PIDILITE LANKA (PRIVATE) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2021

KPMG
(Chartered Accountants)
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PIDILITE LANKA (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pidilite Lanka (Private) Limited ("the Company"), which comprise the statement of financial position as at 31 March 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements, 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.

Other Information

Management is responsible for the other information. The financial statements do not comprise other information.
Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: http://slaasc.com/auditing/auditorsresponsibility.php. This description forms part of our auditor's report.

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.

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CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
30 April 2021

PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31 March,	Note	2021 Rs.	2020 Rs.
Assets			
Non-current assets			
Property, plant and equipment	2	461,125,913	495,029,973
Right-of-use assets	3.2	49,222,588	52,443,549
Intangible assets	4	299,000,000	305,900,000
Investments	5	4,000,000	4,000,000
Deferred tax assets	21.2	7,273,638	29,462,405
Total non-current assets		**820,622,139**	**886,835,927**
Current assets			
Inventories	6	270,911,504	186,576,455
Trade receivables	7	313,179,266	273,494,327
Other receivables	8	48,556,901	57,052,832
Amount due from related parties	9	9,406,998	5,727,238
Cash and cash equivalents	10	2,242,900	2,389,186
Total current assets		**644,297,569**	**525,240,038**
Total assets		**1,464,919,708**	**1,412,075,965**
Equity and liabilities			
Equity			
Stated capital	11	875,318,163	875,318,163
Retained earnings		(42,240,068)	(100,658,811)
Total equity		**833,078,095**	**774,659,352**
Non-current liabilities			
Interest bearing loans and borrowings	12	123,430,555	163,291,667
Retirement benefit obligations	13	10,975,868	7,207,937
Lease liability	14	38,191,340	36,341,189
Total non-current liabilities		**172,597,763**	**206,840,793**
Current liabilities			
Interest bearing loans and borrowings	12	163,166,667	53,645,833
Lease liability	14	2,260,119	4,969,590
Trade and other payables	15	82,205,306	75,902,984
Statutory payables	16	1,848,943	2,209,051
Amount due to related parties	17	122,113,781	75,641,529
Accrued expenses		43,370,835	18,637,795
Bank overdraft	10	44,278,199	199,569,037
Total current liabilities		**459,243,850**	**430,575,820**
Total liabilities		**631,841,613**	**637,416,613**
Total equity and liabilities		**1,464,919,708**	**1,412,075,965**

The financial statements are to be read in conjunction with the related notes, which form an integral part of these financial statements of the Company.

I certify that these financial statements are prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

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Head of Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standards.

Approved and signed for and on behalf of the Board:

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Director **Director**

30 April 2021
Colombo

PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March,	Note	2021 Rs.	2020 Rs.
Revenue	18	1,154,949,639	1,058,953,655
Cost of sales		(786,483,765)	(784,557,444)
Gross profit		**368,465,874**	**274,396,211**
Other income		1,178,920	2,072,362
Distribution expenses		(78,259,284)	(74,313,738)
Administrative expenses		(171,463,461)	(181,301,850)
Results from operating activities	19	**119,922,049**	**20,852,985**
Finance costs	20	(37,361,942)	(58,553,939)
Profit/ (Loss) before tax expense		**82,560,107**	**(37,700,954)**
Tax expense	21	(22,735,494)	3,729,535
Profit/ (Loss) for the year		**59,824,613**	**(33,971,419)**
Other comprehensive income, net of tax			
Deferred tax on actuarial loss		546,727	-
Actuarial loss gain from defined benefit plans		(1,952,597)	-
Total comprehensive income for the year		**58,418,743**	**(33,971,419)**

The financial statements are to be read in conjunction with the related notes, which form an integral part of these financial statements of the Company.

PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
As at 31 March,

	Stated capital Rs.	Retained earnings Rs.	Total Rs.
Balance as at 1 April 2019	**855,318,203**	**(66,687,392)**	**788,630,811**
Shares issued during the year	19,999,960	-	19,999,960
Loss for the year	-	(33,971,419)	(33,971,419)
Balance as at 31 March 2020	**875,318,163**	**(100,658,811)**	**774,659,352**
Profit for the year	-	59,824,613	59,824,613
Other comprehensive income, net of tax	-	(1,405,870)	(1,405,870)
Balance as at 31 March 2021	**875,318,163**	**(42,240,068)**	**833,078,095**

The financial statements are to be read in conjunction with the related notes, which form an integral part of these financial statements of the Company.

PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS

For the year ended 31 March,		2021 Rs.	2020 Rs.
Cash flows from operating activities			
Profit/ (Loss) before tax expense		82,560,107	(37,700,954)
Adjustments for:			
Depreciation for property, plant and equipment		44,382,235	41,918,644
Amortization for intangible assets		6,900,000	6,900,000
Amortization for Right-of-use asset		2,979,804	2,395,536
Provision for retirement benefit obligations		1,815,334	655,234
Provision for damaged, expired good and slow moving stocks		6,426,594	(682,675)
Provision for doubtful debts		(1,717,243)	7,021,396
Provision on miscellaneous receivables		-	2,098,527
Gain on disposal of property, plant and equipment		-	(188,929)
Interest expense		35,105,476	55,669,346
Inventory write-off		1,084,288	-
Bad debt write-off		180,051	624,358
ESC write-off		4,487,942	4,414,363
VAT and NBT write-off		1,334,066	1,435,176
Operating profit before working capital changes		**185,538,654**	**84,560,022**
Changes in :			
Inventories		(91,845,931)	(38,249,042)
Trade receivables		(38,147,747)	(25,761,532)
Other receivables		2,673,923	34,829,400
Amount due from related parties		(3,679,760)	(1,924,680)
Trade and other payables		6,302,322	20,816,401
Amounts due to related parties		46,472,252	35,974,246
Statutory payables		(360,108)	(11,475,869)
Accrued expenses		24,733,037	13,377,540
Net cash flow from operations after working capital changes		**131,686,642**	**112,146,486**
Lease rentals paid during the year		(5,567,544)	(4,969,590)
ESC paid		-	(4,205,013)
Interest paid		(30,156,094)	(50,894,200)
Net cash flows from/ (used in) operating activities		**95,963,004**	**52,077,683**
Cash flows from investing activities			
Purchases of property, plant and equipment		(10,478,175)	(35,759,857)
Proceed from sale of property, plant and equipment		-	197,366
Net cash used in investing activities		**(10,478,175)**	**(35,562,491)**
Cash flows from financing activities			
Proceeds from issue of share capital		-	19,999,960
Proceeds from loans and borrowings		292,784,718	-
Loan repayment		(223,124,995)	(41,250,000)
Net cash generated from financing activities		**69,659,723**	**310,384,109**
Net decrease in cash and cash equivalents		155,144,552	(4,734,848)
Cash and cash equivalents at the beginning of the year		(197,179,851)	(192,445,003)
Cash and cash equivalents at the end of the year	**10**	**(42,035,299)**	**(197,179,851)**

The financial statements are to be read in conjunction with the related notes, which from an integral part of these financial statements of the Company.

1. ACCOUNTING POLICIES

1.1 REPORTING ENTITY

Pidilite Lanka (Private) Limited ("the Company") is a private limited liability Company incorporated in Sri Lanka under the provisions of the Companies Act No 07 of 2007.The registered office and the place of business of the Company is located at No.74, 2/2, Orient Building, Dawson Street, Colombo 02.

Principal activities and nature of operations

Principle activity of the company is the sale of manufactured and imported adhesive products to the local market.

Parent Entity

Parent Company of Pidilite Lanka (Private) Limited is Pidilite International PTE Limited and ultimate parent of the Company is Pidilite Industries Limited, India.

1.2 BASIS OF PREPARATION

(a.) Statement of compliance

The financial statements of the Company which comprise statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka.

(b.) Basis of measurement

The financial statements have been prepared on a historical cost basis. No adjustments have been made for inflationary factors in the financial statements.

(c.) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates. Financial statements are presented in Sri Lankan Rupees, which is the Company's functional currency. There was no change in the Company's presentation and functional currency during the year under review.

(d.) Presentation of Financial Statements

The assets and liabilities of the Company presented in its statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the financial statements. Financial assets and financial liabilities are offset and the net amount reported in the financial statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the financial statement of comprehensive income unless required or permitted by an Accounting standards or interpretations, and as specifically disclosed in the accounting policies of the Company.

(e.) Materiality and aggregation

Each material class of similar items are presented separately in the financial statement. Items which dissimilar in nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard –LKAS 1 – "Presentation of Financial Statements.

1.2 BASIS OF PREPARTION (CONTINUED)

(f.) Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by accounting standards.

(g.) Offsetting of assets and liabilities

Assets and liabilities are offset and the net amount reported in the statement of financial position only where there is a legal right to set off the recognized amounts and it intents either to settled on a net basis or to realize the asset and settle the liability simultaneously.

(h.) Use of judgments and estimates

The preparation of the 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 reported amounts of assets, liabilities, income and expense. Actual amount may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described below:

(i.) Assumptions and estimation uncertainties

i) Going Concern

The management has made as assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

ii) Useful life of property, plant and equipment

The Company reviews the residual values, useful life and method of depreciation for property, plant and equipment at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence subject to uncertainty.

iii) Commitment and contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events on present obligations where the transfer of economic benefit is not probable or can't be reliably measured.

Summary of legal cases if any against the Company have been disclosed in the Notes to the Financial Statements.

1.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a.) Changes in accounting policies

The company has adopted SLFRS 16 – Leases 1 April 2019. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b.) Property, plant and equipment

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

i) Recognition

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

ii) Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment.

iii) Cost Model

The Company applies cost model to property, plant and equipment except for freehold land and records at cost of purchase or construction together with any directly attributable expenses thereon less accumulated depreciation and any accumulated impairment losses.

iv) Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured.

The carrying amount of those parts that are replaced is derecognized. The costs of day-to-day servicing of property, plant and equipment are charged to the statement of comprehensive income as incurred. Costs incurred in using or redeploying an item are not included under carrying amount of an item.

v) Derecognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the statement of comprehensive income when the item is derecognized. Then replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b.) Property, plant and equipment (Continued)

vi) Depreciation

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets, except for which are disclosed separately. Depreciation is determined separately for each significant component of an item of property, plant and equipment. The Management reviews the assets residual value, useful life and depreciation method at each reporting date. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held-for-sale or the date that the asset is derecognized. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Companies within the Company use the same depreciation rates and policies.

	Years
Office equipment	4
Furniture and fittings	4
Computer equipment	4
Factory Machinery	10
Factory Equipment	5
Building	48
Laboratory Equipment	5
Tools and Dies	4

vii) Useful life time of property, plant and equipment

The Company reviews the residual values, useful lives and method of deprecation of property, plant and equipment at reach reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

(c.) Intangible assets

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

i) Recognition

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

ii) Subsequent expenditure

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

1.3 SSIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c.) Intangible assets (Continued)

iii) Amortization

Intangible assets that have finite useful lifetime are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful life time of Commercial and Technical Know-how is ten years. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

iv) Impairment

Intangible assets that have indefinite useful lifetime should be test for impairment by comparing its recoverable amount with its carrying amount annually, and whenever there is an indication that the intangible asset may be impaired.

v) Derecognition

An intangible asset shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognized in comprehensive income when the asset is derecognized.

