

50+ YEARS



*industrial asphalts (ceylon) PLC*

# ANNUAL REPORT

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FORESIGHT ★ AUDACITY

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*a journey*



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# FINANCIAL HIGHLIGHTS

	2020/21	2019/20	Change (%)
<b>Operating Results and Ratios</b>			
Revenue (Rs.)	108,135,838	402,426,651	(294,290,813)
Gross Profit (Rs.)	48,957,558	52,436,403	(3,478,845)
Results from Operating Activities (Rs.)	126,244,783	197,475,990	(57,915,698)
Profit before Tax (Rs.)	117,153,033	182,186,984	(65,033,951)
Profit after Tax (Rs.)	117,198,076	177,522,143	(60,324,067)
Gross Profit Margin (%)	45.3%	13.0%	32.2%
Net Profit Margin (%)	108.4%	44.1%	64.3%

## Statement of Financial Position

### Highlights and Ratios

Total Assets (Rs.)	1,026,025,205	1,083,855,280	(57,537,431)
Stated Capital (Rs.)	156,642,450	6,665,620	149,976,830
Retained Earnings (Rs.)	770,505,000	653,721,341	115,881,370
Total Equity (Rs.)	988,401,032	721,640,923	265,858,537
Total Liabilities (Rs.)	37,624,173	362,214,358	(323,396,182)
Current Ratio (Times)	3.77	0.79	2.98
Debt to Equity Ratio (Times)	0.04	0.50	(0.46)
Gearing Ratio (%)	0.04%	16.31%	-16.27%

### Investor Information and Ratios

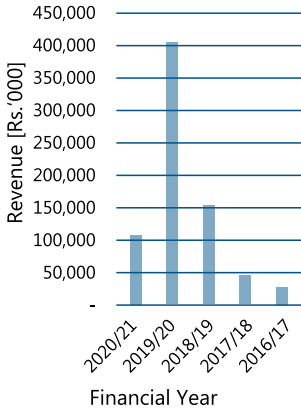
Earnings per Share - Rs.	0.03	0.06	(0.03)
Net Assets per Share - Rs.	0.29	0.24	0.05
Market Value per Share (end) - Rs.	0.40	292.50	(292.10)
Number of shares issued	3,749,411,250	666,562	3,748,744,688
Market Capitalization	1,499,764,500	194,969,385	1,304,795,115
Float Adjusted Market Capitalization	695,481,500	63,643,905	631,837,595

\* Financial Statements have been adjusted retrospectively based on the sub-division of shares

# FINANCIAL HIGHLIGHTS (Contd.)

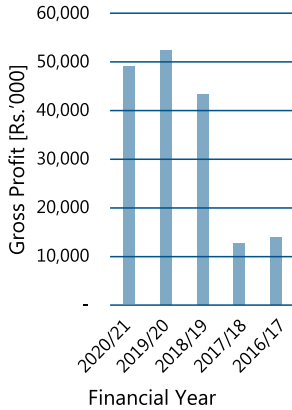
## Revenue

Rs. 108,135,838



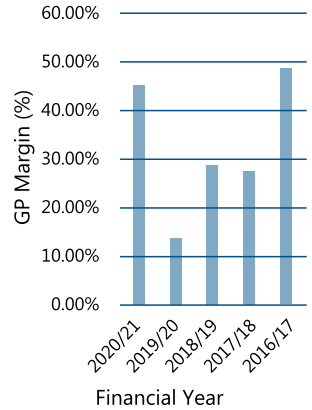
## Gross Profit

Rs. 48,957.558



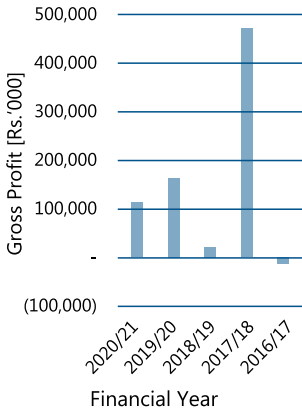
## Gross Profit Margin

45.3%



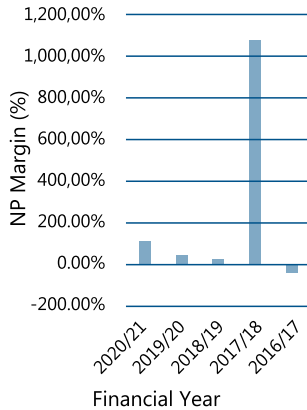
## Net Profit

Rs. 117,198,076

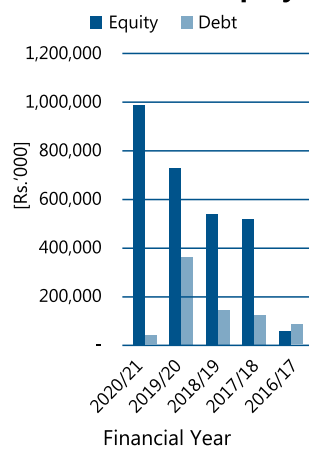


## Net Profit Margin

108.4%



## Total Debt to Equity



# CORPORATE INFORMATION

<b>Legal Form</b>	Quoted Public Company with limited liability, listed on the Colombo Stock Exchange
<b>Date of Incorporation</b>	30 June 1964
<b>Date of Re-registration</b>	1 August 2008
<b>Accounting year end</b>	31 March
<b>Company Registration Number</b>	PQ 185
<b>Registered Office</b>	No. 321, Negombo Road, Peliyagoda
<b>Website and Email</b>	www.iac.lk info@iac.lk
<b>Directors</b>	G. Ramanan (Executive Director) N. K. Dahanayake (Non-Executive Independent Director) R. Kishore Ignatius (Non-Executive Independent Director) S. Marimuthu (Non-Executive Independent Director)
<b>Company Secretaries &amp; Registrars</b>	Ninecap Corporate Solutions (Pvt) Ltd No. 55, Vinayalankara Mawatha, Colombo 10
<b>Auditors</b>	A. I. Macan Markar & Co. Chartered Accountants 46- 2/1, 2nd Floor, Lauries Road, Colombo 04
<b>Bankers</b>	Commercial Bank of Ceylon PLC Bank of Ceylon Hatton National Bank PLC

# EXECUTIVE DIRECTOR'S REVIEW

I would like to formally welcome the shareholders to the 57th Annual General Meeting of Industrial Asphalts (Ceylon) PLC.

The financial year ended 31 March 2021 had been an eventful year. The year in which IAC achieved transformation of historical nature. The future changing events that occurred during this period were, some instrumental in the hands of the Management and others were forces beyond the mightiest of the countries and regimes. The events of the financial year under review will define the Company, the Country, and the World for generations to come.

The financial review and analysis of the operating environment is now given under the Management Discussion and Analysis section on pages 6 to 10 of the Annual Report.

After the Balance Sheet date, the company finalized the sale of its Paints & Coatings Division (PCD). The disposal sets in motion a transformation of the Company with a new identity and direction. The process itself started in year 2019, when the primary objectives of the company were amended to reflect the desire to evolve the Company into an investment holding company. With the disposal of PCD, almost all assets on the Balance Sheet are now relating to investment holdings. The Company would continue to explore opportunities to take strategic positions in ventures where the projected returns reflect the Company's aspirations.

