-	32,371	33,201

Due to the COVID-19 outbreak and the closure of the Exchange, Management has assessed and determined the fair value of equity portfolio as of 31st March 2020, based on the closing traded prices that existed as of the last transacted date for the period ended 31st March 2020 which is 20th March 2020.

All the listed equity instruments amounting to LKR 744 Mn were transferred from level 1 to level 2 as at 31st March 2020 as it shows factors which are indicative of an inactive market due to COVID-19 pandemic. There was a significant decline in the world equity market and the share prices did not reflect the accurate fair value of the instruments. Hence the management decided to recognise all its listed equity instruments in level 2.

Operational Risk

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

Ten Year Group Performance

Income Statement	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS	SLFRS
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Revenue	395,850	460,005	723,582	823,690	1,444,004	1,286,887	1,195,200	1,165,135	931,096	999,552
Gross profit	82,574	90,410	141,552	169,159	265,191	207,672	215,096	188,902	160,158	180,792
Finance (cost)/income	39,874	42,294	39,976	(6,059)	(5,463)	(12,520)	(42,594)	(44,879)	(21,699)	(10,110)
Share of profit/(loss) of equity accounted investees	8,938	12,861	13,093	9,609	20,667	(18,260)	(9,399)	(2,852)	262	3,729
Profit before taxation	237,288	101,816	379,010	58,474	79,208	18,804	308,447	(2,818)	(20,118)	60,059
Income tax expense	(10,181)	(8,986)	4,951	(27,346)	(27,056)	(6,622)	(17,316)	(20,800)	(21,602)	(36,122)
Profit/(loss) for the year from discontinued operations	2,218	28,750	(154,265)	39,384	(6,229)	7,684	(25,144)	(23,604)	-	-
Profit/(loss) after taxation	229,325	121,580	229,696	70,512	45,923	19,866	265,987	(47,222)	(1,484)	23,937
Non-controlling interest	(131)	2,118	(29,428)	3,719	6,042	7,927	(16,080)	(27,703)	(15,792)	(6,165)
Profit/(loss) attributable to equity holders of the Company	229,456	119,462	259,124	66,793	39,881	11,939	282,067	(19,519)	14,308	30,102

Balance Sheet

Net Assets

Property, plant and equipment	37,191	277	1,850	232,413	233,998	146,201	154,302	471,899	488,633	419,977
Investment in sub-lease	14,547	-	-	-	-	-	-	-	-	-
Investment property	-	-	-	40,247	-	-	-	707	86,977	87,066
Deposit on leasehold property	-	-	-	-	-	-	-	16,152	13,678	13,964
Intangible assets	1,216	1,355	-	-	-	-	-	32,686	32,686	32,686
Investments	272,852	416,944	462,605	435,618	359,474	342,618	802,894	258,849	255,437	274,283
Deferred tax assets	19,147	12,354	22,154	12,277	13,073	12,742	17,966	18,032	21,790	16,721
Net current assets	1,453,547	1,510,391	1,656,475	1,235,958	1,255,431	1,241,872	722,136	647,398	588,605	655,693
	1,798,500	1,941,321	2,143,084	1,956,513	1,861,976	1,743,433	1,697,298	1,445,723	1,487,806	1,500,390

Non- Current liabilities	(46,229)	(1,137)	(10,990)	(44,150)	(47,582)	(43,099)	(62,517)	(67,900)	(61,029)	(47,532)
	1,752,271	1,940,184	2,132,094	1,912,363	1,814,394	1,700,334	1,634,781	1,377,823	1,426,777	1,452,858

Stated Capital & Reserves

Stated capital	126,250	126,250	126,250	126,250	126,250	126,250	126,250	126,250	126,250	126,250
Capital reserves	3,000	3,000	3,000	238,170	238,170	268,959	225,538	145,330	160,698	161,453
General reserves	-	-	-	-	-	232,841	232,841	232,841	232,841	232,841
Revenue reserves	1,640,694	1,828,629	1,990,975	1,505,438	1,413,363	1,037,836	1,021,415	747,875	784,228	822,708
Shareholders' funds	1,769,944	1,957,879	2,120,225	1,869,858	1,777,783	1,665,886	1,606,044	1,252,296	1,304,017	1,343,252
Non controlling interest	(17,673)	(17,695)	11,869	42,507	36,611	34,448	28,737	125,527	122,760	109,606
Total equity	1,752,271	1,940,184	2,132,094	1,912,365	1,814,394	1,700,334	1,634,781	1,377,823	1,426,777	1,452,858

Ratios

Return on shareholders' equity %	13	6	12	3	2	1	18	-2	1	2
Annual sales growth %	(13.95)	(36.43)	(12.15)	(42.96)	12.21	7.67	2.58	25.13	(5.78)	1.94
Return on assets	12.38	6.03	10.17	3.36	2.16	0.42	13.29	(0.99)	0.75	1.59
Current ratio times	27.95	20.82	15.47	9.62	5.69	5.61	2.60	2.23	2.40	2.38