(d.) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the price at which stocks can be sold in the normal course of business. The cost of inventories is based on the weighted average cost principle.
The calculation of provision for inventory is done as follows.

	Percentage
Goods lying for more than 180 days	25%
Goods lying for more than 360 days	50%
Goods lying for more than 540 days	75%
Goods lying for more than 730 days	100%

(e.) Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and cash at bank.

Cash flow statement has been prepared using the indirect method.

(f.) Trade and other receivables

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

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f.) Trade and other receivables (Continued)

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

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

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

- Significant financial difficulty of the borrower;
- A breach of contract;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f.) Trade and other receivables (Continued)

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- Default or delinquency by a debtor;
- Indication that a debtor or issuer would enter bankruptcy;
- Adverse changes in the payment status or borrowers or issuers;
- The disappearance of an active market for a security because of financial difficulties: or
- Observable data indicating that there was a measurable decrease in the expected cash flows from financial assets.

For an investment in an equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortised cost	The Company considered evidence of impairment for these assets at an individual asset level. All assets were individually assessed for impairment. An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in comprehensive income and reflected in an allowance account. When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through comprehensive income.

(g.) Leases

The Company has applied SLFRS 16 using the modified retrospective approach (option B), under which no cumulative effect of initial recognition is recognized in retained earnings at 1 April 2019 and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4. The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 April 2019

At inception of a contract, the Company 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 identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

i) As a lessee

The Company recognizes 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 on which it is located, less any lease incentives received.

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g.) Leases (Continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company 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 remeasurements 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, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing 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 the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Lease payments for leases of low- value assets and variable lease payments not included in the measurement of lease liability are classified as cash flows from operating activities.

The lease liability is measured at amortized 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 Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a 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 statement of comprehensive Income if the carrying amount of the right; of-use asset has been reduced to zero.

Policy applicable before 1 April 2019

For contracts entered into before 1 April 2019, the Company 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 the asset if one of the following was met:

    i. the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g.) Leases (Continued)

ii. 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

iii. 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.

i) As a lessee

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of 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 account ed for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payment s made under operating leases were recognized in statement of comprehensive Income on a straight- line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

(h.) Related party transactions

Disclosure has been made in respect of transactions in which one party has the ability to control or exercise significant influence over financial and operating policies/decisions of the other, irrespective of whether a price is charges or not.

i) Transactions with related parties

Transfer prices between group/related entities are set on an arms-length basis in a manner similar to transactions with third parties. The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24. The Pricing applicable to such transactions is based on the assessment of the risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated Customers.

ii) Transactions with key management personnel

According to Sri Lanka Accounting Standard 24 "Related Party Disclosures", Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors), personnel hold designation of General Manager and above positions and their immediate family member have been classified as Key Management Personnel of the Company. The immediate family member is defined as spouse or dependent. Dependent is defined as anyone who depends on the respective Director for more than 50% of his/her financial needs.

(i.) Liabilities and provisions

Liabilities are recognized in the statement of financial position when there is a present obligation as a result of past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable on demand or within one year of the reporting date are treated as current liabilities in the

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i.) Liabilities and provisions (Continued)

statement of financial position. Liabilities payable after one year from the reporting date are treated as non-current liabilities in the statement of financial position.

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(j.) Financial instruments

i) Recognition and initial measurement

The Company initially recognizes all financial assets and liabilities on becoming party to the contractual provisions of the instruments. However, for financial assets/liabilities held at fair value through comprehensive income, any changes in fair value from the trade date to settlement date is accounted in the statement of comprehensive income, while for available-for-sale financial assets any changes in fair value from the trade date to settlement date is accounted in the statement of other comprehensive income. A financial asset or a financial liability is measured initially at fair value plus, for an item not at fair value through comprehensive income, transaction costs that are directly attributable to its acquisition or issue all financial assets and liabilities are initially recognized, except for regular way purchase, on the trade date and any regular way transactions are recognized on the settlement date which was established by the regulator or the market conventions.

ii) Financial liabilities

The Company initially recognizes all financial liabilities on the date that they are originated and classifies its financial liabilities as measured at amortized cost.

iii)Financial liabilities at amortized cost

Financial instruments issued by the Company that are not designated at fair value through comprehensive income, are classified as liabilities under 'bank loan' and 'convertible loan' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial recognition, such financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in 'interest expenses' in the statement of comprehensive income. The details of the Companies financial liabilities at amortized cost is disclosed.

(k.) Investment in associate company

In determining the accounting treatment on equity accounted investees, the Company evaluates the significance influence associated with the investment and if there is a significance influence the equity method of accounting is adopted and if the Company has the evidence of there is no significance influence it is treated as an investment under SLFRS9 and the fair value accounting is used.

Based on the agreement between the Company and its associate company, there is no significance influence to the Company over its investee and the equity method of accounting is not adopted.