I would like to thank the Board of Directors for the strong and insightful guidance given during this critical year, for the survival and realignment of the Company. I am duty bound to extend my appreciation to the shareholders of the Company, for the support given to the Company at a crucial point where the Company stands today stronger and with the ability to capture the emerging opportunities as the Country prepares itself into a higher level of economic growth trajectory.

## **In Appreciation and Memory of Mr. Duleep Daluwatte**

Mr. Duleep Daluwatte, who served as a Director of Industrial Asphalts (Ceylon) PLC passed away on 23<sup>rd</sup> August 2021. His sudden and untimely death has created a significant gap in all those he touched in his life. We will miss in no small measure his business acumen and spontaneous business advice we used to receive from him. On behalf of the shareholders, the Management, and the Board of Directors I would like to place on record our gratitude and appreciation on all the great deeds of Mr. Daluwatte's contribution as a Director, and most importantly as a dear friend of the Company.

(Sgd.)

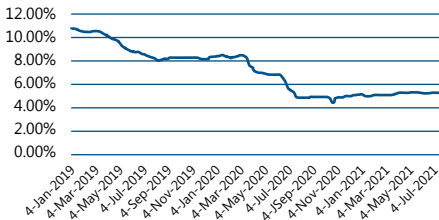
**G. Ramanan**  
Executive Director

# MANAGEMENT DISCUSSION AND ANALYSIS

## The Macroeconomic Environment

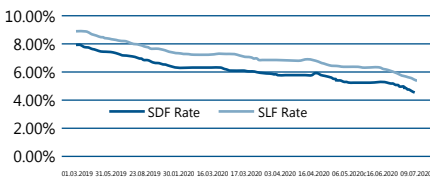
The macroeconomic environment was dominated by the Covid19 pandemic and the social and economic response to the same. The long periods of lockdowns which were the feature for most of the year 2020 resulted in significant economic slowdown.

**1 Year Treasury Bills**



Some of the key economic sectors took a disproportionately larger impact and some sectors virtually grounded to a halt. The primary amongst these sectors is the leisure sector which is one of the key foreign exchange earners for the country. The social impact of the lockdown was also high due to the requirement to stay indoors devoid of social encounters. The unprecedented global economic impact of the pandemic was countered by unprecedented economic policy adjustments by the global central banks. The Central Bank of Sri Lanka's response was twofold, Loose Money Policy and debt moratoriums.

**Policy Rates**



The monetary policy adjustments resulted in policy rates being reduced with the resulting benchmark treasury bill rates reaching record lows. Following the benchmark rates, the connected interest rates PLR and AWDR also have reached record low points. The corrosive effect of the pandemic was distilled into the growth rates of the GDP in the form of negative growth rates. The lockdowns divided the economic players into two categories, Covid friendly and Covid neutrals. Certain sectors were able to rise up and cater to the demand generated by the counter measures taken to contain the spread of the pandemic. Except for this sector most of the other economic sectors had negative impact. For the economy as a whole, the experience was negative. To sustain the worst of the effected economic players, CBSL introduced debt moratoriums which have been extended several times to reflect the prolonged nature of the pandemic. The country also introduced restricted imports list for the first time since 1970s to prevent the outflow of foreign exchange. Further, industrial policy was tweaked in favor of local production through the introduction of high import duties on several industrial products which are produced in the country, the beneficiaries included cement and tiles sector. New industrial policy of the Government is giving a clear direction towards local manufacture at the expense of imported finished goods trade.

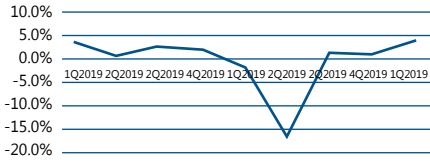
## Operating Environment of Company

The overbearing influence on the Company's operating environment remained due to the pandemic and policy measures taken to counter economic fallout. Our customers faced liquidity constraints and interruptions to their business activities specially during the long lockdowns introduced to counter the spread of the Covid19. The deterioration

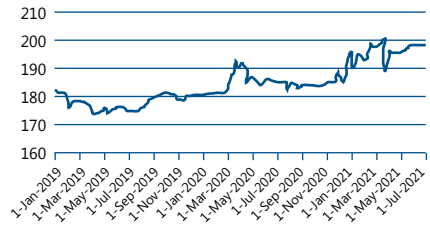


# MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

**Quarterly GDP**



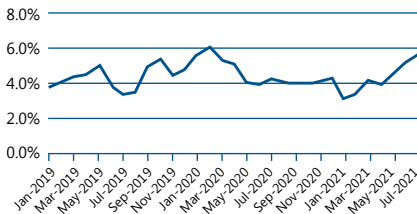
**USD/LKR**



of the financial position of our customer base was observed during the period under review. The monetary policy initiatives to counter economic fallout helped to keep our customers afloat. The Company had to work closely with the customer base to ensure that there was continuity of supply of our products and to ensure that the supply was not affected by deteriorating operating environment.

The Paints & Coatings segment of IAC had experienced a declining trend in sales volumes over the past few years. This declining trend was further affected by the negative impacts of covid-19 outbreak during the year under review and resulted in a YoY drop of 20% in the Paints & Coatings revenue.

**Inflation - CPI**



**Stock Market - ASPI**



## Financial Performance

During the financial year under review Company experienced a significant drop in business due to the Covid-19 outbreak which was affecting the overall economy of the country and the entire world. However amidst the challenging environment IAC managed to secure a net profit of Rs.117 million which reflects the ability of the Company to continue its operations in the foreseeable future under the Going Concern Concept.

## Revenue

IAC's Revenue composition for the year ended 31 March 2021 had been Paints & Coatings, Bitumen and Rent Income.

Further during the year ended 31 March 2021 IAC could not secure much revenue from the Bitumen segment due to the extremely challenging external environment created by the COVID-19 outbreak. This business segment also experienced a YoY drop in revenue of 82.6%.

Rent Income derived from the Investment Property at 28/1, New Nuge Road, Peliyagoda continued to be a stable revenue drive of IAC thereby contributing to the cashflows of IAC during the year under review.

Total YoY revenue of the Company experienced a significant drop of 73.13% from Rs.402.4 million in 2019/20 to Rs.108.1 million in 2020/21.

# MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

## Profitability

Company recorded a comparatively high GP Margin of 45.28% for the period under review compared to a 13.03% of GP recorded for 31 March 2020. Declining trends of Paints & Coatings Division and drop in Bitumen sales resulted in a very low cost of sales for the period which resulted in the high GP Margin.

Administrative Expenses reflected a YoY growth of 41.52% for the period under review. As a result Admin Expenses as a percentage of Revenue was at a higher level of 21.95% when compared with 4.17% in 2019/20.

Operating Expenses as a percentage of Revenue was at a higher level of 32.95% for 2020/21 when compared to 7.49% in 2019/20. Eventhough the operating expenses were comparatively at a high level, IAC achieved a significantly high Operating Profit margin of 116.75% for the period under review due to the fair value gain on Investment Property of Rs.80.5 million for 31 March 2021 and net gain realized on equity investments of Rs.107.8 million.