Share Information

Market value of a share (Rs.)	40.00	59.00	63.50	55.00	63.00	75.00	81.90	74.00	101.50	133.40
Earnings per share (Rs.)	14.58	7.58	16.45	4.24	2.93	0.76	17.91	(1.24)	0.91	1.91
Price earnings ratio (No.of times)	2.74	7.78	3.86	12.97	21.50	98.68	4.85	(59.68)	111.73	69.80
Net assets value per share (Rs.)	112.68	124.31	134.62	118.72	112.88	104.28	100.49	79.51	82.79	85.29
Earnings yield %	36.45	12.86	25.91	7.71	4.65	0.67	21.87	(1.67)	0.90	1.43
Dividend yield %	2.50	3.39	3.15	5.45	3.17	1.33	1.22	1.35	1.48	1.50
Dividend cover(No.of times)	14.58	3.79	9.79	4.15	2.93	0.50	17.91	(1.24)	0.61	0.96
Dividend per share (Rs.)	1.00	2.00	2.00	3.00	2.00	1.00	1.00	1.00	1.50	2.00

Group Structure

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

Information to Shareholders and Investors

1 STOCK EXCHANGE LISTING

Date of Listing in Colombo Stock Exchange (CSE)	: 16-Dec-74
Abbreviation in Colombo Stock Exchange	: "CHMX.N"
Stated Capital - No. of Ordinary Shares	: 15,707,312

2 CHEMANEX SHARES IN THE CSE

	2020		2019	
Highest Price (Rs.)	8/6/19	66.00	4/2/18	63.50
Lowest Price (Rs.)	3/13/20	38.10	3/27/19	45.00
Average Price (Rs.)		59.68		51.90
Last traded Price (Rs.)		40.00		59.00
No. of transactions		509		526
No. of shares traded		988,546		223,217
Value of shares traded (Rs. '000')		59,000		11,586
Market capitalisation (Rs. '000')		628,292		929,250

3 ANALYSIS OF SHAREHOLDERS AS AT 31ST MARCH

Range of Shareholding	2020			2019		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1000	905	203,433	1.30	910	201,252	1.28
1001 - 10000	227	788,845	5.02	220	741,520	4.71
10001 - 100000	64	2,194,972	13.97	67	2,156,256	13.69
100001 - 1000000	7	2,953,306	18.80	8	3,084,216	19.58
Over 1000000	2	9,566,756	60.91	2	9,566,756	60.74
Total	1,205	15,707,312	100.00	1,207	15,750,000	100.00

Range of Shareholding	2020			2019		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	1,152	3,401,418	21.65	1,151	4,068,028	25.83
Institutions	53	12,305,894	78.35	56	11,681,972	74.17
Total	1,205	15,707,312	100.00	1,207	15,750,000	100.00
Resident	1,186	15,562,384	99.08	1,177	15,522,650	98.56
Non-Resident	19	144,928	0.92	30	227,350	1.44
Total	1,205	15,707,312	100.00	1,207	15,750,000	100.00

4 DISTRIBUTION OF SHARES AS AT 31ST MARCH

The following table of Distribution of Shares as of 31st March 2020, has been furnished to Colombo Stock Exchange (CSE) and Securities & Exchange Commission (SEC) in accordance with CSE Listing Rule 7.13.

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

	2020		2019	
	No. of shares held	No. of shares as a percentage of the total no. of shares in issue	No. of shares held	No. of shares as a percentage of the total no. of shares in issue
CIC Holdings PLC	7,939,373	50.55	7,939,373	50.41
CIC Holdings PLC/Trustees for Charitable & Educational Trust Fund	1,627,383	10.36	1,627,383	10.33
CIC Agri Businesses (Private) Limited	446,604	2.84	446,604	2.84
Commercial Insurance Brokers (Private) Limited	-	-	93	0.00
Total Shareholding of Non-Public Shareholders	10,013,360	63.75	10,013,453	63.58

PUBLIC SHAREHOLDERS**Public Shareholders as at 31st March**

	2020		2019	
	No. of public shareholders	public shareholding(%)	No. of public shareholders	public shareholding(%)
Public shareholding	1,202	36.25	1,203	36.42

5 DIRECTORS' SHAREHOLDING AS AT 31ST MARCH

Any of the Directors did not hold shares of the Company as at 31st March 2020 and 31st March 2019.