1.3 SIGNIFICANT ACCOUNTING POLICIES

(l.) Employee benefits

i) Defined benefit plan

The Company's obligation in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is measured annually using the actuarial valuation method. The present value of the defined benefit obligation is determined by discounting the estimated future benefit that employees have earned in return for their services in the current and prior period. Gains and losses arising from changes in the assumptions, current service cost and interest are recognized in the statement of comprehensive income in the period in which they arise. The retirement benefit obligation is not externally funded.

ii) Defined contribution plans

Obligations to defined contribution plans are recognized as an expense in the statement of comprehensive income and retained earnings as incurred. The Company contributes 12% and 3% of gross emoluments of employees as Provident Fund and Trust Fund contribution respectively.

(m.) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are stated at cost.

(n.) Revenue

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 service to a customer.

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	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15
Local trading of products	Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time.	Revenue is recognized when the goods are loaded to lorries and the delivery order is raised.
Export of products	Export sales are recognized on the date of bill of lading signifying transfer of risks and rewards of ownership to the buyer as per International Commercial Term (INCOTERM).	Export sales are recognized on the date when shipped on board signifying transfer of risks and rewards of ownership to the buyer as per International Commercial Term (INCOTERM) and initially recorded at the relevant exchange rates prevailing on the date of the transaction.

1.3 SIGNIFICANT ACCOUNTING POLICIES

(o.) Revenue (Continued)

Under SLFRS 15, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. "Therefore, for those contracts for which the Company was unable to make a reasonable estimate of returns, revenue is recognized sooner under SLFRS 15 than under LKAS 18.

Other income

Other income is recognized on an accrual basis

(p.) Expenses

All expenditure incurred in the operations of the business and in maintaining the capital assets in a state of efficiency have been charged to revenue in arriving at the comprehensive income for the year.

Lease payments associated to the underlying asset is low value, short term contract or no contract are recognized as an expense under the operating lease expenses on either a straight-line basis or another systematic basis over the lease term. Interest cost of the right to use asset is recognized as a finance cost while depreciation of right to use assets is recognized in the depreciation of property, plant and equipment and right-of-use assets.

(q.) Taxation

i) Income taxation

Income tax expense comprises of current and deferred tax. The income tax expense is recognized in comprehensive income except to the extent that it relates to the items recognized directly in other comprehensive income or statement of changes in equity, in which case it is recognized accordingly.

ii) Current taxation

Provision for current taxation is based on the profit of the year adjusted to arrive at the taxable profit in accordance with the Inland Revenue Act No.24 of 2017 and amendments there to.

iii) Deferred taxation

Deferred taxation has been provided for under the liability method on temporary differences as at the reporting date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that future taxable profit will be available to recover the deferred tax assets.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the reporting date.

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r.) Events occurring after the reporting date

All material post reporting date events have been considered and where appropriate adjustments or disclosures have been made in respective notes to the financial statements.

(s.) Commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company's control.
Commitments and contingent liabilities are disclosed in Notes 23 and 24 respectively to the financial statements.

(t.) Comparative information

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

1.4 STANDARDS ISSUED NOT YET ADOPTED AS AT REPORTING DATE

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- Onerous Contracts- Cost of fulfilling a contact (Amendments to LKAS 37)
- Interest Rate Benchmark Reform- Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4, SLFRS 16)
- Property, plant and equipment: Proceeds before Intended Use (Amendments to LKAS 16)
- Reference to conceptual framework (Amendments to SLFRS 3)
- Classification of liabilities as current and non-current (Amendments to LKAS 1)
- Annual improvement to SLFRS standards 2018-2020.

2 Property, plant and equipment

	WIP Construction Rs.	Office Equipment Rs.	Computers Rs.	Furniture & Fittings Rs.	Factory Machinery Rs.	Factory Equipment Rs.	Building Rs.	Laboratory Equipment Rs.	Tools and Dies Rs.	Total 2021 Rs.
Cost										
Balance as at 1 April 2020	616,870	3,309,500	5,366,356	13,367,072	86,464,673	112,983,896	341,026,903	4,676,598	120,850	567,932,718
Additions during the year	-	-	1,043,360	30,480	-	9,404,335	-	-	-	10,478,175
Transfer during the year	(616,870)	-	-	-	-	616,870	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2021	-	3,309,500	6,409,716	13,397,552	86,464,673	123,005,101	341,026,903	4,676,598	120,850	578,410,893
Accumulated depreciation										
Balance as at 1 April 2020	-	2,034,558	3,385,625	6,611,653	14,381,605	33,412,507	11,710,787	1,313,138	52,872	72,902,745
Charge for the year	-	555,115	988,369	2,365,133	8,646,468	23,756,892	7,104,727	935,319	30,212	44,382,235
Balance as at 31 March 2021		2,589,673	4,373,994	8,976,786	23,028,073	57,169,399	18,815,514	2,248,457	83,084	117,284,980
Carrying amount										
As at 31 March 2021	-	719,827	2,035,722	4,420,766	63,436,600	65,835,702	322,211,389	2,428,141	37,766	461,125,913
As at 31 March 2020	616,870	1,274,942	1,980,731	6,755,419	72,083,068	79,571,389	329,316,116	3,363,460	67,978	495,029,973

As at 31 March,	2021 Rs.	2020 Rs.
3.1 Prepaid lease		
Prepaid lease rent	-	11,167,180
Amortization for the year	-	-
Transferred to right-of-use assets **(Note 3.2)**	-	(11,167,180)
	-	**11,167,180**
3.2 Right-of-use assets		
Cost		
As at 1 April	54,839,085	-
Transferred prepaid lease rent	-	11,167,180
Recognition of right-of-use-assets on initial application of SLFRS 16	-	43,671,905
Recognized during the year	2,126,334	-
Other adjustments	(2,461,677)	-
As at 31 March	**54,503,742**	**54,839,085**
Less: Accumulated amortization		
As at 1 April	2,395,536	-
Amortization charge on the right-of-use assets for the year	2,885,618	2,395,536
As at 31 March	**5,281,154**	**2,395,536**
Net book value as at 31 March	**49,222,588**	**52,443,549**