YoY interest expense of IAC have experienced a decrease of 28% from Rs.15.3Mn in 2019/20 to Rs.11.05Mn in 2020/21. Complete settlement of Interest-bearing Borrowings by February 2021 resulted in the interest savings for the financial year ended 31 March 2021.

Interest income recorded a significant increase from Rs.40,856/- in 2019/20 to Rs.1.9Mn in 2020/21. The increase is attributable to the interest income derived from Short term Investments.

## Financial Position

### Asset Base

Total Non-Current Asset base of IAC had increased by 9% from Rs.799Mn in 31st March 2020 to Rs.878Mn in 31st March 2021 due to the revaluation of Investment Property for the year ended 31st March 2021.

YoY Company's Current Asset base declined by 47.8% due to settlement of Trade Debtors by the year ended 31 March 2021; and due to the short term investments of Rs.89Mn and cash position of Rs.13Mn by 31st March 2021. Rights Issue funds which were not utilized by 31st March 2021 were invested in short term investments until such time its fully utilized for the objectives for which the funds were raised.

IAC has a liquid asset position of Rs.103.2Mn held in Repo Investments and Cash & Cash Equivalents as of 31 March 2021.

## Capital Structure

YoY IAC's Interest-bearing Liabilities decreased by Rs.117.2Mn due to complete settlement of Short term Loans, Lease facilities and the Bank Overdraft by 31 March 2021.

Settlement of Interest-bearing Liabilities and settlement of Trade Creditors resulted in a YoY decline in total liabilities by 89.61% from Rs.362.2Mn in 31 March 2020 to Rs.37.6Mn in 31 March 2021.

Contrastingly, the equity base experienced an increase of 36.97% YoY, from Rs.721Mn in 31st March 2020 to Rs.988Mn in 31 March 2021.

The Gearing Ratio, which is calculated as a proportion of the total Interest-Bearing Liabilities to Equity, had declined from 16.31% in 31st March 2020 to 0.04% in 31st March 2021.

## Paints & Coatings Division (PCD)

PCD remained the key portfolio of brands for the Company. The Company carried out deep analysis of the division and the viability of the same to continue to operate this segment into the future. The market share based on turnover of the company to estimated turnover of the paints industry was around 2%. At this level of operations, the company was categorized as small-scale operator in the multi-billion-rupee paints & coatings industry in Sri Lanka.

# MANAGEMENT DISCUSSION AND ANALYSIS *(Contd.)*

## PCD Market Share

The total Protective Coatings Market is estimated to be in the region of 12.5bn . The market share of IAC is less than 2%

## Competitive landscape of IAC's Paints & Coatings Division

### IAC's PAINTS & COATINGS BUSINESS Competitive Landscape

#### Moderate

The Suppliers have moderate power and does not material influence competitive landscape for IAC

#### VERY HIGH

Given that IAC's market share is small and that the formulae for all its key products are readily available, there is no barrier to new entrants



#### VERY HIGH

The primary buyer for IAC paints & coatings products are the hardware shops, they are excreting significant power over manufacturers

#### VERY HIGH

All of IAC's products are facing substitutes in the form of Acrylic based coatings and Water Based coatings

## PCD SWOT analysis

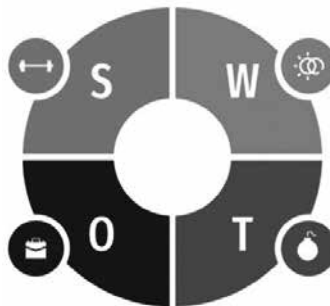
### SWOT Analysis - IAC's PAINTS & COATINGS BUSINESS

#### Strenghts

Heritage Brands, first name recall amongst end users and sales channels

#### Opportunities

Growing economy, increased activity in construction sector will double digit growth for the Paints & Coatings Industry



#### Weakness

Bitumen based paints and coatings Lack of investment in modern production, distribution and sales technologies and capabilities

#### Threats

Large paint companies edging out smaller and older players due to automated production cutting edge new product and sophistication marketing and sales methods

[ Keys: IAC = Industrial Asphalts (Ceylon) PLC, PCD = Paints & Coatings Division]

# MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

## **PCD Position Analysis**

The conclusion from the 5 Forces Analysis and the SWOT analysis is that, IAC's Paints & Coatings Division is facing very high level of competitive forces and has come out with weak position in the SWOT analysis. With an insignificant market share, the Company is not in a position to exert any form of market power. IAC's core competence in the Protective Coatings space has eroded away and whilst from 2015 investment was made to recapture the lost glory it has not yielded any significant advantages.

## **Disposal of PCD**

The Board commissioned an independent party to ascertain the intrinsic value of the PCD given that the unit was continuing to incur losses. The required investment in operating capability to capture lost market share was a significant deterrent in continuing to operate the division. On 30th July 2021 the Company disposed the entirety of the PCD business segment.

## **Investment Holding Company**

With the disposal of the PCD, the Company has effectively become an Investment Holding Company with more than 90% of the assets in the Balance Sheet held for investment purposes. The amendments to the object clauses in the Articles of Association predates this evolution to an Investment Company, the amendments were made in 2019. From the portfolio of investments on the Balance Sheet, the largest exposure to investment assets is the investment property. Given the positioning of Peliyagoda, we expect significant appreciation of the underlying property value in the area. The deployment of liquid assets will be alternated between investment in listed equities and tradeable fixed income securities. The Company is continuously exploring to take strategic stakes where the targeted ROIs on those investments would be commensurable to the internal hurdle rates.

# BOARD OF DIRECTORS

## **Govindasamy Ramanan**

*CFA | MBA (University of Chicago, Booth School of Business)*

### **Executive Director**

*(Appointed to the Board on 30<sup>th</sup> May 2014)*

Mr. Ramanan is an investor and entrepreneur who has wide expertise in financial markets, emerging technology, and corporate value creation. He draws from his stellar corporate life of more than 20 years at CXO level which propelled him to work closely with industry leaders to venture outside the confines of the corporate world to establish a pioneering private equity practice in Sri Lanka.

Mr Ramanan is a CFA Charter Holder, a Chartered Management Accountant, and obtained his MBA from University of Chicago Booth School of Business.

## **N. K. Dahanayake**

### **Non-Executive Independent Director**

*(Appointed to the Board on 13<sup>th</sup> February 2020)*

Mr. Dahanayake is an accomplished professional with vast experience in Bank Treasury Management and at present is a Management Committee Member of the BOC Pensioners' Association and a Trustee of the BOC, Pension Trust Fund and the Investment Committee. He worked as the Chief Executive Officer of the Primary Dealer subsidiary of NSB during the period 2006 to 2015 and as the CEO, he was instrumental in transforming the NSB Fund Management Company into a leading Primary Dealer from its very backward position. He has 25 years of experience in Bank Treasuries in the fields of Foreign Exchange, Money Market, Fixed Income Securities, managing FI portfolios and Treasury Back Office Operations. He has held positions of the Chief Dealer of Bank of Ceylon, the Head of Treasury/Chief Dealer at Nepal Bank of Ceylon and the Manager/Principal Dealer of Ceybank

Securities Ltd., the Primary dealer arm of BOC. Mr. Dahanayake was instrumental in the setting up of the Treasury Division of Nepal Bank of Ceylon as its Head of Treasury.

