



கர்மாண் டா வஹிஃ கப்டுஹ ஂமஹஹஹ  
கஂத்தஂழில் மஹ்ஹும் வஹிகம் பஹ்ஹிய ஂமஂஃஃ  
Ministry of Industry and Commerce



பர்ஹன் ஹஂஹல்ஃ கஂஃஃஃ லிஂஂஃ  
பர்ஹன் கஂஂஃஃஃஃஃ கஂஂஂஃ லிஂஂஂஃ  
Paranthan Chemicals Company Limited

வர்திக வர்ஹல  
வரூடர்ஹ ஂஹிகஂஂ  
Annual Report

2018





Ministry of Industry and Commerce



**Paranthan Chemicals Company Limited**

Annual Report

**2018**

---



# CONTENTS

1	THE ORGANIZATION
2	CHEMICAL INDUSTRY IN SRI LANKA AND MAJOR CHALLENGES
3	CORPORATE INFORMATION AND LEGAL FORM
4	VISION & MISSION STATEMENTS AND GOALS AND OBJECTIVES
6	COMPETENT AUTHORITY'S REVIEW
7	GENERAL MANAGER'S REVIEW
9	REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 <sup>ST</sup> DECEMBER 2018
13	CURRENT PERFORMANCE, MID-TERM STRATEGIES AND PROPOSED ACTIVITY PLAN FOR ENHANCING OPERATIONS IN 2018
14	AUDITOR'S REPORT TO THE SHAREHOLDERS OF PARANTHAN CHEMICALS COMPANY LIMITED
18	STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 <sup>ST</sup> DECEMBER 2018
19	STATEMENT OF FINANCIAL POSITION AS AT 31 <sup>ST</sup> DECEMBER 2018
20	STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 <sup>ST</sup> DECEMBER 2018
21	STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 <sup>ST</sup> DECEMBER 2018
23	NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 <sup>ST</sup> DECEMBER 2018
30	NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 <sup>ST</sup> DECEMBER 2018
37	ORGANIZATION STRUCTURE - STRATEGIC BUSINESS UNITS
38	ORGANIZATION STRUCTURE
39	HIGHLIGHTS / ACHIEVEMENTS IN 2016 AND 2017 PROJECTION FOR 2018
40	PERFORMANCE REVIEW OF THE COMPANY
41	CORPORATE GOVERNANCE
44	AUDIT COMMITTEE REPORT
45	FIVE YEAR SUMMARY OF THE FINANCIAL HIGHLIGHTS YEAR ENDED 31 <sup>ST</sup> DECEMBER
46	NOTICE OF THE MEETING



## THE ORGANIZATION

Paranthan Chemicals Company Limited is a State owned Company performing its activities under the purview of Ministry of State Resources and Enterprise Development. The Company operates under the provisions of the Companies Act No 7 of 2007. The Company is also required to adhere to Good Governance, Accountability and other Policy decisions imposed by the Government.

The Company's main function is to import and supply liquid Chlorine, Caustic Soda, and Hydrochloric Acid as main chemical component needed by the local industry. The Company is the main supplier of liquid Chlorine in the market and acquires a reasonable segment of market share in other chemical requirements.

Among the initial Factories set up in the 1950 decade, Paranthan Chemicals Factory was established in 1954 as Government Chemicals Factory at Paranthan in Kilinochchi District in the Northern Province. This factory had been brought under the name of Paranthan Chemicals Corporation in 1957 by the State Industrial Corporation Act no 49 of 1957.

This Factory manufactured Caustic Soda, Liquid Chlorine as main products and Hydrochloric Acid, Zinc Chloride and Table salt as by-products, using local raw materials. At present, the Company imports liquid Chlorine in 900 Kg cylinders and refill in to 68 Kg cylinders at the refilling unit of the Company and Supply to certain sites of Water Supply and Drainage Board and some small scale industrialist whose requirements are fulfilled by the Company.

Due to the terrorist activities started in 1983, the operations of the Paranthan Factory could not be carried out from the year 1985 onwards and as a result of that the company had to import Caustic Soda and Chlorine for the various applications in manufacturing soap, paper, and textiles & for purifying water. Presently, country's requirement of chemicals is met by imports. A large sum of foreign exchange has to be incurred for this purpose. This has resulted in non-utilization of local raw materials and skilled labour, mostly due to inactivation of the Chemical Factory.

After the destruction of the Factory at Paranthan, the employees attached to Paranthan factory had been awarded compensation. Accordingly, Paranthan Chemicals Company was incorporated on 17<sup>th</sup> January 1991 as a Public Limited Liability Company under the Conversion of Public Corporations or Government owned Business Undertakings into Public Companies Act No.23 of 1987. Main activities of the Corporation at present are import and sale of liquid Chlorine, Caustic Soda Flakes and Hydrochloric Acid.

Paranthan Chemicals Company Limited is a profit making institution and in addition to the trading, the company is involved in refilling of Liquid Chlorine in to the lower capacity cylinders. The Company maintains a quality control and quality assurance scheme especially in respect of importation of cylinders and refilling. The Company has the best expertise in respect of Chlorine sector and the Company is enriched with experts and knowledgeable staff in this concern.

The Company's Head Office and stores is situated at No. 100/25, Sri Ramanathan Mawatha, Colombo 13. Land extending to 227 acres at Paranthan is reserved for construction of the new chemical factory. The land at Kalutara industrial zone extending 2 acres which had been used for refilling Chlorine and related activities is now expected to use for some new Industrial application. The total employment of the Company as at 31<sup>st</sup> December 2014 was 64. The Company has been making regular tax payments over the past several years and continued to earned profits and ensured steady expansion.

## CHEMICAL INDUSTRY IN SRI LANKA AND MAJOR CHALLENGES

---

The chemical industry of Sri Lanka consists of major sectors namely,

- Agro chemicals,
- Industrial chemicals.
- Rubber Chemicals,
- Coating chemicals,
- Plastic related Chemicals,
- Food and Seeds Chemicals and
- Personal Chemicals.

As a country Sri Lanka consumes a larger quantity of chemicals and almost the entire requirement is being imported annually.

Paranthan Chemicals Company Ltd is mainly engaged in the supply of liquid Chlorine for water purification and input chemicals for various industries such as rubber and cold room applications.

The size of the total market perceptions relevant to Paranthan Chemicals Company Limited is estimated to Rs.1.6 Billion per annum. Presently the total contribution of the Company to the overall chemical Industry is expected to be increased enabling the Paranthan Chemicals Company Limited to become a major player during the period of next five years.

The Paranthan Chemicals Company Limited being a statutory body with 100% Government ownership and regulatory powers are expected to achieve the envisaged goals and objectives within the period set out in the Corporate Plan which is operational for 2018 - 2020.



## CORPORATE INFORMATION

<b>Legal Form</b>	: Public Limited Liability Company incorporated in 1991, in terms of the Companies Act 17 of 1982 and later reregistered under the Companies Act No. 7 of 2007. This has been carried out in keeping with the provisions of Public Companies Act No. 23 of 1987 for conversion of public corporations or Government Owned business undertakings into public companies. The powers and functions vested in the Paranthan Chemicals Corporation statute were re-assigned to the Paranthan Chemicals Company Limited by the Memorandum and Articles of Association.	
Date of Incorporation	: Established in 1957. Re-incorporated in 17 <sup>th</sup> January 1991.	
Address Head Office	: 100/25, Sri Ramanathan Mawatha, Colombo 13, Sri Lanka	
Industrial Unit	: Fullerton Estate, Kalutara	
Telephone - Head Office	: +94 11 2437555-6-7; +94 11 2437831; +94 11 2387109; +94 11 2324464; +94 11 2324465; +94 11 2437829	
Telephone – Kalutara Unit	: +94 34 2289976	
Telephone – Horana Unit	: +94 34 3442924	
Fax	: +94 11 2437555	
Email	: pccltd@sltnet.lk	
Website	: <a href="http://www.paranthanchemicals.gov.lk">www.paranthanchemicals.gov.lk</a>	
Principal Bankers	: People's Bank, Bank of Ceylon and Sampath Bank	
Statutory Auditors	: Auditor General Department	
Competent Authority	: Mr.Eric Illayaparachchi -Appointed on 25 <sup>th</sup> September 2015	
Executive Director	:	
Board of Directors	:	
Secretary to the Board	: Mr. H.L. Vipula Silva	
Principal Officers	: General Manager - Mrs. W.D. Keerthilatha Deputy General Manager (Marketing) - Mr. D.M.T.S. Dissanayake Deputy General Manager (Engineering) - Mr. Tissa Liyanage	
Internal Auditor	: Thilak Jayathilaka & Co. Chartered Accountants (Appointed on 01 <sup>st</sup> January 2016)	

## VISION & MISSION STATEMENTS AND GOALS AND OBJECTIVES

### Vision

To be the leader of chemical manufacturing and trading industry in the Country with the state sponsorship enabling to impose and ensure role of market leader and regulatory powers in the future.

### Mission

To facilitate to improve the standard of local manufacturing industries by providing quality locally manufactured or imported chemical based process inputs.

### Goals

- To become the major market player in the chemical market in Sri Lanka.
- Recommencing of Caustic Soda / Chlorine plant in Paranthan, Setting up of Bleaching powder and Sulphuric Acid manufacturing plants.
- To Improve and ensure employee satisfaction and obtain dedicated service to the company.
- To overcome the shortage of physical resources of the company.

### Organizational Objectives

In terms of the Articles of Association of the Company, the primary objectives of the Company are as follows;

#### Primary Objectives

“To succeed to and carry on the business now carried on by the Paranthan Chemicals Corporation established by the order made under section 2 of the Government Sponsored Corporation Act No. 19 of 1955 and published in Gazette Extraordinary No. 10898 of March 1, 1956, and subsequently amended by the order under section 2 of the State Industrial Corporation Act. No. 49 of 1957, and published in Gazette No. 11, 632 of January 1, 1959, and in particular,

- a. To succeed to the ownership of all property movable and immovable owned and used by the said Paranthan Chemicals Corporation.
- b. To succeed to all rights including patent rights, powers, privileges and interests arising in or out of such property of the said Paranthan Chemicals Corporation.
- c. To succeed to all the liabilities of the said Paranthan Chemicals corporation.
- d. To receive and maintain all books, accounts and documents relating or pertaining to the business of the said Paranthan Chemicals Corporation.
- e. To succeed to all contracts and agreements entered into for the purposes of the business of the said Paranthan Chemicals Corporation.
- f. To succeed to all actions and proceedings instituted by or against the said Paranthan Chemicals Corporation.
- g. To promote and establish a share trust under the laws of Sri Lanka enabling the employees of the Company to apply for and purchase, or otherwise acquire shares issued by the Company.