4 Intangible assets

	Commercial Rs.	Trademark Rs.	Total Rs.
Cost			
Balance as at 1 April 2020	69,000,000	276,000,000	345,000,000
Additions during the year	-	-	-
Balance as at 31 March 2021	**69,000,000**	**276,000,000**	**345,000,000**
Accumulated amortization			
Balance as at 1 April 2020	29,900,000	9,200,000	39,100,000
Charge for the year **(Note 4.1)**	6,900,000	-	6,900,000
Balance as at 31 March 2021	**36,800,000**	**9,200,000**	**46,000,000**
Carrying amount			
As at 31 March 2021	**32,200,000**	**266,800,000**	**299,000,000**
As at 31 March 2020	39,100,000	266,800,000	305,900,000

4.1 The Company amortizes the intangible assets with definite useful lifetime over the periods of useful time. Accordingly, Technical Know-How over is amortized over the period of 10 years.

4.2 The Company tests the intangible assets that have indefinite useful lifetime for impairment by comparing its recoverable amount with its carrying amount annually. Accordingly, the trade mark is tested for the impairment.

As at 31 March,	2021	2020
	Rs.	Rs.
5 Investments		
NINA Lanka Construction Technologies (Private) Limited (400,000 shares)	4,000,000	4,000,000
As at 31 March	**4,000,000**	**4,000,000**
6 Inventories		
Raw materials	66,809,372	45,036,299
Work in progress	4,370,296	5,317,086
Semi finished products	48,108,386	3,271,485
Finished goods	141,013,518	108,215,046
Goods in transit	11,732,107	24,299,553
Packing materials	23,535,113	18,667,680
	295,568,792	204,807,149
(-) Provision for impairment on slow moving inventories	(24,657,288)	(18,230,694)
	270,911,504	**186,576,455**
7 Trade receivables		
Trade receivables (**Note 7.1**)	329,140,237	291,172,541
Provision for bad and doubtful debts (**Note 7.2**)	(15,960,971)	(17,678,214)
	313,179,266	**273,494,327**
7.1 Debtors more than 6 months old	12,572,222	11,472,272
Debtors less than 6 months old	316,568,015	279,700,269
	329,140,237	**291,172,541**
7.2 Impairment losses recognized in the year		
On receivables originated in the year	839,940	7,034,119
On receivables more than a year	15,121,031	10,644,094
	15,960,971	**17,678,214**

Collaterals given:
The Company has given collateral of trade debtors for working capital facility from Standard Chartered Bank PLC .
The carrying amount of debtors pledged as security for liabilities is Rs. 313,179,266/- as at the year end (2020: Rs.273,494,327/-)

	2021	2020
8 Other receivables	Rs.	Rs.
Advances	7,227,055	4,549,359
Pre-payments	1,983,418	1,565,520
VAT receivables	30,505,740	39,871,721
Income tax recoverable	4,204,813	8,692,755
Miscellaneous	6,734,402	4,472,004
	50,655,428	**59,151,359**
Less: Provision on miscellaneous receivables	2,098,527	2,098,527
	48,556,901	**57,052,832**
9 Amount due from related parties		
Macbertan (Private) Limited	3,396,549	3,154,075
NINA Lanka Construction Technologies (Private) Limited	3,871,772	2,573,163
Pidilite Speciality Chemicals (BD) (Private) Limited	2,138,677	-
	9,406,998	**5,727,238**

As at 31 March,	2021 Rs.	2020 Rs.
10 Cash and cash equivalents		
Cash at bank	2,013,144	2,183,850
Cash in hand	229,756	205,336
	2,242,900	**2,389,186**
Bank overdraft (10.1)	(44,278,199)	(199,569,037)
	(42,035,299)	**(197,179,851)**

10.1 Bank overdraft facility of Rs.343,000,000/- was obtained from Standard Chartered Bank PLC which carry interest rate of AWPLR -0.35% p.a, secured with a corporate guarantee from Pidilite Industries Limited for USD 4,395,000/- and mortgage bond over stocks and debtors for Rs.152,000,0000/-, Rs.60,000,000/-, Rs.57,000,000/-, Rs. 149,000,000/- and Rs. 45,000,000/-.

	2021 Rs.	2020 Rs.
11 Stated capital		
6,892,269 Ordinary Shares	875,318,163	875,318,163
	875,318,163	**875,318,163**

	2021 Rs.	2020 Rs.
12 Interest bearing loans and borrowings		
Balance at the beginning of the year	216,937,500	258,187,500
Loans obtained during the year	292,784,718	-
Repayments during the year	(223,124,995)	(41,250,000)
Balance at the end of the year	**286,597,222**	**216,937,500**
Due after one year	**123,430,555**	**163,291,667**
Due within one year	**163,166,667**	**53,645,833**

Nature of Borrowing	Maturity Date	Terms of repayment	Coupon/Interest Rate	2021 Rs.	2020 Rs.
Term Loan from banks (Facility 1)	01 Dec 2020	Quarterly 16 instalments	SLIBOR+0.8%	-	30,937,500
Term Loan from banks (Facility 2)	26 Jan 2024	Quarterly 16 instalments	AWPLR-0.5%	140,000,000	160,000,000
Term Loan from banks (Facility 3)	31 Oct 2024	Quarterly 16 instalments	AWPLR-0.5%	24,375,000	26,000,000
Term Loan from banks (Facility 4) Saubagya Loan	27 Jul 2022	Monthly 18 Installments	4% Fixed	22,222,222	-
New Short Term Loan	21 Apr 2021	Full Capital Repayment	AWPLR	100,000,000	-
				286,597,222	**216,937,500**