Mr. Dahanayake has the Post Graduate Executive Diploma in Bank Management of the Institute of Bankers of Sri Lanka (2002) and has received the Prize for outstanding performance in International Banking & Treasury Management.

## **Rienzie Kishore Ignatius**

### **Non-Executive Independent Director**

*(Appointed to the Board on 29<sup>th</sup> July 2021)*

Mr. Kishore Ignatius counts over 30 years of experience in the field of Financial Accounting, Management Accounting, Auditing, Risk and Compliance and has a proven track record, holding several senior management positions in large private sector entities in Sri Lanka, including John Keells Office Automation. He currently serves as the Chief Financial Officer for Printcare PLC, a Company listed on the Colombo Stock Exchange (CSE), possessing an established status for adhering to high ethical standards and integrity. Printcare PLC is the holding company of Printcare Group of Companies.

Mr. Kishore is a Fellow of the Chartered Institute of Management Accountants UK (FCMA), Chartered Global Management Accountant (CGMA -USA) and holds a Master's degree in Business Administration (MBA) from the Postgraduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka (PIM).

## BOARD OF DIRECTORS *(Contd.)*

### Sivanandan Marimuthu

#### **Non-Executive Independent Director**

*(Appointed to the Board on 29th July 2021)*

Mr. Sivanandan Marimuthu is a career banker with over 25 years of experience having served international banks in senior leadership capacities. He holds a Masters in Business Administration (MBA) from the University of Wollongong – Australia, a Bachelor of Commerce from Loyola College – Chennai and he is also a Management Accountant.

Mr. Sivanandan's experience in the banking sector is extensive, being a part of the country management team for Standard Chartered Bank Sri Lanka. He has contributed across all key functions such as Retail Banking, Banking Operations, Operational Risk Management, Compliance and Assurance, Project Implementations, Administration and Audit. He also has headed the Country Audit and Operational Risk Function for Standard Chartered Bank and has conducted audits for the banking group in other country offices too.

#### **Current Directorships held**

Equity One Ltd - Independent Non-Executive Director

Equity Two Ltd - Independent Non-Executive Director

Knightsbridge Technologies Pvt Ltd

# ENTERPRISE RISK MANAGEMENT

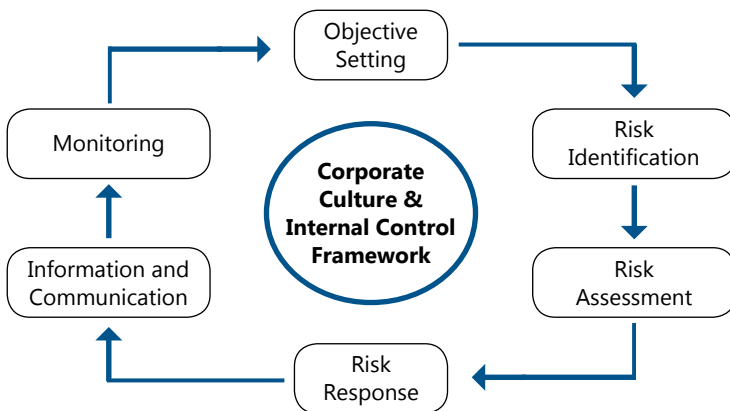
Risk can be defined as any uncertain future event that could influence the achievement of IAC's business objectives. At IAC we have objectives at strategic, tactical, and operational levels - anything that makes achieving these objectives uncertain is a risk. The Company's Enterprise Risk Management Framework starts with the understanding of the business objectives in ensuring that key risks are identified.

## OBJECTIVES

- Improve targeted and profitable growth in the core business we operate in
- Improve product leadership of our existing brands and introduce innovative business lines to the market
- Enhance our premium brands and leverage on the brand equity
- Sustain operational excellence while complying with regulatory requirements
- Continue quality customer service and maintain the quality of our product lines
- Develop quality distribution network to improve market growth rates
- Improve human capital
- Improve cost management through improved resource utilization

## ENTERPRISE RISK MANAGEMENT PROCESS

At IAC, the focus of the risk management process is the identification and mitigation of risks impacting the Company and its business objectives. Moreover, the objective of our risk management is to add maximum sustainable value to all the activities of the organization. It marshals the understanding of the potential benefits and threats of all those factors which can affect the organization. Further it increases the probability of success and reduces both the probability of failure and uncertainty of achieving the organization's overall objectives. As the Company is exposed to a wider range of risks arising from a dynamic business environment which it operates, it must address the risks based on its risk appetite and risk tolerance.



# ENTERPRISE RISK MANAGEMENT (Contd.)

## RISK IDENTIFICATION

### Systematically and continuously identify risks faced in meeting corporate objectives

The following are an overview of the main type of risks faced by IAC.

#### 1. Financial risks

##### (i). Interest Rate Risk

Interest rate risk is the exposure of a company's financial condition to adverse movements in interest rates. Accepting this risk is a normal part of operation of a company and can be an important link to profitability, cash flow and shareholder value. However, excessive levels can pose a significant threat to a company's earnings. The impact on net interest cost of a change in interest rates depends on the interest terms of assets or liabilities.

The Company's Interest rate risk arises in two ways:

- The Company have invested in interest-bearing assets, the value of which changes when the interest rate changes.
- The cost of the company's borrowing fluctuates when the general interest rate situation changes. IAC's majority of its capital employed is financed through debt. Further increased exposure to short term and floating rate borrowings has increased the exposure to the interest rate risk.

Accordingly, an effective risk management that maintains this risk at prudent levels is essential to the safety and soundness of the Company. Interest rate exposure is managed through the optimal structure decisions, striking a balance between short terms vs. long term and fixed vs. floating rate borrowings. Maintaining a deposit with higher return than interest

paid on borrowings. Furthermore, negotiations with Banks/financiers are actively supported. Interest rates and socioeconomic circumstances are monitored by the finance officers to allow accurate and prudent forecasts to be built. Sensitivity analyses are carried out to regularly to assess the impact of the movements of interest rates on the financial statements.

##### (ii). Foreign Exchange Risk

Foreign Exchange Risk is the risk of an investment/receivable/payable's value changing due to changes in currency exchange rates. Being a raw material & traded good importer, fluctuations in the exchange rate can significantly impact the financial results and the pricing policy which could in turn impact the competitive position of IAC Company. Potential impact on the business by an adverse movement in exchange rates is captured through sensitivity analysis. Also, the pricing is linked to the exchange rates.

Further Companywide Foreign exchange exposures are monitored and appropriate actions such as forward exchange contracts and leading and lagging of payments/receipts are recommended to reduce inherent risks and minimize adverse impacts of currency rate movement of assets and liabilities.