To carry on the business of:

- i. manufacture and sale of Caustic Soda, Chlorine, Sulphuric acid, Fatty alcohols, Fertilizers, Insecticides, Fungicides, Pesticides, Agricultural chemicals and Detergents of every description, and other chemicals.
- ii. Development, manufacture and sale of any by-products such as Hydrochloric Acid, Zinc chloride, Ferric Chloride, and Table salt which may be produced in the process of manufacturing of any of the articles specified above.
- iii. Import and sale of any of the products specified above.
- iv. Chemical manufactures and wholesale and retail chemists and druggists, analytical chemists, dry salters, importers, exporters and manufactures of and dealers in plastics, synthetic and other fibres, heavy and light chemicals, drugs, essences, cordials, acids, alkalis, pharmaceutical, medicinal, chemical, industrial and other preparations and articles of any kind whatsoever, mineral and other waters, explosives, ammunition and other explosive products and accessories of all kinds of fertilizers, vermifuges, fungicides, cements,

oils, paints, pigments and varnishes, drug, paint and colour grinders, makers of and dealers in proprietary articles, of all kinds and of electrical, chemical, photographic, surgical and scientific apparatus and materials and in any similar or allied businesses and either in connection with the said business or as distinct or separate businesses.

#### **Main Activities at Present**

Main activities of Paranthan Chemicals Company Ltd are import and sale of liquid Chlorine, Caustic Soda Flakes and Hydrochloric Acid.

## COMPETENT AUTHORITY'S REVIEW

Paranthan Chemicals Company Limited is State-owned profit making Company functioning under the Ministry of Industry and Commerce. As a professionally managed enterprise involved in Chemical production, import and distribution, the company plays an important role in ensuring availability of Chemicals needed for water purification and local manufacturing industries. The national goals of the Company includes fostering a safe and healthy national, ensuring active presence of the government in primary chemicals sector and identifying best practices in chemicals handling.

At present the company is the main supplier of Liquid Chlorine in the national market and has acquired a reasonable segment of market share in other chemicals as well. As a Company with a history of producing Caustic Soda, Chlorine and other related chemicals adding value to domestic salt production, Paranthan Chemicals Company is expected to re-establish the factory in Paranthan.

In recommending the factory it does need to ensure that it will be sustainable within the current policy environment. Overall management and engineering experience gained and the goodwill acquired for its brand name, will be the foundation for future expansion. It has a will and capacity for such development within the current enabling environment.

It is very worthy to mention that the Company is running with a profit and all expenditures including salaries and other allowances are being paid by its own funds. Annual contribution is also paid to the General Treasury as dividends. Further a comprehensive medical health insurance scheme is being implemented for the benefit of the staff.

This Annual Report including vital information on important tasks carried out by the Company during the year 2015. It also sheds light on the capacities of the Company and existing challenges so as to meet them in an attempt to achieve further development.

### ACKNOWLEDGEMENT

I wish to express my deep gratitude to the His Excellency the President, Hon. Prime Minister, Hon. Minister, Hon. Deputy Chairman, Secretary to the Ministry and the staff of the Ministry of Industry and Commerce and Secretary to the General Treasury for their cooperation and the assistance extended to the Company and to me in order to discharge duties and responsibilities.

My gratitude is also extended to the External Auditors Auditor General Department. and Internal Auditor Thilak Jayathilaka & Co. for their services. My gratitude also due to, my Senior Management, Staff and all employees of the Company for their hard work and devoted service, which enabled the Company to ensure uninterrupted continuity in the process and the positive trend leads towards success.

It should be noted that Company would not have survived without the exemplary support of our valued customers. My appreciation goes to them as well and all the others who support directly and indirectly looking forward for their undivided support and services in the year 2015 as well.

Eric Ilayapparachchi  
Competent Authority  
Paranthan Chemicals Company Limited.  
15<sup>th</sup> June 2019.

## GENERAL MANAGER'S REVIEW

The main activities of the Company and revenue sources during the year 2018 are confined to sale of liquid Chlorine, Caustic Soda and Hydrochloric Acid. The turnover of the year under review is Rs.305 Million which is 7.47% Increase than the previous year. But the Company could reach only profit before taxes of Rs.74 Million which is slightly lower than the previous year due to low interest rates received on Deposits during the year under review.

This year also the Company's total income has received from the trading activities mainly from liquid Chlorine and the expected result of Caustic soda and Hydrochloric acid, could not be achieved. The market competition due to lower prices competition has been the main reason for the said back.

After the Chlorine leak in the Kalutara site on 20<sup>th</sup> April 2012, the Company could not settle down the manufacturing of new products and refilling of Chlorine operations in a Company owned land with adequate space. Due to the limited space, the planned new products such as Bleaching liquid, Bleaching powder could not be achieved in the year 2014. A limited quantities of bleaching liquid were manufactured at a contractor's location at Horana and expansion was difficult due to the limited space in the location.

### ACTION TAKEN ON SAFE USAGE OF CHLORINE

After the incident, the Company has made an in depth analysis on the risk factors of Chlorine handling from the importation up to end user. The steps of safety measures have been identified including precautionary steps. In the latter part of the year 2013, company was able to obtain 2 1/2 acres land in the Board of Investment industrial Zone wagawatta, Horana and were able to construct warehouse buildings with the Latest scrubber system. It is also expected to complete the construction work of our chlorine refilling plant at wagawatta, Horana with the latest accepted systems and fulfill the Country's requirement of Liquid chlorine and related Chemicals with Bleaching Liquid and Bleaching Powder and as a result to increase the production and sales volumes.

All 900 Kg cylinders are properly examined by the suppliers and tested in compliance with International Standards and certified by the authorities of the respective countries. 68 Kg cylinders are tested locally for this purpose. The Company has obtained the public liability insurance cover for Rs.100.00 Million to cover the Public from any probable hazards due to the entire Chlorine operation. In addition, training programmes have been conducted on usage of Chlorine for Company employees and employees of Water Board sites and other chlorine users and introduced new safety Kits to mitigate the risk involved.

### FINANCE DIVISION

The Finance Division of the Company consists of one executive and five management assistant grade employees. During the year under review the Finance Division assisted in formulating strategies in terms of the short term and the loan term investments and corporate planning. Reporting of the information relevant to the up to date progress of the Company to the Board of Directors and the line ministry and the Treasury were some of key functions carried out by the Division on time. In order to achieve the expected level of the profitability, the finance Division assisted and guided the other divisions whenever it was required. Adhering to the internal controls of the Company, meeting statutory requirements on time, proper relationship with the external entities also contributed the overall achievement of the company in the financial year 2014.

### MARKETING DIVISION

The sales and the distribution activities of the Company are handled by the marketing division. The division is headed by the Assistant General Manager (Marketing) and assisted by three management assistant grade employees. The Division mainly markets liquid Chlorine, Caustic Soda, Hydrochloric Acid and Bleaching liquid to the local market. The products demand with the customers is properly analysed and maintain the stocks levels adequately. Competitive prices are checked periodically and adjust Company prices accordingly.

**SUPPLIES DIVISION**

The Supplies Division is mainly involved in the procurement process of the Company. The division consists of One executive Officer and five management assistants. During the year under review, the division has been able to negotiate with the suppliers and got lower prices for the imports. This has positively contributed the profitability of the Company.

**ADMINISTRATIVE DIVISION**

The Administrative Division of the Company is one of the largest divisions of the Company which consist of Twenty seven Employees. The division is Consists of Three Senior Executives, Four Middle Executives and assisted by Three Management Assistant and Seventeen Manual and Operational grade employees. The division manages the overall administration functions of the company which includes maintenance of up to date records relevant to the statutory payments of the employees, day to day attendance records, preparation and coordination of correspondences with stake holders, handling transport activities, and maintenance of building and premises.

**REFILLING UNIT AT HORANA & KALUTARA**

Refilling unit Horana and Kaluthara consist of Two Executives, Six Management Assistants One foreman and twelve Manual and operational grade employees and maintain under the supervision of Deputy General Manager (Engineering). The division managers the overall maintenance work of 68Kg capacity cylinders, conduct training programmes, assembling of safety equipment's. During the year 2014, the unit performed very satisfactorily.

**ACKNOWLEDGEMENT**

As the Acting General Manager of the Company I know first hand how much of our success is due to the Capability and the commitment of our staff.

I take this opportunity to express my gratitude and sincere thanks to the Chairman & Board Directors for their unstinted support given to the Company and thank to all my Company Staff for their hard work, talents, their creativity and discipline delivered in a challenging environment.

**Mrs. W.D. Keerthilatha**  
**General Manager**  
**Paranthan Chemicals Company Limited**

## REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2018

The Board of Directors of Paranthan Chemicals Company Limited hereby presents Annual Report and Accounts together with the Audited Financial Statements for the year ended 31<sup>st</sup> December 2018.

### INTRODUCTION

Paranthan Chemicals Company Limited was incorporated on 17<sup>th</sup> January 1991 as a Public Limited Liability Company under the Conversion of Public Corporations or Government Owned Business Undertakings into Public Companies Act No. 23 of 1987, to carry on the business that was carried out by Paranthan Chemicals Corporation.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are import and sale of Liquid Chlorine, Caustic Soda and Hydrochloric Acid and refilling of Liquid Chlorine from 900 kg. Cylinders to 68 kg. Capacity Cylinders at Chlorine Refilling Unit at Horana.

### REVIEW OF BUSINESS

The Chairman's statement describes in detail the year's operation of the Company. This report forms an integral part of the Report of the Directors.

### BOARD OF DIRECTORS

Current Board of Directors of the company as at 31<sup>st</sup> December 2018.

### BOARD MEETINGS

The company conducts monthly board meetings and, where necessary special board meetings are convened in order to transact special business. During the year ended 31<sup>st</sup> December 2018.

Name of Competent Authority	Number of Meeting Attended
Mr.Eric Illayapparachchi	

### DIRECTORS INTERESTS IN CONTRACTS

Competent Authority confirmed that he did not have any interest in contracts with the Company.

### STATEMENT ON DIRECTORS' RESPONSIBILITY

The Directors of the Company are responsible to ensure compliance with the provisions of the Companies Act No. 07 of 2007 and applicable laws and other regulations in preparing the Company's Financial Statements.

The Directors are equally responsible for maintaining accounting records of the Company with reasonable accuracy to disclose the financial position.