12.1 During the year loan obtained by the Company is 292,784,718/- (2020: Nil)

	2021 Rs.	2020 Rs.
13 Retirement benefit obligations		
Balance as at 01 April	7,207,937	6,552,703
Current service cost	1,206,391	655,234
Interest for the year	608,943	-
Actuarial loss/ (gain) on retirement benefit plans	1,952,597	-
Payment during the year	-	-
Balance as at 31 March	**10,975,868**	**7,207,937**

22.1 Messer. Universal Actuaries carried out an actuarial valuation of the defined benefit plan gratuity on 13 April 2021. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows,

	2021	2020
Rate of discount	7.23%	9.46%
Rate of salary increment	8%	7%
Retirement age - Female (in years)	50	50
Retirement age - Male (in years)	55	55

In addition to the above, demographic assumptions such as mortality, withdrawal and disability, and retirement age were considered for the actuarial valuation. Indian Assured Lives Mortality 2012-14 was used to estimate the gratuity liability of the Company.

Sensitivity Analysis - Discount rate

Values appearing in the Financial Statements are sensitive to the changes of financial and non-financial assumptions used in the valuation of retirement benefit obligations. The sensitivity was carried for salary increment rate. Simulations made for retirement benefit obligations show that an increase or decrease by 1% of the rate of discount has the following effect on the retirement benefit obligations:

	2021		2020	
Percentage change in discount rate	-1%	1%	-1%	1%
Increase/ (Decrease) in retirement benefit obligations (Rs.)	480,664	(444,232)	242,721	(227,456)

Sensitivity Analysis-Salary increment rate

Values appearing in the Financial Statements are sensitive to the changes of financial and non-financial assumptions used in the valuation of retirement benefit obligations. The sensitivity was carried for salary increment rate. Simulations made for retirement benefit obligations show that an increase or decrease by 1% of the rate of salary increment has the following effect on the retirement benefit obligations:

	2021		2020	
Percentage change in salary increment rate	-1%	1%	-1%	1%
(Decrease)/ Increase in retirement benefit obligations (Rs.)	(445,137)	472,509	(236,646)	246,112

As at 31 March,

		2021 Rs.	2020 Rs.
14	**Lease liability**		
	As at 1 April	41,310,779	41,505,223
	Addition during the period	2,126,334	
	Interest for the year	4,949,382	4,775,146
	Lease rentals paid during the period	(5,567,544)	(4,969,590)
	Other adjustments	(2,367,492)	-
	As at 31 March	**40,451,459**	**41,310,779**
	Payable within one year	**2,260,119**	**4,969,590**
	Payable in more than one year	**38,191,340**	**36,341,189**
	Amount		
	Lease under SLFRS 16		
	Interest on lease liabilities	4,949,382	4,775,146
	Amount recognized in statement of cash flows		
	Total cash outflows for leases	5,567,544	4,969,590
15	**Trade and other payables**		
	Trade payables	46,316,855	35,908,326
	Other payables	35,888,451	39,994,658
		82,205,306	**75,902,984**
16	**Statutory payables**		
	EPF/ETF payable	1,665,637	2,162,476
	PAYE payable	133,681	-
	Stamp duty payable	49,625	46,575
		1,848,943	**2,209,051**
17	**Amount due to related parties**		
	Pidilite Industries Ltd	122,113,781	75,641,529
		122,113,781	**75,641,529**

	2021 USD	2020 USD	2021 Rs.	2020 Rs.
Other receivables	(4,507)	(31,549)	(867,099)	(5,321,288)
Import creditors	568,714	320,925	114,439,492	62,198,707
Other payable	43,170	110,314	8,541,388	18,764,110
	607,377	**399,690**	**122,113,781**	**75,641,529**

For the year ended 31 March,

		2021 Rs.	2020 Rs.
18	**Revenue**		
	Sales	1,183,054,073	1,091,205,562
	Sales returns	(28,104,434)	(32,251,907)
		1,154,949,639	**1,058,953,655**
19	**Profit from operating activities**		
	The above is stated after charging all expenditure including the following;		
	License fees	2,683,962	3,328,733
	Depreciation	44,382,235	41,918,644
	Amortization	9,785,618	9,295,536
	Auditors' remuneration	625,000	475,000
	Staff cost (**Note 19.1**)	83,687,308	79,827,590
19.1	**Staff cost**		
	Staff salary	41,543,216	37,407,949
	Bonus	6,020,505	7,038,528
	Terminal benefits	7,980,212	6,555,372
	Allowances and other benefits	28,143,375	28,825,741
		83,687,308	**79,827,590**

For the year ended 31 March,

	2021 Rs.	2020 Rs.
20 Finance costs		
Bank overdraft interest	7,027,214	23,021,749
Interest on borrowings	19,757,695	24,728,141
Interest for corporate gurantee	3,371,185	3,144,310
Exchange loss	2,256,466	2,884,593
Interest on Lease liability	4,949,382	4,775,146
	37,361,942	**58,553,939**
21 Tax expense		
Current period **(Note 21.1)**	-	-
Origination of temporary differences **(Note 21.2)**	(22,735,494)	3,729,535
	(22,735,494)	**3,729,535**

In terms of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto, the Company is liable for taxation at the rate of 18% and 24% on its taxable profits.