##### (iii). Liquidity Risk

Liquidity risk is the risk of not having sufficient funds to meet its financial commitments in a timely manner. The two key elements of liquidity risk are: short-term cash flow risk and long-term funding risk. The long-term funding risk includes the risk that loans may not be available when the business requires them or that such funds will not be available for the required term or at acceptable



# ENTERPRISE RISK MANAGEMENT (Contd.)

cost. Unforeseen short fall in cash can sometimes lead to liquidity risk due to factors such as: seasonal fluctuations, unplanned reduction in revenue, business disruption and sustained reduction in profitability, unplanned capital expenditure and increase in operational costs, future debt repayments, delays in subsidy settlements and inadequate or non-existent financing facilities. Business models and working capital management are reviewed periodically to ensure cash flow alignment as far as possible and minimize dependence on unexpected external borrowings. Trade cycles are analyzed with a view to generating liquidity from operations. Also, the bank relationships are managed to ensure access to essential credit and cash management services.

## (iv). Debtor Default Risk

This is the risk of losses arising from a debtor being unable to pay its loan obligations in full or the debtor is more than 90 days or overdue. IAC is rooted island wide. Adverse economic conditions may result in diminishing the customer credit worthiness and thereby increasing the default risk to the Company. IAC extends credit facilities to customers based on the credit policy which entails evaluating customers periodically. Further, controls include structured approval levels, supervision and recovery procedures on overdue amounts and legal procedure for long outstanding receivables. Bank guarantees and cash deposits are made a requirement when selecting appropriate distributors where practical and other limit exposure on unsecured credit is after a careful scrutiny. Presently, an evaluation is being carried out on all debtors of IAC to further limit and strengthen the exposure.

## (v). Fraud Risk

Fraud essentially involves using deception to dishonestly make a personal gain for oneself and/or create a loss for another. The term 'fraud' commonly includes activities such as theft, corruption, conspiracy, embezzlement, money laundering, bribery and extortion. Fraud may be attempted as the organization has valuable property such as cash, inventory and information and also due to human interfaces in the processors. In order to counter this, we are striving to strengthen an ethical culture and also to improve the effectiveness of the internal controls. Effective internal controls reduce exposure to fraud risks and contribute to the safeguarding of assets; however, a sound system of internal control cannot provide complete protection against all fraudulent behaviour. As a further measure, new areas have been added and the existing areas have been strengthened in the internal audit plan for the current year.

## 2. Information Technology Risk

Information technology (IT) plays a critical role in business of the Company. As the Company manages their businesses using IT, it is important to identify risks to the IT systems and data and to reduce or manage those risks by developing a response plan in the event of an IT crisis. The Company has legal obligations in relation to privacy, electronic transactions, and staff training that influence IT risk management strategies. IT risks include hardware and software failure, human error, spam, viruses and malicious attacks, as well as natural disasters such as fires, cyclones or floods.

# ENTERPRISE RISK MANAGEMENT (Contd.)

In order to mitigate software failures system backups are taken and software's are regularly updated to the latest versions while root causes are found, and problems are fixed in respect of application failures. Backups are restored in the event of a data base corruption and system logs are daily monitored to identify hardware failures while life cycle performance of hardware is checked, and hardware's are replaced if there is necessity. Latest anti-virus and anti-spyware protection are installed in order to protect computers from virus while firewall & other security controls are in place to prevent hacking, unauthorized intrusions to the computers, servers and wireless networks of the company. If communications, connectivity failures occur service providers are informed, and it's being followed up so as to keep the outage to minimum. In order to protect the vital information, the company uses data backups that include off site or remote storage. Further the management trains the staff regularly in IT policies and procedures which covers areas such as safe handling of infected emails, protecting the privacy of customer details, and priority actions in the event of an online security breach. Moreover, the management conducts workshops to identify potential IT risks, costs and impacts of those risks, and possible actions to minimize exposure.

## 3. Business risks

### (i). Natural events risk

Adverse weather conditions may result in reduced demand for IAC Products. The tacit knowledge gathered from running the business during adverse weather conditions in the country has been of paramount importance in managing this risk. Performance, position and cash flow and where necessary realignment of investments are made with a view to making the business model flexible enough to absorb the pressure from unexpected conditions.

### (ii). the scarcity of raw materials.

Scarcity may occur due to usage of seasonal outputs, natural disaster, import bans and other events beyond the control of the Company. In order to mitigate the risk, the company has increased the storage capacity and has upgraded the storage conditions for storing.

### (iii). Quality failure risk

Quality failure is a major risk to the company. Therefore, all employees are responsible for the quality of the product. Proper training and awareness are given to all levels of the employees relating to the production and quality processes. Moreover process/product improvements are implemented, and the current processes are revised periodically. Further internal/external audits conducted regularly. Research and development / quality assurance department periodically revises quality control methods and testing methods according to the local standards.

### (iv). Handling of chemicals

Due to the risk of handling chemicals, all the operations of factories are managed through management system to minimize the environmental impacts. All contaminated waste is disposed according to the government regulations. Further the factories have effluent treatment plants inside the premises and maintains fully equipped laboratory to check the required standards. Industry is tightly regulated by the Government Regulatory bodies such as Register of Pesticides, Central Environmental Authority, Local governing councils etc. Industry related policies may change time to time according to the political situation of the country.

The Company strictly follows the current regulations relevant to the respective industry and maintains a close relationship with the regulatory bodies to implement sudden changes of the regulations.

# ENTERPRISE RISK MANAGEMENT (Contd.)

## (v). Loss of volumes/Market Share

Company faces the risk of losing volumes due to low market growth rates, intense competition from the existing players in the industry as well as new entrants. As a result, competitors may continue to pursue price-centric strategies to gain market share within segments of the market.

On the other hand, there are unlicensed operators in the market who resort to selling adulterated products. There is no effective regulatory mechanism to curb such illegal activities which affect the industry. Political unrest and instability which tend to constrain operations and distribution activities. Company manages these risks to an extent through customer and channel partner education, marketing communication on product value propositions, creating awareness among the relevant stakeholders and leveraging on the brand equity. We also offer constructive suggestions to the authorities to maintain the high product standards.

## 4. Human resources risks

In relation to human resources the risks which have been identified are alignment of pay and performance, meeting organizational objectives through efficient/effective use of human resources and finding right talent for the job whilst keeping labor costs at moderate limits. The Company has Introduced a performance driven culture where objectives get measured and individuals rated as per performance with due recognition on pay and succession planning. Introduction of a Position Requisition Procedure, where all replacements/new positions are to be justified with the financial benefit to the organization has ensured that right talent is obtained while keeping the cost at a reasonable level.

## 5. Compliance, regulatory & legal risks

The risk of possible legal actions against the company by an individual or a corporate entity in the process of business conduct has been identified as the primary legal risks of the company. Company has identified such risks and, gaged the impact and taken necessary actions to educate the respective staff members. Best practices and processes of better business conduct are included. IAC has implemented numerous steps to foresee the possible risks and taken preventive actions beforehand. To mitigate the risks of breaching contractual obligations and prevent IAC entering into unfavourable contracts, company constantly involves internal and external legal experts.

## 6. Strategic risk

Strategic risk of a company refers to the risk to its earnings and profitability that could arise from strategic decisions, changes in the business conditions and improper implementation of decisions. Thus, strategic risk could materialize due to internal or external factors. IAC considers strategic risk as one of the key elements in its risk profile.