The Directors accept the responsibility for the integrity and objectivity of the Financial Statements presented and also confirms compliance in preparing Company's Financial Statements, which are based on:

- Sri Lanka Accounting Standards and Sri Lanka Financial Reporting Standards issued by the Institute of Chartered Accountants of Sri Lanka.
- Appropriate Accounting policies are selected and applied consistently.

- Estimates and judgments relating to the Financial Statements made on a prudent and reasonable basis to reflect the true and fair view of the Financial Statements.

Company has taken proper and sufficient internal controls measures and check systems. This is to ensure maintaining proper accounting records and for safeguarding assets. The Company's External Auditors M/S Ranwatta & Company, are appointed in accordance with the Resolution passed at the last Annual General Meeting. The auditors were provided with free access to undertake required inspections which they consider appropriate and necessary enabling them to form their opinion on the Financial Statements. The report of the Auditors on financial statements for the year 2014 sets out their responsibilities in relation to the Financial Statements.

#### **INTERESTS REGISTER**

The Interests Register was introduced during the year 2011 and continued in 2018 as per the Companies Act No. 07 of 2007.

#### **REMUNERATION OF DIRECTORS**

Directors' remuneration in respect of the Company for the year ended 31<sup>st</sup> December 2018 is given in Note 4 to the Financial Statements.

#### **STATUTORY PAYMENTS**

The Directors of the Company to the best of their knowledge and belief are satisfied that all statutory payments by way of taxes, duty on imports etc. due to Government and statutory payments relating to employees have been duly honoured by the Company.

#### **PROPERTY, PLANT & EQUIPMENT**

Significant changes in Property, Plant and Equipment during the period under review are given in Note 8 to the accounts on page 32.

#### **PAYMENT OF DIVIDEND**

The Company paid dividend of Rs.10 Million for the year 2018.

#### **PROPOSED FINAL DIVIDEND**

The Dividend proposed for the accounting year for 2018 is Rs.10 Million.

#### **AUDITOR**

The Auditor of the Company during the year under review was M/S Auditor General Department. A provision of Rs.163,320.00 has been made in the Accounts as audit fees for the year. The Auditor did not have any relationship or any other interests with the Company that would impair their independence.

#### **SOLVENCY TEST**

Directors have made an assessment of the solvency of the Company immediately after proposed dividend and confirmed that the Company has satisfied the Solvency Test, as required by the Companies Act No. 07 of 2007.

#### **SIGNIFICANT ACCOUNTING POLICIES**

The Accounting Policies adopted in the preparation of Financial Statements are given on pages 30 to 35.

#### **FUTURE FORECAST**

The immediate plan of the company is to recommencing our chlorine factory at Paranthan.



#### **AUDIT COMMITTEE**

The Audit Committee comprised of three non-executive members of the Board of Directors. During its sittings, the Audit Committee regularly reviewed the effectiveness of internal control systems, statutory compliances, financial statements and Management accounts.

#### **APPRECIATION**

We wish to place on record our appreciation to all of our customers for their continued patronage, and the members of the staff for their co-operation, commitment and hard work which helped the Company to reach and maintain its profitable status prevailing at present.

By order of the Board,

*Refilling activities, Cleaning and Industrial Safety at the Centre of Activities of the Company 2014*



---

#### CURRENT PERFORMANCE, MID-TERM STRATEGIES AND PROPOSED ACTIVITY PLAN FOR ENHANCING OPERATIONS IN 2018

---

The Company has planned for a sales target of Rs.305 Million and estimated profit after tax of Rs.74 Million for 2018. It is planned to increase annual sales of Chlorine, Caustic Soda and Hydrochloric acid through a low cost operation based on a proper plan which is competitive with other players in the market.

The requirement of bleaching powder hitherto, is imported. It is planned to fulfill the national demand for bleaching powder through local production, hence a factory for manufacturing bleaching powder is to be commenced in 2015.

It is planned to carry out the activities in respect of refilling of Chlorine which is carried out by a contractor presently, at a cost of approximately Rs.7.2 Million by the Company in 2014. If this proposal is implemented, the additional expenditure incurred will be saved in 2015.

The Company wishes that this process will be carried out as a part of Company's operation.

Company has been operating its Head Office in a Land belongs to the Ports Authority from the year 1976. This building is in dilapidated condition and need essential repairs or to construct new Head Office building. As the Port Authority has taken Legal action against the Company, It is planned to renovate existing building or put up a new office building in the same premises in the year 2015, after the Court Case is over.





# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

} IMU/A/PCCL/FA/01/ 2018

ඔබේ අංකය  
உமது இல.  
Your No.

} }

දිනය  
திகதி  
Date

} 27 May 2019

The Competent Authority  
Paranthan Chemicals Company Limited

**Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Paranthan Chemicals Company Limited for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018.**

## 1. Financial Statements

### 1.1 Opinion

The audit of the Financial Statements of the Paranthan Chemicals Company Limited for year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No.19 of 2018. My report to the parliament in pursuance in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards

### 1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities







ජාතික විගණන කාර්යාලය  
நேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE

for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The r  
one r  
misre

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

• Obtai  
proce  
an op

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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

• Evalu  
accou

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.

• Concl  
accou  
exists  
ability  
requir

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

• staten  
are ba  
future  
conce

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

• Evalu  
includ  
transa

### 1.4 Auditor's Responsibilities for the Audit of the Financial Statements

I commu  
significan  
identify d

My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards 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.

2. Re

National  
provision

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

• I have  
as ap  
Comp

• 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 my opinion.

2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

• The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.



ජාතික විගණන කාර්යාලය  
நேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE

- The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

Based on the procedures performed and evidence obtained which limited to matters that are material, nothing has come to my attention;

- to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for;

#### Reference to laws/ Directions

#### Description

(a) Public Enterprises Circular  
No. PED 12 of 02 June  
2003

- |      |               |   |
|------|---------------|---|
| (i)  | Section 8.2.2 | Concurrence and approval of the Minister of Finance had not been obtained for the investments amounting Rs.314,962,683 made during last three (03) years. |
| (ii) | Section 6.5.3 | The annual reports pertaining to the year 2015, 2016 and 2017 had not been tabled in parliament.  |

(b) Company Act No 07 of  
2007

- |      |                |   |
|------|----------------|---|
| (i)  | Section 201    | The administration of the Company is carried out under a Competent Authority with effect from 25 <sup>th</sup> of September 2015, instead of appointing a Board of Directors. |
| (ii) | Section 133(1) | The Company had failed to hold the Annual General Meetings since year 2014.   |





ජාතික විගණන කාර්යාලය  
தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE

(c) Section 01 of the Public Enterprises Circular No. PED/2015/01 of 25 May 2015 Rs.15, 000 of monthly transport allowances had been paid to four (04) officers of the Company under the approval of the Board of Directors without obtaining the approvals from the Secretary to the General Treasury.


(d) Financial Regulations 570 & 571. The refundable deposits aggregating Rs.18,534,000 had remained over fifteen (15) years without been refunded. However, the management of the Company had not taken actions to settle or treated them as income of the Company as per the financial regulations.

- to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

- to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

(a) As per the Guideline 3.1.4 of the Government Procurement Guidelines 2006, when the capacity of the domestic suppliers are limited, international competitive bidding should be called. However, contrary to the above provision in year 2018 the Company had called bids from the local agents on behalf of the foreign Companies to import of Chemicals including liquid Chlorine valued at Rs.140,058,269 and paid a sum of Rs. 14,332,650 as the commission in the year 2018.

(b) From year 2016 to 2018, the Company had spent a sum of Rs. 3,279,994 for the project of Caustic Soda production. However, the production had failed due to defects in the fixtures and fitting.

  
W.P.C. Wickramaratne  
Auditor General

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2018

	Notes	2018 Rs.	2017 Rs.
Revenue	1	302,627,105	334,330,049
Less: Cost of Sales	2	(157,924,310)	(164,351,617)
<b>Gross Profit</b>		144,702,795	169,978,432
Other Operating Income	3	33,279,066	28,576,511
		177,981,861	198,554,944
<b>Expenses</b>			
Selling & Distribution Expenses		(1,066,646)	(1,379,430)
Administrative & Establishment Expenses		(102,402,002)	(97,143,590)
		(103,468,648)	(98,523,020)
Profit from Operating Activities	4	74,513,213	100,031,923
Less: Finance Costs		(249,297)	(132,586)
Net Profit Before Taxation		74,263,916	99,899,337
Less: Taxation	5	(14,390,221)	(25,405,403)
Net Profit after Taxation		59,873,695	74,493,934
<b>Other Comprehensive Income</b>			
Actuarial Loss		(3,534)	1,273,192
Tax on other comprehensive income		(850)	(307,359)
Total Comprehensive Income for the year		59,869,311	75,459,767
Earnings per Share	6	14.97	18.86
Dividend per Share	7	2.50	2.75



STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> DECEMBER 2018

	Notes	2018 Rs.	2017 Rs.
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment	8	277,034,696	295,358,631
Capital Work-in-Progress		17,156,866	7,705,010
		294,191,562	303,063,641
<b>Current Assets</b>			
Inventories	9	24,592,647	42,098,023
Trade & Other Receivables		48,946,085	43,209,446
Staff & Other Debtors		21,449,736	23,075,296
Deposits, Prepayments & Advances		6,719,791	8,948,945
Short Term Investments	10	314,962,683	220,020,374
Cash and Cash Equivalents		12,173,243	40,696,865
<b>Total Current Assets</b>		428,844,185	378,048,948
<b>Total Assets</b>		723,035,747	681,112,590
<b>EQUITY &amp; LIABILITIES</b>			
<b>Capital &amp; Reserves</b>			
Stated Capital	11	40,000,000	40,000,000
Retained Earnings		357,770,900	308,901,589
Other Component of Equity	12	220,795,490	220,795,490
		618,566,390	569,697,079
<b>Non Current Liabilities</b>			
Retirement Benefit Obligations	13	12,932,768	11,529,723
Differed Tax	14	42,135,985	39,675,384
		55,068,753	51,205,107
<b>Current Liabilities</b>			
Trade & Other Payables		41,470,134	43,238,857
Current Tax Liability		7,930,470	16,971,547
Bank Overdrafts		-	-
<b>Total Current Liabilities</b>		49,400,604	60,120,404
<b>Total Equity &amp; Liabilities</b>		723,035,747	681,112,590

I certify that these Financial Statements are in compliance with the requirements of the Companies Act. No. 7 of 2007.


**Head of Finance**

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

These Financial Statements were approved by the Board of Directors.


**Chairman**

The Significant Accounting Policies and Notes on Pages 23 to 35, form an integral part of these Financial Statements.