21.1 Tax reconciliation statement

	2021 Rs.	2020 Rs.
Profit before taxation	82,560,107	(37,700,954)
Add: Disallowable expenses	86,659,230	82,921,313
	169,219,337	45,220,359
Less: Allowable expenses	(112,770,518)	(96,496,822)
Total assessable income	**56,448,819**	**(51,276,463)**
Less: Tax lossess claimed during the year	**(56,448,819)**	-
Taxable income	-	-
Income tax @ 18% and 24%	-	-

Accumulated tax loss

	2021 Rs.	2020 Rs.
As at beginning of the year	245,904,657	194,628,194
Tax loss for the year	-	51,276,463
Loss claimed during the year	(56,448,819)	-
Under provision adjustment from prior year	15,911,160	-
As at the year end	**205,366,998**	**245,904,657**

21.2 Deferred tax assets

	2021 Rs.	2020 Rs.
Balance at the beginning of the year	29,462,405	25,732,870
Recognized in profit or loss	(22,735,494)	3,729,535
Recognized in other comprehensive income	546,727	-
Balance at the end of the year	**7,273,638**	**29,462,405**

The deferred tax asset recognized on temporary differences are as follows:

	2021 Rs.	2020 Rs.
21.3 Deferred taxation		
Deferred tax assets	54,478,933	81,513,608
Deferred tax liabilities	(47,205,295)	(52,051,203)
Net deferred tax assets	**7,273,638**	**29,462,405**

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following :

As at 31 March,

	2021		2020	
	Temporary differences Rs.	Tax effect Rs.	Temporary differences Rs.	Tax effect Rs.
Property, plant and equipment	(71,169,054)	(14,470,302)	(52,294,803)	(14,642,545)
Intangible assets	(161,000,000)	(32,734,994)	(133,400,000)	(37,352,000)
Employee benefits	10,975,868	2,231,646	7,207,937	2,018,222
General provision for inventory	24,657,288	5,013,392	18,230,694	5,104,594
Provision for doubtful debts	15,960,971	3,245,232	17,678,214	4,949,900
Provision for market return	1,922,531	390,895	-	-
Right-of-use assets less lease liabilities	6,960,690	1,415,268	(202,350)	(56,658)
Provision for miscellaneous receivables	2,098,527	426,679	2,098,527	587,588
Accumulated tax loss	205,366,999	41,755,823	245,904,657	68,853,304
Deferred tax assets	**35,773,820**	**7,273,638**	**105,222,876**	**29,462,405**

The effective rate of 20% is applied by the Company for the tax effect computation.

22 Related party transactions

22.1 Transactions with related parties

Related party	Nature of transaction	Transaction amount		Balance as at 31 March	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Macbertan (Private) Limited	Opening balance	3,154,075	3,088,343	-	-
	Trade purchases	-	-	-	-
	Shared cost	-	(299,292)	-	-
	Other purchases	-	-	-	-
	Settlements	242,474	367,851	-	-
	Gratuity receivables	-	-	-	-
	Net Sales	-	-	-	-
	Other Debits	-	-	-	-
	Rent deposit	-	772,800	-	-
	Settlements	-	(775,627)	3,396,549	3,154,075
Pidilite Specialty Chemicals Bangladesh (Pvt) Ltd	Opening balance	-	(730,446)	-	-
	Trade purchases	-	(2,215,783)	-	-
	Settlements	-	2,977,477	-	-
	Trade Sales	2,138,677	1,811,649	-	-
	Settlements	-	(1,774,996)	-	-
	realized exchange loss	-	(36,653)	-	-
	Un-realized exchange loss	-	(31,248)	2,138,677	-
Pidilite Industries Limited	Opening balance	(75,641,529)	(38,936,837)	-	-
	Trade purchases	(277,262,285)	(236,355,556)	-	-
	Settlements	226,232,058	207,754,039	-	-
	Interest for corporate guarantee	(3,371,185)	(3,144,310)	-	-
	SAP license fees	(2,683,962)	(3,328,733)	-	-
	Royalaty Charges	(2,171,728)	-	-	-
	Technical Knowhow	(2,020,400)	-	-	-
	Other receivables (Debit Notes)	9,197,883	5,430,881	-	-
	Un-realized exchange loss	(362,059)	(3,674,480)	-	-
	Settlement of Interest on corporate guarantee	12,053,930	-	-	-
	Settlement of SAP License fee	8,416,066	-	-	-
	Settlement of other receivables (Debit Note Settlements)	(14,500,569)	(3,386,533)	(122,113,781)	(75,641,529)
PIL Trading (Egypt) LLC	Opening balance	-	-	-	-
	Trade purchases	(1,200,024)	(1,376,562)	-	-
	Settlements	1,200,024	1,376,562	-	-
	Trade Sales	-	-	-	-
	Settlements	-	-	-	-
	realized exchange loss	-	-	-	-
	Un-realized exchange loss	-	-	-	-
NINA Lanka construction technologies (Pvt) Ltd.	Opening balance	2,573,163	714,215	-	-
	Trade purchases	-	-	-	-
	Settlements	-	-	-	-
	Trade Sales	525,504	52,550	-	-
	Other receivables	1,025,655	3,130,107	-	-
	Settlement of other receivables	(252,500)	(1,323,709)	-	-
	Un-realized exchange loss	(50)	-	3,871,772	2,573,163

22.2 Transactions with key management personnel

The key management personnel of the company are the Board of Directors of the company. The Company has not paid any compensation to Directors during the year .