The Company has identified the following strategic risks that would arise through internal factors:

- Risks in connection with decisions about outsourcing or maintaining processes and competencies in-house
- Risks concerning new product developments, such as new innovations, R&D, new product lines
- Risks concerning acquisitions or disposals including the likelihood of achieving organizational objectives or destroying Shareholder value The Board critically reviews the strategic goals of

# ENTERPRISE RISK MANAGEMENT *(Contd.)*

the Company through its well-defined corporate planning and its budgeting process. This robust process ensures that the above strategic risks are well managed in all activities of the Company.

The following strategic risks have been identified as most Relevant to business of IAC which could arise through external factors:

- Risk concerning changes in customer demand
- Risk in technology developments
- Risk in changes in the industry and the economic environment
- Risk in regulatory requirements.

## 7. Reputational Risk

Being a Company which has customers at every level of the community, IAC has recognized the importance of aligning the corporate objectives and shareholder Requirements. Further, the Company has identified that maintaining and developing the credibility of the Company and its brands, and most importantly, its standing in the eyes of its stakeholders is a crucial exercise in ensuring sustainable success. Accordingly, like all of the intangible assets of the Company (such as

goodwill, talent, knowledge, know-how, and intellectual capital and brand equity whose value has escalated in recent years, value of its reputation has been identified as a direct effect on its share price, market share and brand value.

In addition, IAC always supports the idea of maintaining the Company's integrity and reputation at any cost. IAC is sensitive to the attitude of local communities in which the Company operates the satisfaction and fidelity of customers. IAC uses 'transparency' as one of its best tools in managing its image. In addition, the Company is also focused on establishing strategic relationships with reputed third parties (i.e., supply agreements, joint ventures, etc.). When it comes to product liability, IAC ensures stringent quality assurance processes. Further, whilst being sensitive to the policymaking decisions of regulators and legislators, IAC adhere to all local laws and regulations pertaining to advertising and marketing.

## RISK ASSESSMENT

**Assess the significance of risks to enable the development of Risk Responses**

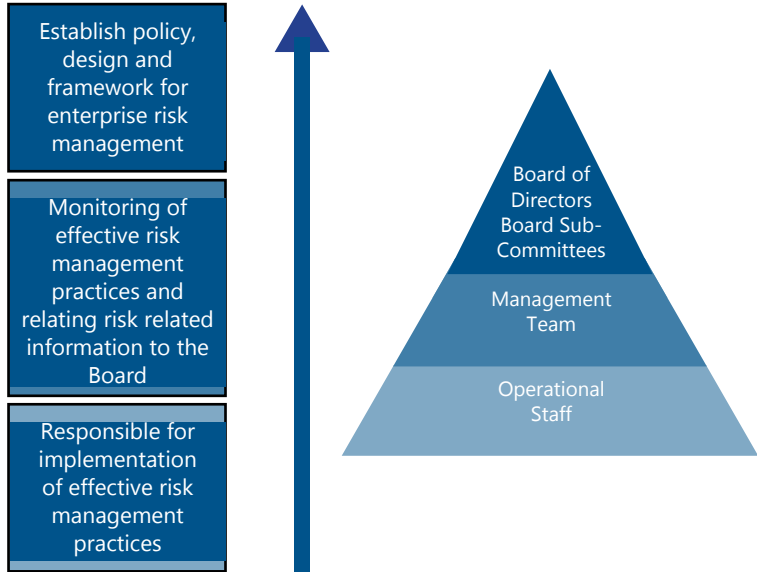
Once the risks have been identified, the likelihood of the risk occurring and the potential impact if the risk does occur are assessed using following risk matrix.

Impact	Major	Short Term Measures (Mitigate or Transfer)	Immediate Actions (Mitigate or Exploit)	Immediate Actions (Mitigate or Exploit)
	Moderate	Routine Procedures (Accept or Avoid)	Short Term Measures (Mitigate or Transfer)	Immediate Actions (Mitigate or Exploit)
	Minor	Routine Procedures (Accept)	Routine Procedures (Accept)	Immediate Actions (Mitigate or Exploit)
		Low	Medium	High
		<b>Likelihood</b>		

# ENTERPRISE RISK MANAGEMENT (Contd.)

**Risk Likelihood:** An assessment of the likelihood of the risk occurring after taking into consideration of the key controls in place.

**Risk Impact:** An assessment of the potential financial or non-financial impact of the risk, if it were to materialize, after taking account of the controls in place.



## RISK MANAGEMENT AND MONITORING

At IAC monitoring and review of the risk profile and the risk response plans are carried out as a continuous process. Such continuous monitoring provides assurance that the risks are being managed as expected and enables to assess whether the risk response plans remain relevant for the Company.

Risks monitoring consists of regular communication, regular review and audits of internal control systems and evaluation by key executives at appropriate levels of IAC.

While everyone at IAC is responsible for enterprise risk management in their respective areas, certain staff categories have specific responsibilities. The policy, design and framework for enterprise risk management is driven by the Board and managed by the Senior Management team.

## Board of Directors

The Board of Directors is responsible for the Company's corporate governance and to ensure to maintain a sound risk management framework coupled with sound internal control systems within the organization. The Directors are responsible to the Shareholders for providing strategic direction to the Company and safeguarding the assets of the Company. Therefore, at IAC the responsibility for setting an effective risk management framework rests with the Board of Directors.

## Board Sub-Committees

The Board has delegated authority to Board Sub-Committees to oversee the development and implementation of policies relevant for identification of risks and monitoring the effectiveness of procedures in place to mitigate such risks.

# SUSTAINABILITY REPORT

We understand that, globally, stakeholders at large are demanding that companies they associate with demonstrate non-financial metrics to define sustainability and sustainable operations. Financial profitability as the sole criteria of a company's success is an outdated concept and out rightly rejected by most right-thinking stakeholders and the organizations they support. More importantly, being an environmentally, economic and socially sustainable organization is helping companies earn corporate respect and drive customer loyalty, not to mention earning respect from peers and industry. In an era of growing global competition, climate change and diminishing resources, companies that put sustainability as their foremost goal are winning the race.

As one of the oldest, bitumen manufactures in existence in Sri Lanka, we are living proof of continuous improvement and sustainable business practices. While we celebrate over-a-century of existence in the year 2014, we consider this an opportunity to strengthen our conceptions of business practices that are environmentally and socially sustainable, while also being financially sustainable, the key requirement of any commercial entity. In our journey over the decades within the corporate arena of Sri Lanka, an overarching tenet has always been to ensure that our decisions, actions and impacts are sustainable and positive at all times. We are extremely cognizant that as a corporate steward involved in numerous business and industry areas, we must set an example to others, while making our stakeholders a part of our journey of progress. In this Sustainability Report, we set out the measures we take to ensure that sustainability is infused along the length and breadth of our value chain. Simultaneously, we continue to invest time and resources in understanding how we can enhance our proud track record as one of the most sustainable organizations in the country.

We believe that we have a responsibility towards our stakeholders to ensure that they are given a clear insight into how we have managed their business and how we intend to work in the future. This, therefore, is our honest effort in sustainability reporting. The report presents a balanced analysis of our sustainability performance strategy in relation to issues that are relevant and material to the Company and to our stakeholders, while complementing our ongoing engagement with stakeholders. This report focuses on key developments and includes only the most pertinent indicators in order to provide stakeholders with an integrated and succinct view of our sustainability performance. Sustainability in our business is built on natural capital, social capital and economic capital, all of which must be taken together rather than in isolation for a true picture of sustainability. It is these capital segments that run through as themes of this report.