**Director**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2018

	Stated Capital	Capital Reserves	Other Components of Equity	Accumulated Profit	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st January 2017	40,000,000	68,500,000	220,795,490	175,603,828	504,899,318
Dividend Paid	-	-	-	(8,300,000)	(8,300,000)
Adjustment in respect year		(68,500,000)		68,500,000	-
Net Profit for the Year	-	-	-	75,459,767	75,459,767
Prior adjustments				(2,362,006)	(2,362,006)
Balance as at 31st December 2017	40,000,000	-	220,795,490	308,901,589	569,697,079
Balance as at 01st January 2018	40,000,000	-	220,795,490	308,901,589	569,697,079
Adjustments in respect of Previous Years	-		-		-
Dividend Paid	-	-	-	(11,000,000)	(11,000,000)
Net Profit for the Year	-	-	-	59,869,311	59,869,311
Prior Adjustments					
Balance as at 31st December 2018	40,000,000	-	220,795,490	357,770,900	618,566,390

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2018

	2018 Rs.	2017 Rs.
Net Profit Before Taxation	74,263,916	99,899,337
<b><u>Adjustment For:</u></b>		
Depreciation	20,077,728	20,665,286
Amortization	-	-
Interest income	(31,626,375)	(27,453,420)
Profit on Disposal of Fixed Assets	-	-
Under Provision	-	(2,362,006)
Provision for Gratuity	2,385,822	2,344,723
Staff Loan Interest expenses	772,153	735,203
<b>Operating Profit before Working Capital Changes</b>	<b>65,873,243</b>	<b>93,929,123</b>
(Increase) / Decrease in Inventories	17,505,376	(28,341,668)
(Increase) / Decrease in Trade & Other Receivables	(5,736,640)	(5,579,800)
(Increase) / Decrease in Staff & Other Debtors	1,625,560	482,041
(Increase) / Decrease in Deposits, Prepayments & Advances	2,229,154	(3,321,160)
(Increase) / (Decrease) in Trade & Other Payables	(1,768,723)	(5,565,718)
	13,854,727	(31,194,869)
<b>Operating Profit after Working Capital Changes</b>	<b>79,727,971</b>	<b>62,734,254</b>
Income Tax Paid	(18,572,699)	(9,571,426)
Gratuity Paid	(986,312)	(148,603)
<b>Cash Generated from Operating Activities</b>	<b>60,168,960</b>	<b>53,014,225</b>
<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>		
Interest Income	28,455,376	24,950,874
Purchase of Property, Plant & Equipment	(1,753,792)	(24,861,170)
Proceeds from Sale of Property, Plant & Equipment	-	-
Capital Work-in-Progress	(9,451,856)	(1,698,818)
<b>Cash Used in Investing Activities</b>	<b>17,249,729</b>	<b>(1,698,818)</b>
<b><u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>		
Dividends Paid	(11,000,000)	(8,300,000)
<b>Cash Used in Financing Activities</b>	<b>-</b>	<b>-</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>66,418,689</b>	<b>43,105,112</b>
<b>Cash &amp; Cash Equivalents at the beginning of the year</b>	<b>260,717,237</b>	<b>217,612,126</b>
<b>Cash &amp; Cash Equivalents at the end of the year</b>	<b>Note A 327,717,237</b>	<b>260,717,238</b>

**Note A**

	2018 Rs.	2017 Rs.
<b>Cash &amp; Cash Equivalents Balance at the end of the Year is made up of.</b>		
Fixed Deposits - People's Bank	41,691,061	37,893,163
Fixed Deposits - People's Bank	47,710,032	43,363,828
Fixed Deposits - People's Bank	12,272,975	11,135,492
Fixed Deposits - People's Bank	6,401,371	5,815,905
Fixed Deposits - People's Bank	12,563,131	11,414,114
Fixed Deposits - People's Bank	12,589,669	11,422,834
Fixed Deposits - People's Bank	12,295,818	11,157,135
Fixed Deposits - People's Bank	13,066,489	11,863,076
Fixed Deposits - People's Bank	12,567,871	11,410,380
Fixed Deposits - People's Bank	6,410,848	5,820,414
Fixed Deposits - People's Bank	7,193,585	6,538,277
Fixed Deposits - People's Bank	11,609,191	10,551,797
Fixed Deposits - People's Bank	11,607,364	10,531,571
Fixed Deposits - People's Bank	11,943,398	10,855,564
Fixed Deposits - People's Bank	11,273,825	10,246,822
Fixed Deposits - People's Bank	11,122,128	10,000,000
Fixed Deposits - People's Bank	21,036,411	-
Fixed Deposits - People's Bank	31,607,517	-
Fixed Deposits - People's Bank	20,000,000	-
	314,962,683	220,020,374
People's Bank - Corporate Branch	1,719,157	20,052,130
People's Bank – Money Market	10,262,584	20,481,468
Bank of Ceylon- Corporate Branch	36,248	54,248
People's Bank –Bombuwala Branch	5,439	5,234
People's Bank –Horana Branch	26,909	12,235
Sampath Bank PLC	49,945	49,945
Petty Cash - Horana	32,208	32,480
Petty Cash - Head Office	23,814	9,241
Petty Cash - Kalutara	17,360	120
Postage Imprest	80	265
	12,173,243	40,696,865
	327,135,926	260,717,238

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2018

### 1. CORPORATE INFORMATION

#### 1.1. Reporting Entity

Paranthan Chemicals Company Limited is a Limited Liability Company Incorporated and domiciled in Sri Lanka. The Registered Office of the Company and the principal place of business is located at No.100/25, Sri Ramanathan Road, Colombo 13.

#### 1.2. Approval of Financial Statements

The Financial Statements are authorized for issue by the Board of Directors on 28<sup>th</sup> February 2019

#### 1.3. Number of Employees

The number of employees of the Company at the year end, was 61. (In 2017 - 62)

#### 1.4. Principal Activities and the Nature of Operations

The principal activities of the Company are Imports and Sale of Chemicals. There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

#### 1.5. Responsibility for Financial Statements

Directors acknowledge the responsibility for true and fair presentation of the Financial Statements in accordance with the Books of Accounts and Sri Lanka Accounting Standards (SLFRS)

#### 1.6. Statement of Compliance

The Financial Statements which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows, together with the accounting policies and notes (the "Financial Statements") have been prepared in accordance with the new Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No. 7 of 2007.

For all periods up to and including the Year ended 31<sup>st</sup> December 2011, the Company had prepared its Financial Statements in accordance with the Sri Lanka Accounting Standards (SLAS) which were effective up to 31<sup>st</sup> December 2011. These Financial Statements for the Year ended 31<sup>st</sup> December 2012, are the first the Company has prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) immediately effective from 01<sup>st</sup> January 2012. These SLFRS/LKASs have materially converged with the International Financial Reporting Standards (IFRS) as issued, by the International Accounting Standards Board (IASB).

### 2. BASIS OF PREPARATION

#### 2.1. Basis of Measurement

The Financial Statements have been prepared on an accrual basis under the historical cost convention, except for revalued Assets.

#### 2.2. Presentation and Functional Currency

The Financial Statements are presented in Sri Lankan Rupees, the Company's functional and presentation currency, which is the primary economic environment in which the Company operates.

### 3. ACCOUNTING POLICIES

#### 3.1. CHANGES IN ACCOUNTING POLICIES

The changes to accounting policies set out below have been applied consistently to all financial periods presented in these Financial Statements and in preparing the opening SLFRS/LKAS Statement of Financial Position as at 01<sup>st</sup> January 2011 for the purpose of the transition to SLFRS/LKAS, unless otherwise indicated.

##### **Comparative information**

The presentation and classification of the Financial Statements of the previous years have been amended, where relevant, for better presentation and to be comparable with those of the current year.

#### 3.2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements of the Company requires the management to make judgments, estimates and assumptions, which may affect the amount of income, expenditure, assets, liabilities, at the end of the reporting period. In the process of applying the Company's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### **Revaluation of Property, Plant and Equipment**

The Company measures Property, Plant and Equipment at revalued amounts with changes in fair value being recognized in the Statement of equity. The Company engaged independent valuation specialists to determine fair value and certain identified Property, Plant and Equipment as at 31<sup>st</sup> December 2010.

##### **Taxes**

The Company is subject to Income Tax and other taxes including VAT and NBT. Significant judgment was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the Financial Statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these Financial Statements.

##### **Impairment of Tangible Assets**

The assessment of impairment in tangible assets includes the estimation of the value in use of the asset computed as the present value of the best estimates of future cash flows generated by the asset adjusted for associated risks. This estimation has inherent uncertainties. Impairment losses if any, are charged to income statement immediately.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.1. Foreign Currency Translation

Transactions in overseas currencies are translated into Sri Lankan Rupees at the exchange rate ruling at the date of the transaction. All monetary assets and liabilities in foreign currency at year end, are translated at the rate prevailing at the balance sheet date. Non-monetary items which are carried in terms of historical cost or fair value denominated in foreign currency are translated using the exchange rate prevalent at the date of transaction. The resulting gains or losses on transactions are dealt with, in the Income Statement.

## 4.2. Tax

### Current Tax

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act. No. 10 of 2006 and amendments thereto.

### Deferred Tax

Deferred Taxation is provided, based on the liability method, on the temporary differences at the balance sheet date between the carrying amount of the assets and liabilities for financial reporting purposes and the amounts used for the tax purposes. The balance in the deferred taxation account represents income tax applicable to the difference between the written down values for tax purposes of the assets on which tax depreciation has been claimed and the net book value of such assets, offset by the provision for retirement benefit which is deductible for income tax purposes only on payment.

Deferred assets are recognized for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

## 4.3. Property, Plant and Equipment

### Basis of Recognition

Property, Plant and Equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured in accordance with LKAS 16

### Basis of Measurement

Property, Plant and Equipment are stated at Cost / Revalued value less accumulated depreciation and any accumulated impairment loss to the date of revaluation. The carrying values of Property, Plant and Equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation.

Any revaluation surplus is recognized in other Comprehensive Income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the Income Statement, in which case the increase is recognized in the Income Statement. A revaluation deficit is recognized in the Income Statement, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

### De Recognition

Items of Property, Plant and Equipment are de-recognized upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the Income Statement in the year the asset is de-recognized.

**Depreciation**

Depreciation is calculated by using the straight-line method on the cost or valuation of all Property, Plant and Equipment, other than freehold land, in order to write off such amounts over the estimated useful economic lives of such assets.

The depreciation of the re-valued Assets, is been done, item by item on the basis of remaining useful economic lifetime of Assets.

The depreciation is been done on new Assets additions, as per details shown below.