6 FLOAT ADJUSTED MARKET CAPITALISATION

Type	No of shares	Share price Rs.	Capitalisation (Rs'000)
Shares held by public	5,693,952	40	227,758

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

Information to Shareholders and Investors

7 TWENTY LARGEST SHAREHOLDERS

Name of the Non Public Shareholders

		2020		2019	
		No. of Shares	%	No. of Shares	%
1	CIC Holdings PLC	7,939,373	50.55	7,939,373	50.41
2	CIC Holdings PLC/ Charitable & Education Trust Fund	1,627,383	10.36	1,627,383	10.33
3	Seylan Bank PLC/ Dr. Thirugnanasambandar Senthilverl	662,691	4.22	664,982	4.22
4	National Development Bank/ Sakuvi Investment Trust (Private) Limited	538,366	3.43	538,366	3.42
5	CIC Agri Businesses (Private) Limited	446,604	2.84	446,604	2.84
6	Mr. S.K Wickremesinghe Trust (Guarantee) Limited	400,000	2.55	400,000	2.54
7	Mr. S. Srikanthan	400,000	2.55	418,489	2.66
8	Mr. S.K Wickremesinghe	315,245	2.01	315,245	2.00
9	Mr. D.A.De Zoysa	190,400	1.21	190,400	1.21
10	Bank of Ceylon Account No 1	100,000	0.64	100,000	0.63
11	Bensons Limited	83,286	0.53	83,286	0.53
12	Mrs. M.C.Abeyasekera	81,546	0.52	81,546	0.52
13	Mr. D.F.G. Dalpethado	77,174	0.49	110,130	0.70
14	Dawi Investment Trust (Private) Limited	77,073	0.49	64,542	0.41
15	Peoples Leasing Finance PLC/ Dr. H.S.D. Soysa	76,851	0.49	50,989	0.32
16	Mr. H.R. Peiris	69,525	0.44	69,525	0.44
17	Dr. H.S.D. Soysa	68,429	0.44	68,429	0.43
18	Mr. Z.G. Carimjee	66,568	0.42	66,568	0.42
19	Peoples Leasing Finance PLC/ Mr. L.P. Hapangama	66,019	0.42	59,771	0.38
20	Mrs. H. G.S. Ansell	65,097	0.41	65,097	0.41
		13,351,630	85.00	13,360,725	84.83

8 MOVEMENT IN SHARE CAPITAL

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

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Forty Seventh Annual General Meeting of Chemanex PLC will be held by way of audio visual means on Wednesday the 30th day of September 2020 at 9.30 a.m. centered from 199, Kew Road, Colombo 2 for the following purposes;

AGENDA

1. To receive and adopt the Statements of Accounts of the Company and of the Group for the year ended 31st March 2020 together with the Reports of the Directors and Auditors thereon.
 2. To declare a dividend.
 3. To re-elect Mr. S Fernando who retires in terms of Article 24(2) of the Articles of Association of the Company.
 4. To re-elect Mr. E M M Boyagoda who retires in terms of Article 24(6) of the Articles of Association of the Company.
 5. To vote a sum as donations.
 6. To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.
- Shareholders who wish to participate in the Annual General Meeting through the online platform are kindly requested to complete and forward the “Annexure 1- Registration of Shareholder Information” attached to the Annual Report to the email address “agm@chemanex.lk” with the email subject titled “CNX AGM 2020” or post it to the registered address of the Company to be received not less than 3 days before the date of the meeting.

Shareholders are requested to provide their email address in the space provided in Annexure 1 to enable us to forward the web link so that they may participate in the meeting through the online platform.

By order of the Board of,
CHEMANEX PLC

T Wegodapola
Company Secretary
21 August 2020

Notes;

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

Form of Proxy

ANNUAL GENERAL MEETING

I/We.....

of.....

being a member/members of Chemanex PLC hereby appoint;

Prawira Rimoe Saldin of Colombo or failing him

Shermal Fernando of Colombo or failing him

Ekanayake Mudiyansele Mangala Boyagoda of Colombo or failing him

Sumithra Anura Bandara Ekanayake of Colombo or failing him

.....
as *my/our Proxy to *speak and/to vote for *me/us on *my/our behalf at the Forty Seventh Annual General Meeting of Chemanex PLC to be held as an online meeting on Wednesday the 30th September 2020 at 9.30 a.m at 199, Kew Road, Colombo 02 and at any adjournment thereof.

.....
Date

.....
Signature

*Note: Please delete inappropriate words

Instructions as to Completion of Form of Proxy

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

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

Chemanex PLC

No.52, Galle Face Court 2

Colombo 3.

Corporate Information

Name of the Company

ChemaneX PLC

Company Registration Number

PQ 64

Legal Form

A Public Quoted Company with limited liability incorporated in Sri Lanka on 28th August 1974.

Re-registered under the Companies Act No. 7 of 2007 on 6 August 2007.

Registered Office

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

Board of Directors

P. R. Saldin (Chairman)

S Fernando (Chief Executive Officer)

E. M. M. Boyagoda

S. A. B. Ekanayake

Company Secretary

T. Wegodapola

Auditors

Ernst & Young

Chartered Accountants

201, De Saram Place, Colombo 10.

Bankers

Commercial Bank of Ceylon PLC

Standard Chartered Bank PLC

Hatton National Bank PLC

Legal Advisers

Nithya Partners

Attorneys-at-Law

97A, Galle Road, Colombo 3.

Audit Committee

S. A. B. Ekanayake (Chairman)

P. R. Saldin

E. M. M. Boyagoda

Related Party Transactions Review Committee

S. A. B. Ekanayake (Chairman)

E. M. M. Boyagoda

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CHEMANEX PLC
ANNUAL REPORT 2019/20