Collectively, the IAC Board has significant corporate acumen, skill, knowledge and experience aided by astute and knowledgeable support and information from senior management and external specialists when the need arises to be sufficiently informed and be independent. Board governance ensures that the Company discloses related party transactions periodically and if any director has a direct or leading interest in any matter being discussed, they will abstain from opining, discussing and voting, all of which could influence the outcome. This avoids conflict of interest and ensures independence of the Board. IAC has established a governance structure that remains aligned to the laws of the land and ensures compliance to various regulatory mandates. The governance structure therefore includes committees responsible for specific tasks and setting strategy and future direction for the Group. The Board sub committees are a vital conduit in identifying and managing economic, environmental and social performance, including relevant risks and opportunities, as well as compliance.

# SUSTAINABILITY REPORT (Contd.)

Our Sustainability Policy is based upon the following principles:

- We will continue to comply with and exceed wherever practicable, all applicable and related legislation, regulations and codes of practice
- We will integrate the principles and tenets of sustainability into all our business decisions
- We will strive to minimize any negative impacts that may ensue while engaging in our day to day activities
- We will integrate a sustainability mind-set among our team, making them fully aware of our sustainability policy and empower them with a sense of ownership and commitment to implement, practice and improve it
- We will cascade our Sustainability Policy among our valued business partners, encouraging them and assisting them to adopt sound sustainable management practices
- We intend to review and annually report and to continually strive towards improving our sustainable performance At IAC, we are committed to promoting sustainability. We remain extremely concerned for the environment and for Promoting a broader sustainability agenda, both of which are integral to our professional activities and the management of the organization. We aim to follow and to promote good sustainability practice to reduce the negative environmental impacts of all our activities and to help our stakeholders to join in this journey that will surely benefit our future generations.

The IAC Sustainability Framework, which incorporates our Sustainability Philosophy, Policy and Principles, articulates our strategic commitment to sustainable development and

remains integral to risk management. This framework assists our stakeholders in imbuing a similar sustainability approach, promotes sound environmental and social practices, encourages transparency and accountability, and contributes to positive development impacts. We ensure that this framework reflects good practice for sustainability and risk mitigation, keeping abreast with trends that bring up challenging issues, which remain at the core to managing a sustainable business. These include supply chain management, resource efficiency, climate change and human rights.

Risks and challenges go hand in hand in the business of running an organization, whether the risk may be from environmental problems, social discontent, political and social unrest and even natural disasters. These can be termed costly, have negative publicity, threaten operating frameworks and also prompt unforeseen expenditure. Reputational damage too can far exceed the immediate cost impacts. While we seek to proactively reduce and manage these risks, challenges have never been a deterrent for us at IAC; rather, they have been a means of directing us towards opportunity and improving business performance over time. These opportunities have driven us to enhance business growth, while ensuring that we remain within compliance benchmarks, while ensuring that our stakeholders are empowered and remain inclusive to our end goal. Over the year, we identified some challenges and risks that eventually saw an opportunity emerge, and which, through the inherent pragmatic and astute business acumen possessed within IAC, was transformed and included into the strategic way forward of the Group.

## Stakeholder Involvement

We are extremely committed to engaging all of our stakeholders, both internally and externally, to become the most sustainable, responsible company we can possibly be. By

## SUSTAINABILITY REPORT (Contd.)

listening to, partnering with and considering the perspectives of our associates, customers, shareholders, academic leaders, government, value business partners and sometimes, even our competitors, we can truly ensure that quantifiable and qualitative returns are assured. Stakeholder engagement is a crucial element to sustainable development as it is this engagement process that prompts the two-way dialogue and communication process which eventually aligns the strong relationships among our stakeholders and forms the foundation to our sustainability journey. Having identified our stakeholder groups, as given below, we engage with them at various forums related to their interests and expectations, in an effort to adapt to changing needs and issues, which continue to evolve. As we pursue our corporate sustainability goals, we intend to further strengthen these relationships. Together, we are establishing transparency and enhancing our relevancy with the customers and communities we serve. We have created more formal channels for interacting with stakeholders both to learn from their expertise and to provide a forum for them to provide us with feedback. The purpose of our sustainability reporting is to create greater transparency and accountability and to allow for better informed and more robust decision-making as it is becoming more important than ever to manage both positive and negative impacts of our business activities. Our consumers are increasingly developing an ethical conscience, using sustainability information to identify their chosen brands. Customers want transparency, clarity and accessibility to information and disclosures on social, environmental and economic performance. Needless to say, this information needs to be consistent and presented in a standardized approach, therefore, it is imperative that disclosures are succinct, clear, and truthful and hold fast to the underlying ethos of a principled ethical well governed business entity, which is what IAC espouses to be.

We have never knowingly harmed the environment through any process that we have engaged in. We ensure that in all our processes and systems, we implement as many environmentally friendly initiatives as possible as is seen in the waste water treatment, energy management, recycling initiatives, decrease in emissions and increase in forest cover that we have strategically embarked upon. We also constantly engage our valued business partners, suppliers and wherever possible our customers, to permeate environmental best practices among them.

IAC is a strong believer of equal opportunities in the workplace and prides itself on respecting its workforce equally, regardless of gender, age, race, religion, sexual orientation, political beliefs, or any other factor. We unwaveringly uphold and support the tenets mandated by the International Labour Organisation and other prevalent regulatory bodies pertaining to human rights and child labour. We adhere to a strict policy of 'zero tolerance to child labour', a mandate that is permeated to our valued business partners including retailers and the supply chain.

Our philosophy is to partner the community in its sustainable development journey, which in turn gains us considerable advantage. We are inextricably entwined with our communities and we intend to ensure that our presence within these communities will benefit them and us. Our longevity and culture of achievement is rooted in the motivation and mind-set of our people, who are committed and dedicated towards achieving greater heights of performance and raising the benchmark. Given that the IAC has grown into a Company encompassing a number of diverse industries and yet is unequivocally positioned with a leadership status, evidences that our team is a winning one. The dynamism, motivation and 'overzealous' attitude they always espouse has enabled this Group to take on challenges, some deemed insurmountable and win against the odds.



# SUSTAINABILITY REPORT (Contd.)

## HR Practice

- To provide and promote an encouraging and professional working environment for our team.
- Believe that the prosperity of our business depends on successfully developing an integrated group of motivated and innovative employees. Hence we facilitate positive employee relations and inspire employees by offering opportunities for challenging work, personal development and growth.
- Committed to hire, develop and retain the most talented people in order to achieve a committed pool of talent.

A range of processes have been instilled within the Company to ensure that recruitment is non-discriminatory, unbiased and driven by meritocracy. In addition, in a bid to streamline our recruitment processes, a recruitment requisition form was introduced, which is the base upon which recruitment is effected and a comprehensive interview evaluation form was brought in, to streamline the interview process from initial screening to final interview stage.