Assets	Rate % per annum
Buildings	05.00
Motor Vehicles	25.00
Cylinder/ Containers	12.50
Tools & Equipment	12.50
Office Equipment	12.50
Furniture & Fittings	12.50
Plant & Machinery	12.50
Computer Accessories	33.33
Communication & Media Equipment	33.33
Bicycle	12.50

**4.4. Financial Instruments - Initial Recognition and Subsequent Measurement****i) Financial Assets****Initial Recognition and Measurement**

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets. The Company determines the classification of its financial assets at initial recognition. The Company's financial assets include cash and short-term deposits, trade and other receivables, and loans and other receivables.

**Subsequent Measurement**

The subsequent measurement of financial assets depends on their classification as follows:

**Loans and Receivables**

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost, using the effective interest rate method (EIR), less impairment. 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 finance income in the Income Statement. The losses arising from impairment is recognized in the Income Statement in finance costs.

**ii) Financial Liabilities****Initial Recognition and Measurement**

Financial Liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition.



All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

#### **4.5. Inventories**

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

#### **4.6. Trade and Other Receivables**

Debtors and Other Receivables are stated at the amounts estimated to be realized net of provision for doubtful receivables.

Provision for Bad and Doubtful Debts are made as follows;

1-2 Years	25%
2-3 Years	50%
More than 3 Years	100%

#### **4.7. Cash and Cash Equivalents**

Cash & Cash Equivalents in the Statement of Financial Position comprise cash at banks and in hand for the purpose of the cash flow Statement, cash and cash equivalents consist of cash and short-term deposits also.

#### **4.8. Defined Benefit Plan - Gratuity**

Defined Benefit Plan portrays the amount of benefit an employee will receive at his retirement, usually dependent on his service at retirement. The Company is liable to pay gratuity to an employee relevant to the statute and such gratuity is an acknowledged Defined Benefit Plan. Provision is provided to meet this liability and it is reflected in the Statement of Financial Position of the Company. The cost of providing benefits under such Benefit Plan, is computed separately for each plan and calculated in line with the Projected Unit Credit method. Gains and Losses occurring during the period are charged or credited against such gratuity.

#### **Defined Contribution Plan – Employees' Provident Fund and Trust Fund**

Obligation for contributions to a Defined Contribution Plan is recognized as expense in the Statement of Comprehensive Income as incurred.

#### **4.9. Liabilities and Provisions**

Liabilities and provisions are recognized in the Statement of Financial Position when there is a present obligation as a result of a past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the Creditors or within one year of the Balance Sheet date, are treated as Current Liabilities in the Balance Sheet. Liabilities payable after one year from the Balance Sheet date are treated as Non-Current Liabilities in the Balance Sheet.

#### **4.10. Events Occurring after the Reporting Period**

Events after the reporting period are those events favourable and unfavourable that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The

materiality of the events occurring after the reporting period, is considered and appropriate adjustments to or disclosures are made in the financial statements, where necessary.

#### **4.11. Deposits on Returnable Cylinders**

Deposit on Returnable Cylinders represent the cash deposits collected from distributors when issuing Returnable Cylinders by the Company. At the time of termination of a distributor the deposit is refunded in case the Returnable Cylinders were returned to the Company or the deposit was forfeited to the extent that the returnable cylinders were not returned to the Company.

#### **4.12. Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, after eliminating sales within the Company.

The following specific criteria are used for recognition of revenue:

##### **Sale of Goods**

Revenue from the sale of goods is recognized when the significant risk and rewards of ownership of the goods have passed to the buyer with the Group retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

##### **Turnover Based Taxes**

Turnover Based Taxes include Value Added Tax, Nation Building Tax. Company pays such taxes in accordance with the respective statutes.

##### **Interest Income**

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the Income Statement.

##### **Gains and Losses**

Net Gains and Losses of a revenue nature arising from the disposal of Property, Plant and Equipment and other non-current assets, including investments, are accounted for in the Statement of Comprehensive Income, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

##### **Other Income**

Other income is recognized on an accrual basis.

#### **4.13. Expenditure Recognition**

Expenses are recognized in the Statement of Comprehensive Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency, has been charged to the Statement of Comprehensive Income.

## **5. SRI LANKA ACCOUNTING STANDARDS (SLFRS/LKAS) ISSUED BUT NOT YET EFFECTIVE**

Standards issued but not yet effective up to the date of issuance of the Company's Financial Statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

- a. SLFRS 9-Financial Instruments: Classification and Measurement SLFRS 9 as issued reflects the replacement of LKAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in LKAS 39. The standard is effective for annual periods beginning on or after 01<sup>st</sup> January 2015. The adoption of SLFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.
- b. SLFRS 13-Fair Value Measurement SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not state when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 01<sup>st</sup> January 2014.

## **6. FIRST-TIME ADOPTION OF SLFRS/LKAS**

These Financial Statements, for the year ended 31<sup>st</sup> December 2012, are the first the Company has prepared in accordance with SLFRS/LKAS. For periods up to and including the year ended 31<sup>st</sup> December 2011, the Company prepared its Financial Statements in accordance with Sri Lanka Accounting Standards which were effective up to 31<sup>st</sup> December 2011.

Accordingly, the Company has prepared Financial Statements which comply with SLFRS/LKAS applicable for periods ending on or after 31<sup>st</sup> December 2012, together with the comparative period data as at and for the year ended 31<sup>st</sup> December 2011, as described in the accounting policies. In preparing these Financial Statements, the Company's opening Statement of Financial Position was prepared as at 01<sup>st</sup> January 2011, the Company's date of transition to SLFRS/LKAS. This note explains the principal adjustments made by the Company in restating its SLAS Statement of Financial Position as at 01<sup>st</sup> January 2011, and its previously published SLAS Financial Statements as at and for the year ended 31<sup>st</sup> December 2011.

## **7. DIRECTORS' INTEREST IN CONTRACTS**

Competent Authority confirmed that he did not have any interest in contracts with the Company.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2018

		2018 Rs.	2017 Rs.
<b>1</b>	<b><u>REVENUE</u></b>		
	Sales	304,928,395	336,893,848
	Less: Nation Building Tax	(2,301,290)	(2,563,798)
		302,627,105	334,330,049
<b>2</b>	<b><u>COST OF SALES</u></b>		
	Opening Inventories	31,060,487	5,685,831
	Add: Purchases	140,058,269	189,726,273
		171,118,756	195,412,104
	Less: Closing Inventories	(13,194,446)	(31,060,487)
		157,924,310	164,351,617
<b>3</b>	<b><u>OTHER OPERATING INCOME</u></b>		
	Interest on Staff Loans	1,316,564	1,354,324
	Interest on Fixed Deposits & Call Deposits	30,309,810	26,099,096
	Other Income	1,652,691	1,123,092
	Profit on Sale of Fixed Assets	-	-
		33,279,066	28,576,511
<b>4</b>	<b><u>PROFIT FROM OPERATING ACTIVITIES</u></b>		
	Profit from operation is stated after charging the following expenses.		
	Depreciation	20,077,728	20,665,286
	Auditors' Remuneration	163,320	163,650
	Personnel Costs	Note 4.1	-
<b>4.1</b>	<b><u>PERSONNEL COSTS</u></b>		
	Salaries, Wages and other related expenses	44,583,831	41,023,128
	Terminal Gratuity	2,385,822	2,444,723
	Employees' Provident Fund & Employees' Trust Fund	5,512,793	5,323,139
		52,482,446	48,790,990
	<b>The above included: -</b>		
	Directors' Emoluments (Chairman & Executive Director Salary)	-	-
	Directors' Fees	-	-
<b>5</b>	<b><u>TAXATION</u></b>		
	Current Tax	Note 5.1	11,930,470
	Deferred Tax Charge / (Release)	Note 5.2	2,459,751
			14,390,221
			25,405,403

	Rs.	Rs.
<b>5.1 RECONCILIATION OF ACCOUNTING PROFIT &amp; TAX PROFIT</b>		
Net Profit as per Accounts	74,263,916	99,899,337
Aggregate Disallowable Expenses	22,950,509	23,521,166
	97,214,425	123,420,503
Aggregate Allowable Expenses	(42,851,001)	(53,610,818)
Business Profit	54,363,424	69,809,685
Interest Income	30,854,222	26,686,988
Total Statutory Income	85,217,646	96,496,673
Tax on Interest Income	-	-
Tax on Buying & Selling	7,610,879	16,435,906
Tax on Manufacturing	4,319,591	4,535,641
	11,930,470	20,971,547
<b>5.2 DEFERRED TAX EXPENSES / (INCOME)</b>		
Deferred Tax Expenses / (Income) arising due to Timing Differences	(2,460,601)	(4,741,215)
Tax on other comprehensive income	850	307,359
	(2,459,751)	(4,433,856)

## 6 EARNINGS PER SHARE

**6.1** Basic Earnings per Share is calculated by dividing the net profit for a respective year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during that year. The weighted average number of ordinary shares outstanding during the year and previous years are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources, such as bonus issue.

**6.2** The following reflects the income and share data used in the Basic Earnings per Share computations, for the year ended 31<sup>st</sup> December 2018.