23 Litigations and claims

There are no litigations and claims against the Company which require adjustments to or disclosure in the financial statements.

24 Capital commitments

The Company does not have any other significant capital commitment which require adjustments to or disclosure in the financial statements.

25 Contingent liabilities

The company's contingent liabilities as at the reporting date were as follow:

	2021 Rs.	2020 Rs.
Acceptances	-	2,500,098
Ordinary letter of credit	4,753,811	-
	4,753,811	2,500,098

26 Events occurring after the reporting date

There were no material events occurring after the reporting date which require adjustments to or disclosures in the financial statements.

27 Directors' responsibility

The directors are responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standards.

28 Approval of financial statements

These financial statements were approved by the Board of Directors and authorized for issue on 30 April 2021.

29 Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

(i) Credit risk
(ii) Liquidity risk
(iii) Market risk
(iv) Currency risk
(v) Interest risk
(vi) Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

(i) Credit risk

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

(ii) 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.

29 Financial risk management (Continued)

(iii) Market risk

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

(iv) Interest rate risk

Interest rate risk exists in interest-bearing liabilities, due to the possibility of a change in the liabilities' value resulting from the variability of interest rates. Since interest rate risk management has become imperative, Pidilite Lanka (Private) Limited takes proactive measures to manage the exposure by forecasting the rate fluctuations.

As at 31 March 2021	Carrying amount	Maturity			
		Less than 12 months	1-2 years	2-5 years	More than 5 years
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest bearing liabilities- Variable rates					
Loan from bank	286,597,222	163,166,666	52,055,556	71,375,000	-
Bank overdraft	44,278,199	44,278,199	-	-	-
	330,875,421	**207,444,865**	**52,055,556**	**71,375,000**	-

As at 31 March 2020	Carrying amount	Maturity			
		Less than 12 months	1-2 years	2-5 years	More than 5 years
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest bearing liabilities- Variable rates					
Loan from bank	216,937,500	53,645,833	46,500,000	116,791,667	-
Bank overdraft	199,569,037	199,569,037	-	-	-
	416,506,537	**253,214,870**	**46,500,000**	**116,791,667**	-

Sensitivity analysis for variable rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the profit before tax.

	Profit/ (loss)	
	2021	**2020**
	Rs.	**Rs.**
Variable rate instruments (1% decrease)	(3,308,754)	(4,165,065)
Variable rate instruments (1% increase)	3,308,754	4,165,065

29 Financial risk management (Continued)

(v) Currency risk

The Company is exposed to currency risk on payable to the related parties, foreign currency accounts and supplier payments that are denominated in a currency other than the respective functional currencies of the Company, primarily the US Dollars

As at 31 March	2021			2020		
Currency	Amount	Rate	Value Rs.	Amount	Rate	Value Rs.
USD	810,032	201	162,816,432	499,226	189	94,478,589
EUR	10	237	2,374	1,551	216	334,783

(vi) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market corporate behavior.

(vii) Capital management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the period and the Company is not subject to externally imposed capital requirements.

The Company monitors capital using a gearing ratio, which is Interest - Bearing Loans and Borrowings divided by total Equity plus Interest - Bearing Loans and Borrowings.

	2021 Rs.	2020 Rs.
Interest - Bearing loans and borrowings	286,597,222	216,937,500
Equity	833,078,095	774,659,352
Equity & Interest - Bearing Loans and Borrowings	1,119,675,317	991,596,852
Gearing Ratio	**25.60%**	**21.88%**

30 Fair value disclosure

Fair value of financial assets and liabilities

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

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

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

30 Fair value disclosure (Continued)

Fair value vs the carrying amount

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows;

As at 31 March	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets	Rs.	Rs.	Rs.	Rs.
Trade receivable	313,179,266	313,179,266	273,494,327	273,494,327
Other receivable	48,556,901	48,556,901	57,052,832	57,052,832
Amount due from related party	9,406,998	9,406,998	5,727,238	5,727,238
Cash and cash equivalents	2,242,900	2,242,900	2,389,186	2,389,186
	373,386,065	**373,386,065**	**338,663,583**	**338,663,583**
Liabilities				
Interest bearing borrowings	286,597,222	286,597,222	216,937,500	216,937,500
Trade and other payables	82,205,306	82,205,306	75,902,984	75,902,984
Statutory payable	1,848,943	1,848,943	2,209,051	2,209,051
Accrued expenses	43,370,835	43,370,835	18,637,795	18,637,795
Amount due to related party	122,113,781	122,113,781	75,641,529	75,641,529
Bank overdraft	44,278,199	44,278,199	199,569,037	199,569,037
	580,414,286	**580,414,286**	**588,897,896**	**588,897,896**

31 Impact of COVID-19 pandemic

The Covid 19 pandemic impacted the overall economy of the country since March 2020 and the company identified the potential impact of the pandemic on its business and the industry it is operating. Stringent safety measures were introduced and implemented at all operating locations of the company to ensure the safety of the employees, its customers and other stake holders In order to manage the impact of the lock down on the business, remote access arrangements were made for the employees to work from home.

Further, appropriate control measures were taken to continuously monitor and curtail the costs, debtors , capital expenses and the expenses for marketing and promotions. At the beginning of the financial year, the company restricted the sales to the operating territories and to the customers operating under essential services in the lockdown area. However, the business slowly resumed to its new normal with strict safety and control measures for the remaining part of the financial year. Despite all these challenges the business was able deliver the growth on its sales and profits compared to the previous year. Having considered the above, management is of the view that the company has adequate resources to continue in operational existence for the foreseeable future.