### Amount used as Numerators:

Net Profit / (Loss)	59,869,311	75,459,767
Net Profit attributable to Ordinary Shareholders	59,869,311	75,459,767

	2018 Rs.	2017 Rs.
<b>Number of Ordinary Shares Used as Denominators:</b>		
Weighted Average number of Ordinary Shares in issue		
Applicable to Basic Earnings Per Share	4,000,000	4,000,000
	4,000,000	4,000,000

Earnings Per Share	14.97	18.86
--------------------	-------	-------

**7 DIVIDEND PER SHARE****Amount used as Numerators**

Dividend for the Year	10,000,000	11,000,000
-----------------------	------------	------------

**Number of Ordinary Shares Used as the Denominators**

Ordinary Shares in issue applicable to Dividend Per Share	4,000,000	4,000,000
---	-----------	-----------

Dividend Per Share	2.50	2.75
--------------------	------	------

## 8 PROPERTY, PLANT &amp; EQUIPMENT

Description of Assets	Cost / Valuation			Depreciation			W.D.V			
	Balance as at 01/01/2018	Additions During the Year	Disposal	Balance as at 31/12/2018	Balance as at 01/01/2018	For the year	On disposal	Balance as at 31/12/2018	Balance as at 01/01/2018	Balance as at 31/12/2018
Lands	70,000,000	-	-	70,000,000	-	-	-	-	70,000,000	70,000,000
Buildings	51,493,569	3,201,602	-	51,493,569	6,001,172	1,799,839	-	7,801,011	45,492,397	43,692,558
Plant & Machinery	13,788,070	395,652	-	14,183,722	4,691,352	1,661,706	-	6,353,058	9,096,718	7,830,664
Furniture & Fittings	2,570,913	481,263	-	3,052,176	1,651,201	192,771	-	1,843,972	919,712	1,208,204
Office Equipment	3,268,769	100,593	-	3,369,362	2,082,518	281,872	-	2,364,390	1,186,251	1,004,972
Computers	3,884,320	558,863	-	4,443,183	2,713,966	627,646	-	3,341,612	1,170,354	1,101,571
Motor Vehicles	34,935,915	-	-	34,935,915	31,181,645	1,987,023	-	33,168,668	3,754,270	1,762,247
Containers & cylinders	229,032,549	-	-	229,032,549	65,868,637	13,390,154	-	79,258,791	163,163,912	149,773,758
Tools & Equipment	936,836	157,922	-	1,094,758	385,983	97,088	-	483,071	550,853	611,687
Communication & Medical Equipment	367,098	59,500	-	426,598	342,933	39,630	-	382,563	24,165	44,035
	410,278,039	1,753,792	-	412,031,831	114,919,407	20,077,728	-	134,997,135	295,358,632	277,034,696

	2018 Rs.	2017 Rs.
<b>9 INVENTORIES</b>		
<u>Trade Inventories</u>		
Liquid Chlorine - 900 Kg	4,833,798	9,190,016
Liquid Chlorine - 68 Kg	424,395	1,126,475
Caustic Soda Flakes	7,244,312	20,743,996
Hydrochloric Acid	691,491	-
Bleaching Powder	-	-
	13,194,446	31,060,487
<u>Other Inventories</u>		
Chlorine Valves, Spindles, Washers, Protectors, Spanners & Valves		
Complete	11,398,201	11,037,536
Protective Hoods	-	(162,300)
Emergency Kit	-	-
Stationery	-	-
	11,398,201	10,875,236
	24,592,647	41,935,723
<b>10 SHORT TERM INVESTMENTS</b>		
Fixed Deposit - Peoples's Bank	41,691,061	37,893,163
Fixed Deposit - People's Bank	47,710,032	43,363,828
Fixed Deposit - People's Bank	12,272,975	11,135,492
Fixed Deposit - People's Bank	6,401,371	5,815,905
Fixed Deposit - People's Bank	12,563,131	11,414,114
Fixed Deposit - People's Bank	12,589,669	11,422,834
Fixed Deposit - People's Bank	12,295,818	11,157,135
Fixed Deposit - People's Bank	13,066,489	11,863,076
Fixed Deposit - People's Bank	12,567,871	11,410,380
Fixed Deposit - People's Bank	6,410,848	5,820,414
Fixed Deposit - People's Bank	7,193,585	6,538,277
Fixed Deposit - People's Bank	11,609,191	10,551,797
Fixed Deposit - People's Bank	11,607,364	10,531,571
Fixed Deposit - People's Bank	11,943,398	10,855,564
Fixed Deposit - People's Bank	11,273,825	10,246,822
Fixed Deposit - People's Bank	11,212,128	10,000,000
Fixed Deposit - People's Bank	21,036,411	-
Fixed Deposit - People's Bank	31,607,517	-
Fixed Deposit - People's Bank	20,000,000	-
Fixed Deposit - Bank of Ceylon	-	-
Fixed Deposit - Bank of Ceylon	-	-
	314,962,683	220,020,374
<b>11 STATED CAPITAL</b>		
<u>Represented By</u>		
Capital Reserve		
Nos. 4,000,000 Ordinary Shares Note 11.1	40,000,000	40,000,000



**12 OTHER COMPONENTS OF EQUITY****Re Valuation Reserves on Property, Plant and Equipment**

Balance as at the beginning of the Year	220,795,490	220,795,490
Revaluation Surplus during the Year		-
Reversal of Revaluation		
Balance at the end of the Year	220,795,490	220,795,490

A Revaluation was carried out by the Government Valuation Department to ascertain the Fair Value of its Property, Plant and Equipment as at 31<sup>st</sup> December 2010. The results of such revaluation were incorporated in the Financial Statement with effect from 31<sup>st</sup> December 2010, which is a revaluation based on the valuation made by the Government Valuation Department.

Class of Asset	Net Carrying Amount as at 31-12-2010 Rs.	Revalued Amount as at 31-12-2010 Rs.	Revaluation Reserves Rs.
Lands	538,000	70,000,000	69,462,000
Plant & Machinery	181,790	1,138,000	956,210
Furniture & Fittings	1,208,140	1,925,000	716,860
Office Equipment	461,909	1,511,700	1,049,791
Computer Accessories	741,648	916,850	175,202
Motor Vehicles	192,128	12,195,037	12,002,909
Bicycle	1	2,500	2,499
Cylinders	36,892,075	173,033,000	136,140,925
Tools & Equipment	30,216	319,310	289,094
	40,245,907	261,041,397	220,795,490

**13 RETIREMENT BENEFIT OBLIGATIONS**

Balance at the Beginning of the Year	11,529,723	10,506,795
Under Provision	-	-
Charge for the year	1,044,813	998,148
Interest for the year	1,341,010	1,446,575
Provision from Comprehensive Income statement	2,385,822	2,444,723
Provision from Other Comprehensive Income statement		
Actuarial Loss	3,535	(1,273,192)
Less: Payments made during the Year	(986,312)	(148,603)
Balance at the End of the Year	12,932,768	11,529,723

Defined Benefit Liability is valued as of 31<sup>st</sup> December 2015 and the principal assumption used in the valuation is as follows.

	2018	2017
Discount Rate	12%	12%
Annual Salary Increment Rate	10%	10%
Staff Turnover	5%	5%

**14 DIFFERED TAX**

	<b>2018</b>	<b>2017</b>
	<b>Rs.</b>	<b>Rs.</b>
	Rs.	Rs.
Balance at the Beginning of the Year	39,675,384	34,934,169
Deferred Tax Charge/(Income) for the Year	2,460,601	4,741,215
Balance at the End of the Year	42,135,985	39,675,384

**15 CONTINGENT LIABILITIES**

There were no material contingent liabilities as at the Balance Sheet date.

**16 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

Subsequent to the date of Balance Sheet, no circumstances have arisen which would require adjustments to or disclosures in the Financial Statement.

**17 DISCLOSURES****Refilling Process**

Due to the leakage of chlorine, the environment of the plant located at Kalutara, Nagoda was affected. Thereby it became necessary to shift to a new site at Wagawatte. The cost for the event was Rs. 7.2million (approximately) for this change of location. This has brought a reduction of profit for the Year 2015.

**18 DIVIDEND PER SHARE**

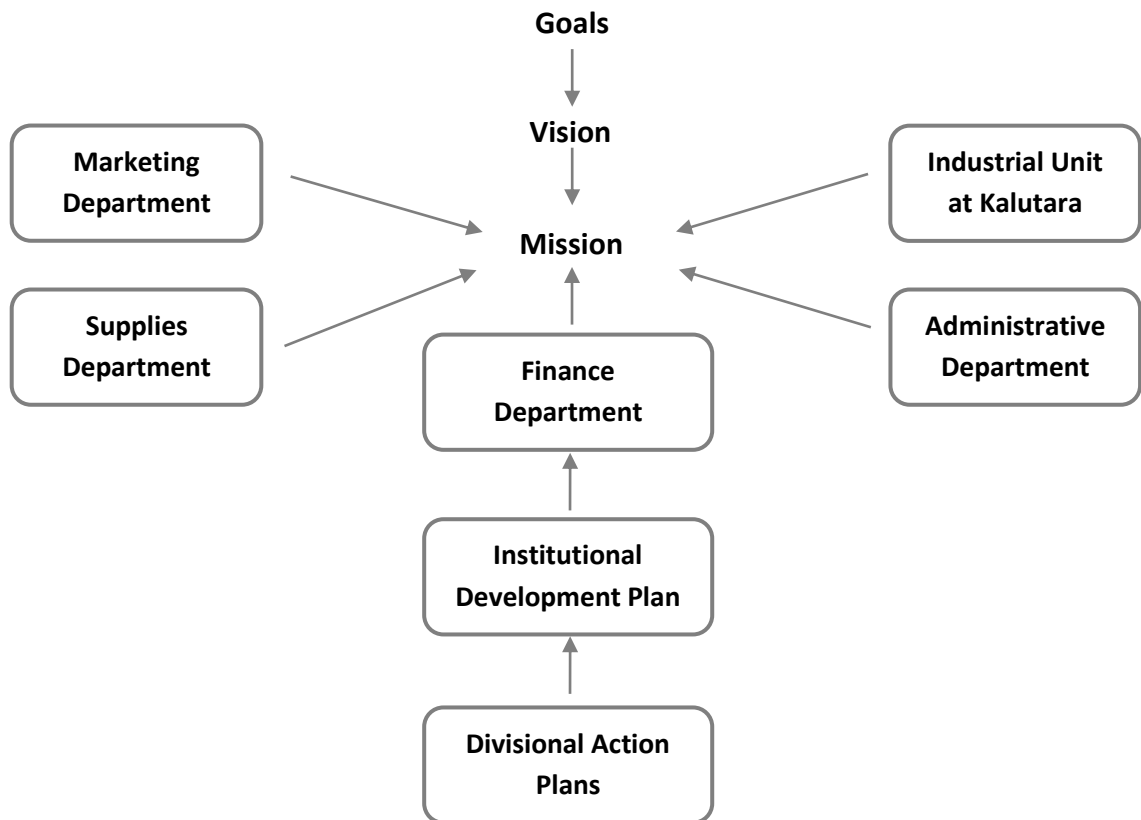
For the Year Ended 31<sup>st</sup> December

	<b>2018</b>	<b>2017</b>
	<b>Rs.</b>	<b>Rs.</b>
Final Dividends Declared	10,000,000	11,000,000
No. of Ordinary Shares	4,000,000	4,000,000
Dividend Per Share	2.50	2.75

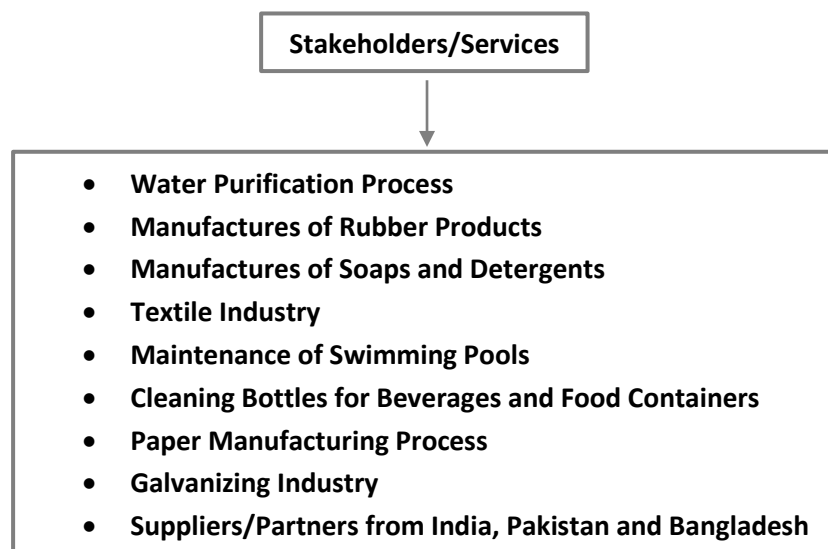
The Board of Directors, has recommended a first and final dividend of Rs.2.50/= per share (4,000,000) for the year ended 31<sup>st</sup> December 2018 which is to be approved by the shareholders at the Annual General Meeting, as stipulated by the Sri Lanka Accounting Standards (SLFRS/LKAS) No.10, Events after the Balance Sheet Date. This proposed dividend is disclosed, but not recognized as a liability as at 31<sup>st</sup> December 2018.

## ORGANIZATION STRUCTURE – STRATEGIC BUSINESS UNITS

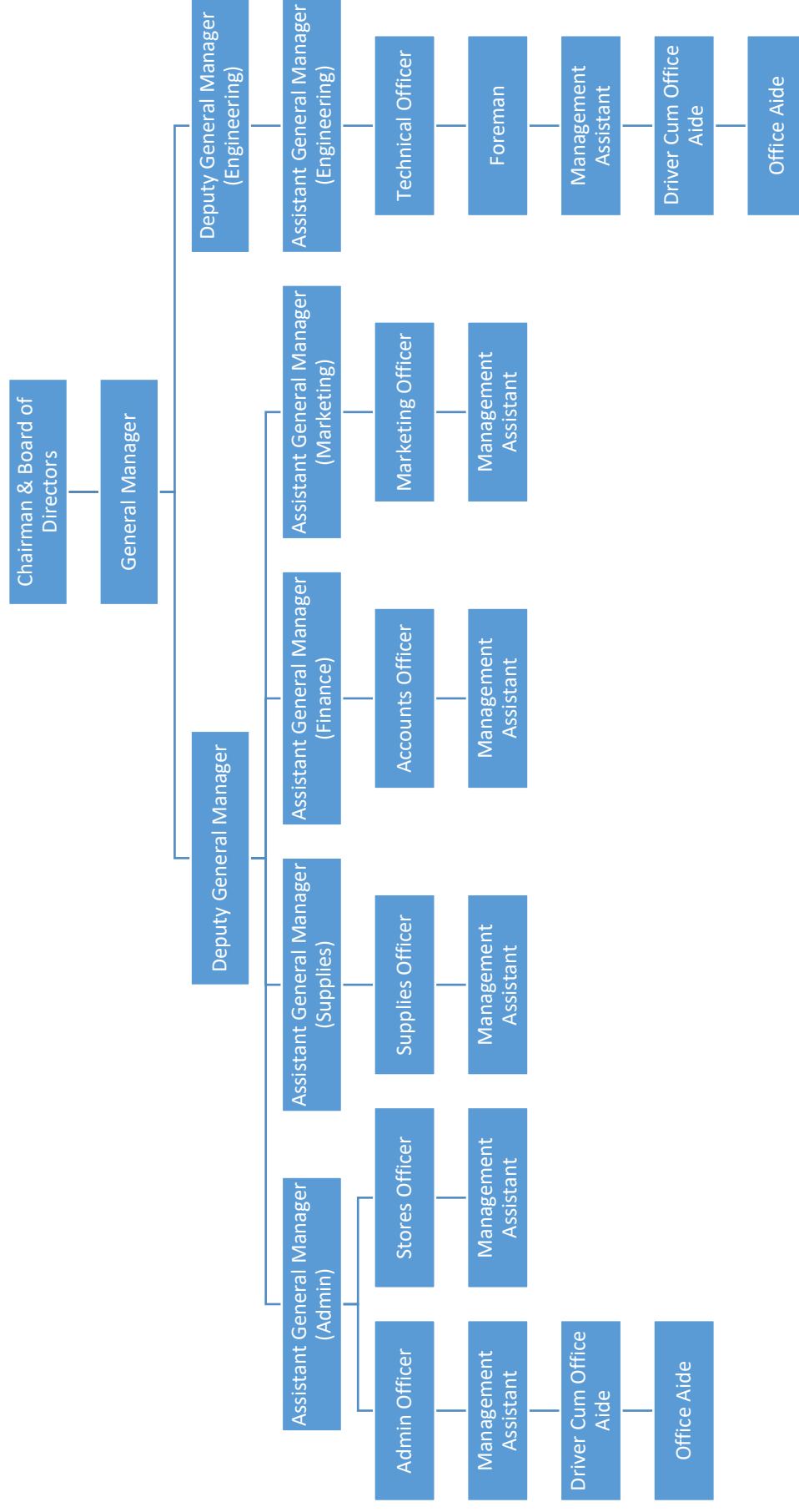
### Strategic Business Units



### Strategic Targets



## ORGANIZATION STRUCTURE



### Note

Internal Audit functions of the Company at present are outsourced. (Internal Auditor, K. Liyanage & Co. Chartered Accountants)

**HIGHLIGHTS / ACHIEVEMENTS IN 2017, 2018 AND BUDGETED FOR 2019****PARANTHAN CHEMICALS COMPANY LIMITED  
OPERATIONAL FINANCIAL HIGHLIGHTS OF 2017, 2018 AND BUDGETED FOR 2019**

	<b>2017 Actual Rs.'000</b>	<b>2018 Actual Rs.'000</b>	<b>2019 Budgeted Rs.'000</b>
<b>NON CURRENT ASSETS</b>	303,064	294,192	464,500
<b>CURRENT ASSETS</b>	378,049	428,844	290,000
<b>TOTAL ASSETS</b>	681,113	723,036	754,500
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
<b>Share Holders Fund</b>	569,697	618,566	629,230
<b>NON CURRENT LIABILITIES</b>	51,205	55,069	60,000
<b>CURRENT LIABILITIES</b>	60,210	49,401	65,270
<b>Total Equity &amp; Liabilities</b>	681,113	723,036	754,500
<b>Revenue</b>	334,330	302,627	360,843
<b>Cost of Sales</b>	(164,352)	(157,924)	(173,758)
<b>Gross Profit</b>	169,978	144,703	180,085
<b>Other Operating Income</b>	28,577	33,279	31,700
	198,555	177,982	218,785
<b>Profit from Operation</b>	100,032	74,513	110,000
<b>Profit before Tax</b>	99,899	74,263	109,700
<b>Profit after Tax</b>	75,460	74,263	79,700
<b>Earnings per Share (Rs.)</b>	18.87	14.97	19.93
<b>Dividends per Share (Rs.)</b>	2.75	2.50	5.00

## PERFORMANCE REVIEW OF THE COMPANY

From the year 1975, premises situated at Sri Ramanathan Mawatha, Colombo 13, has been released to Paranthan Chemicals Company Ltd. by Sri Lanka Port Authority, on a rental basis. The Head Office of this Company is maintained at this place. The main activities done here are to import and sale of Chlorine, Caustic Soda and Hydrochloric Acid appropriate to country's requirement and market requirements. The main countries of import are India, Pakistan and Bangladesh.

As the storing of imported Chlorine in Colombo suburbs is highly complicated, Chlorine Stores Complex was maintained in Horana Industrial Zone in Kalutara District. Initially, refilling of Chlorine from 900 Kg cylinders in to 68Kg was carried out.

Cylinders were done at this place and Paranthan Chemicals Company after paying a big cost to a private institution. Therefore, according to a request made by the Company, Cabinet paper was forwarded by the then Hon. Minister of Industrial Development, Kumara Welgama and the cabinet decision was effected making a reality of Mahinda Chinthana Programme of His Excellency the President, Mahinda Rajapaksa. It was approved by the Cabinet of Ministers on 22<sup>nd</sup> November 2006 and the land to the extent of 2 acres (lot No.558 1/2 and 558 2/2 ) had been granted to Paranthan Chemicals Company from Fullertan Industrial Estate at Kalutara on a long term rental basis and is operative from 29<sup>th</sup> November 2009.

Refilling of chlorine from imported 900kg capacity cylinders into 68kg capacity cylinders was launched on 01<sup>st</sup> May 2008 by the Refilling Unit of Paranthan Chemicals Company located in Fullertan Industrial Estate, Kalutara. Through this process a large amount of money that was to have gone to a private institution was retained with the Company. It has provided an especial contribution to enhance the profits of the institution. Distinctively, the Company has earned Rs.32.015 Million as profit before tax for the year 2012 and the profit before tax for the year 2013 is 37.16 Million.

After the chlorine leak at Kalutara site in the year 2012, the company could not find suitable place to set up the refilling and other operation with adequate space. The new chemicals which had been planned in the year 2013 had to be postponed due to this reason and impacted on the profitability. But in the latter part of the year, the company could manage to get a 2 ½ acres land in the Board of Investment Industrial state in Horana. It is expected to commence the new products once the unit is set up in the new location.

The Company has sustained an approximate financial loss of Rs.7.2 Million due to the chlorine leakage incident which resulted in changing logistics.

Considerable number of employment opportunities have been generated in association with this facility, which contributes to the development process of the country.

## CORPORATE GOVERNANCE

Paranthan Chemicals Company Ltd is committed to best practices in the area of Corporate Governance. Corporate Governance is an internal system encompassing policies, processes and people, which serve the needs of shareholders and other stakeholders. Good governance facilitates effective management and control of the business, while maintaining a high level of business ethics and optimizing the value for all stakeholders. Sound Corporate Governance is reliant on external market place commitment and legislation plus a healthy Board culture which safeguards policies and processes. Further, an important element of Corporate Governance is to ensure the accountability of those who engaged in services in an organization.

The Corporate Governance Report, together with the Audit Committee Report & the Directors Report, provides a description of the manner and extent to which Paranthan Chemicals Company Ltd complies with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and Code of Best Practice in Corporate Governance for Public Enterprises in Sri Lanka, Companies ACT No. 07 of 2007 and Financial Regulation of Socialist Republic of Sri Lanka.

### THE BOARD OF DIRECTORS

The Board is collectively responsible for the success of the Company. Its role is to provide entrepreneurial leadership to the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives, and reviews management performance. It also sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met. Specific responsibilities reserved to the Board include:

- Enhance shareholder value.
- Reviewing of corporate objectives, budgets and forecasts.
- Reviewing of operational and functional performances.
- Initiating capital investment options.
- Ensuring the implementation of an effective internal control system.
- Ensuring compliance with highest ethical and legal standards.
- Approval of the Annual Financial Statements prior to publication.
- Recommending Dividends for approval by shareholder.

The Board comprises of Seven Directors out of whom five are Non-Executive Directors. The names and status of the Directors are given.

### BOARD MEETINGS

The company conducts monthly board meetings and, where necessary special board meetings are convened in order to transact special business. During the year ended 31<sup>st</sup> December 2018.

Name of Competent Authority	Number of Meeting Attended
Mr.Eric Illayapparchchi	

### Management Committee Meetings

The Executive Directors of the Board have regular meetings with the Management in each month to facilitate discussion of operational issues and finding solutions. The Management Committee at its meeting carefully pursue all policy matters and also implementation of decisions taken before they were referred to the Board of Directors for approval and ratification.

## Tenure, Retirement and Re- Election of Directors

At each Annual General Meeting one-third of the Directors for the time being, or, if their number is not a multiple of three, the number nearest to (but not less than) one-third, retire and seek re-election by the shareholders. At the Annual General Meeting in every subsequent year one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office.

## Audit Committee Meetings

The Audit Committee plays a key role in reviewing the Internal Control and Check Systems that will guarantee the prevalence of effective internal controls. The Committee is comprised three non-executive members of the board and chaired by a Non-Executive Director nominated by the Treasury being the only share holder of the company. The Committee invites the representatives of the Internal Auditors, General Manager and the Members of the Corporate Management to attend meetings. The Committee constantly reviews Quarterly Internal Audit Reports, monthly progress reports, sales reports, the system and controls and makes recommendation for improvements where necessary, in addition to the introduction of new features.

The committee is responsible and report to the board regularly to strengthen the present system and procedures in relation to financial and operational activities in order to improve the efficiency and to enhance the productivity of resources for the benefit of the employees.

### Audit Committee Meeting attendance – 2018

Name of Director		No. of Meeting Attended
Mr.Namal Bandara	(Chairman Audit Committee)	04
Mr.Eric Illayapparachchi	(Competent Authority)	04

## Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls to safeguard stakeholders' investments value and the Company's assets. The Board's policy is to have systems in place which optimize the Company's ability to manage risk in an effective and appropriate manner. The Board has delegated to the Audit Committee responsibility for identifying, evaluating and monitoring the risks facing the company and for deciding how these are to be managed.

## Presentation of Financial Statements and Related Transparency & Accountability

The financial statements are prepared in compliance with Sri Lanka Financial Reporting Standards (SLFRS). The external auditors are M/S Auditor General Department. to whom the all required information and records have been furnished. They were provided an environment by the senior management in which they could carry out the audit independently and enabling them to express an opinion on accounts.

## Rules of Discipline

The rules of discipline are in place to guide all employees on acceptable conduct. The key elements of the Rules of Discipline are;

- Fairness, honesty and impartiality of all actions.
- Being aware of the rules and regulations and obey it.
- Confidentiality in all matters dealt with.
- Avoid conduct that is likely to reflect or affect badly on the company.

## Financial Disclosures and Transparency

Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards, the requirements of companies Act no 7 of 2007. M/s Auditor General Department as External Auditors of the Company. Auditors are allowed to act independently and without intervention from the Management or the Board of the Company, to express an opinion on the financial statements of the Company. All the required information is provided for examination to the Auditors.



### **Ethical Standards**

The Directors believe that the maintenance of highest level of ethical conduct from employees is essential as part of practices of good governance and expects employees to act fairly, honestly and with loyalty. All employees are expected to provide the best for customers, shareholders and to the community at maximum in conducting business operations.

### **Statutory Payments**

All Statutory Payments fallen due to the Government, have been made or where relevant provided. Retirement gratuities have been provided for in accordance with Sri Lanka Accounting Standards No.16, Employee Benefits (Revised 2006).

### **Accountability and Disclosure**

In the year ended 31<sup>st</sup> December 2018, the members of the Board of Directors have reviewed in detail the Annual Financial Statements in order to satisfy themselves that they present a true and fair view of the Company's affairs. A summary of Director's Responsibilities in respect of Financial Statements is given on page 19.

**By Order of the Board,  
Paranthan Chemicals Company Ltd**

**H.L. Vipula Silva  
Secretary to the Board**

## AUDIT COMMITTEE REPORT

### Role of the Audit Committee

The primary role of the Audit Committee, which reports its findings to the Board of Directors, is to ensure the integrity of the financial reporting and audit processes and the maintenance of sound internal controls and risk management system. The Committees' responsibilities include monitoring and reviewing the following:

- Reliability and integrity of financial statements.
- Adequacy and effectiveness of internal controls.
- Effectiveness and performance of external and internal audit functions.
- Compliance with statutory and regulatory requirement.

### Composition of the Audit Committee

The Audit Committee comprises of three Non-Executive Directors and chaired by a Non-Executive Director nominated by the treasury the only share holder of the company and the board secretary as the convener. The composition of the Audit Committee is as follows;

Mr. Namal Bandara	- Chairman of the Audit Committee
Mr. Eric Illapparachchi	- Competent Authority

### Meetings and Attendance

The Committee met on 4 occasions during the year 2018 and discussed the matters referred by the board of directors at their meeting. Members' attendance at these meetings is set out in the Corporate Governance Report. The Managerial officers of the company, the Internal Auditors and the inviter of the Ministry of State Resources and Enterprises Development are invited to attend meetings whenever required.

### Activities

The Audit Committee discharged its duties by reviewing and discussing the Draft Accounts and External Audit Reports, the Internal Audit Reports submitted by outsourced internal auditor, Progress Reports, Sales Reports, Financial Management, Risk of Fraud and Errors and Systems Security. The Audit Committee has reviewed these reports, recommended additional controls and risk mitigation strategies that could be implemented to strengthen the existing internal control system thus minimizing the possibility of occurrence and impact of fraud, errors, operational and financial risks faced by the Company.

### Internal Control System

In 2014 the Committee reviewed the results of the audits undertaken by Internal Auditors, M/S Thilak Jayathilaka & Co., Chartered Accountants. The Internal Auditor (for the year 2016), considered the adequacy of management's response to the matters raised, including the implementation of any recommendations made.

### Compliance

The Audit Committee assisted the Board in ensuring compliance with the statutory provisions prior to publication of timely and reliable financial reports, which were also in line with the requirements of Sri Lanka Accounting Standards, Companies ACT no. 7 of 2007, Guidelines of Department of Public Enterprises, Ministry of Industries, Department of Inland Revenue, Employees Provident fund, Employees Trust Fund, NPA Guidelines and Government Circulars issued from time to time.

**On behalf of the Committee,**

**Member of the Audit Committee**

**Member of the Audit Committee**

FIVE YEAR SUMMARY OF THE FINANCIAL HIGHLIGHTS YEAR ENDED 31<sup>ST</sup> DECEMBER

	2018 Rs.	2017 Rs.	2016 Rs.	2015 Rs.	2014 Rs.
Revenue	302,627,105	334,330,049	257,567,095	219,215,292	221,854,391
Cost of sales	(157,924,310)	(164,351,617)	(121,547,124)	(115,416,329)	(106,970,257)
Gross profit	144,702,795	169,978,432	136,019,971	103,798,964	114,884,134
Other operating income	33,279,066	28,576,511	19,875,872	12,742,890	13,033,187
	177,981,861	198,554,944	155,895,543	116,541,854	127,917,321
Selling & Distribution expenses	(1,066,646)	(1,379,430)	(74,207)	(1,183,475)	(3,567,684)
Administration & Establishment exp.	(102,402,002)	(97,143,590)	(93,983,932)	(96,403,296)	(86,485,347)
Finance expenses	(249,297)	(132,586)	(134,915)	(750,671)	(1,487,825)
Profit before tax	74,263,916	99,899,337	61,029,489	18,204,412	36,376,465
Taxation	(14,390,221)	(25,405,403)	(11,242,218)	(8,907,040)	(8,756,056)
Net profit for the period	59,873,695	74,493,934	49,787,271	9,297,372	27,620,409
Dividend to Shareholder	10,000,000	11,000,000	7,000,000	1,300,000	4,500,000
<b>ASSETS</b>					
<b>NON CURRENT ASSETS</b>					
Property plant & Equipment	277,034,696	295,358,631	291,162,747	302,704,501	287,316,120
Work in Progress	17,156,866	7,705,010	6,006,192	6,043,702	12,552,394
Current Assets	428,844,185	378,048,948	298,183,249	234,487,883	218,556,302
Total Assets	723,035,747	681,112,590	595,352,188	543,236,126	518,424,816
<b>EQUITY AND LIABILITIES</b>					
<b>CAPITAL AND RESERVES</b>					
Stated capital	40,000,000	40,000,000	108,500,000	108,500,000	108,500,000
Retained profit	578,566,390	529,697,079	464,899,318	344,501,031	337,228,517
Shareholder's fund	618,566,390	569,697,079	504,899,318	453,001,031	445,728,517
Non-current liabilities	55,068,753	51,205,107	45,440,962	46,771,152	38,223,406
Current liabilities	49,400,604	60,210,404	45,011,908	43,463,943	34,462,893
Total equity and liabilities	723,035,747	681,112,590	595,352,188	543,236,126	518,424,816

---

## NOTICE OF THE MEETING

---

Notice is hereby given that the 28<sup>th</sup> Annual General Meeting of the Company will be held on 28<sup>th</sup> March 2022 at 2.00 p.m. at the Head Office of the Paranthan Chemicals Company Ltd., at 446, Galle Road, Rathmalana.

### Agenda

1. To receive and adopt the Annual Report of the Directors and Financial Statements for the year ended 31<sup>st</sup> December 2018, together with the Report of the Auditors thereon.
2. To declare a Dividend as recommended by the Directors.
3. To re-elect two Directors who retire in terms of Articles 87 & 88 of the Articles of Association of the Company.

By order of the Board

**H.L. Vipula Silva**  
**Secretary**  
**03<sup>rd</sup> March 2022**

### Notes:

1. A member is entitled to attend and vote at the meeting and is also entitled to appoint a person to attend and vote on his behalf.
2. A proxy need not be a member of the Company.
3. A form of proxy accompanies this report.