The company follows HR best practices ensuring consistency in HR Policy approach and fair playing field for Potential employees. As an organization is nothing more than the collective capacity of its people to create value, organizational culture is an important element in any organization's make up and success. Therefore, at IAC new recruitment is based on alignment with the Company's internal culture, in addition to knowledge, skills and attitudes required for the role.

## Training & Development

Training and development forms the axis to the sustainability of our business and into this we have instilled a knowledge gaining culture, which enables individuals to attain their personal goals while working towards the company's aspirations.

## Recognition & Staff Well-Being

The IAC HR policy is based on the belief that a satisfied employee is a motivated employee who will contribute towards achieving company goals voluntarily, while being more productive. We have continuously infused numerous rewards and remuneration schemes, while adding welfare initiatives that would add value to our employees to better their lifestyles.

- Continuous remuneration reviews and increases according to predetermined scales, which could also be tied to performance incentives and bonus scheme.
- A range of insurance policies are in effect including Workmen's Compensation and Personal Accident
- IAC holds annual staff get-together, sports days to build team spirit and facilitate fun and friendships

## Supplier Engagement

Forging strong supplier relationships offers a comprehensive way for IAC to assess and streamline the processes between our organization and our suppliers for an effective partnership. In reality, suppliers are people as well and we believe in emotionally engaging with our suppliers so that they work harder for us and help us cover potential risk areas. Whatever the size or category of supplier, the IAC's Supplier Policy ensures a level playing field and equal opportunities for all our suppliers. We have procedures in place to ensure responsible behavior towards all our suppliers, while committing our suppliers towards reciprocity in responsible behaviour towards the Company. This ensures our stringent quality and standards are understood and met by all our suppliers.

We believe strongly in positioning our supplier philosophy on good corporate conduct, sourcing and producing responsible quality products and influencing a win-win relationship worked on a platform of mutual benefit. We

# SUSTAINABILITY REPORT *(Contd.)*

strongly believe that we must permeate the best practices we have within our business, the standards and integrity and compliance initiatives to our entire supply chain. This in effect cascades to quality, productivity and standards overall being improved.

We believe that nurturing our customers is an ongoing dialogue and not a one-off event. Nurturing an ongoing and genuine relationship with customers will have a major impact on the way they perceive our brand but also serve to strengthen our operations through focused customer feedback. We engage our customers in numerous ways, nurturing and strengthening relationships to ensure strong loyalty to brand and product. From face to face ad hoc conversations, to conducting customer surveys, to formal gatherings and informal events, we are constantly engaged with our consumer. It is this feedback and varied dialogue and communication channels we have created that have assuredly enabled us to charter our future plans.

## Goals towards long term sustainability

1. Be known as the preferred employer having the ability to attract and retain talented people, inducting them in a knowledge-based corporate culture, while assuring them of career enhancement in a responsible company they will be proud to be a part of.
2. Retain market leadership by ensuring that we work on high quality sustainable competitive advantages to infuse trust and loyalty among our customer base by evolving the business to be ahead of customer expectations, which in turn will deliver qualitative and quantitative sustainable returns.
3. Never lose sight of the tenets of corporate stewardship; instill governance and regulatory best practices, while demonstrating our commitment to being an ethical, transparent, accountable Group of companies.
4. Be a Green Ideologue; an advocate who will address environmental issues and 'change' the direction of climate change, walking the talk to spread the need to reduce our carbon footprint and ensure a better planet for future generations.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## For the financial year ended 31 March 2021

The Directors of Industrial Asphalts (Ceylon) PLC have pleasure in presenting their Annual Report on the affairs of the Company together with the audited Financial Statements for the year ended 31 March 2021 which were approved by the Board on 13<sup>th</sup> September 2021.

### Review of Operations

The Company reported a net profit after tax of Rs.117.1Mn and a net profit after tax of Rs.177.5Mn was reported in the previous year. A more comprehensive review of the operations of the Company during the financial year and the results of those operations are contained in the Executive Director's Review and Management Discussion and Analysis on pages 5 to 10 of the Annual Report. This report forms an integral part of the Directors' Report.

### Principal Activities

The Company's principal activities are the manufacture and distribution of bituminous products; distribution of a specialist range of surface coatings and industrial chemicals.

There were no significant changes to the principal activities of the Company during the financial year under review.

Subsequent to the Balance Sheet date Company disposed of its Paints and Coatings Division, the details of which are given in the note 29 to the Financial Statements.

### Legal Status

Industrial Asphalts (Ceylon) PLC was incorporated on 30 June 1964 under the provisions of the Companies Ordinance (Cap 145) and re-registered under the Companies Act, No.7 of 2007. The Company was listed on the Main Board of the Colombo Stock Exchange on 1st January 1978.

### Shares

#### Stated Capital

The Stated Capital of the Company as at 31 March 2021 was Rs.156.6Mn consisting of

3,749,411,250 ordinary shares. Please refer Note 20 to the Financial Statements.

### Share Information and Substantial Shareholders

As at 31 March 2021, there were 4,419 registered Shareholders. Share information and the twenty largest Shareholders as at 31 March 2021 are indicated in pages 82 to 84 of the Annual Report.

Information relating to market value of a share and information on share trading is stated under Shareholders' information on page 54 of the Annual Report.

### Finance

#### Accounting Policies

The Company prepared its Financial Statements according to the Sri Lanka Accounting Standards (SLFRS/ LKAS). All relevant applicable standards have been followed in presenting the Financial Statements for the year ended 31 March 2021. The significant accounting policies adopted in the preparation of the Financial Statements are given in pages 52 to 66 of the Annual Report.

### Financial Results

Summarized results for the financial year under review is set out below.

Year ended 31 March	2021 Rs.'000	2020 Rs.'000
Revenue	108,135	402,426
Results from operating activities	126,244	197,475
Profit/(Loss) before Tax	117,153	182,186
Income Tax expense	(45)	4,664
Profit/(Loss) after Tax	117,198	177,522

*The Financial Statements of the Company are set out in pages 48 to 80 of the Annual Report.*

# ANNUAL REPORT OF THE BOARD OF DIRECTORS (Contd.)

## Reserves

The movement of the reserves is given on page 51 under Statement of Changes in Equity.

## Corporate Donations

During the year under review, the Company made no charitable donations.

## Taxation

The Company has adopted accounting policy of making provision for deferred taxation. The Company's liability to income tax has been computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017. Details are given in Note 9 to the Financial Statements.

## Investment Property

The Land of the Company are classified and accounted for as Investment Property. The Directors have adopted the fair value model for accounting for Investment Property. Extent, locations and valuations of the Company's Investment Properties are given in note 13 to the Financial Statements.

## Capital Expenditure

Details of property, plant and equipment and their movement during the year are given in Note 11 to the Financial Statements.

## Events after the Reporting Date

The details of events which occurred after the financial reporting date are disclosed in this Annual Report, in Note 29 to the Financial Statements.

## Directors' Responsibility for Financial Reporting

The Directors' responsibility in relation to the Financial Statements is detailed under the Statement of Directors' responsibility on page 29 of the Annual Report.

## Board of Directors

The following were the Directors of the Company as at 31 March 2021.

1. Mr. G. Ramanan
2. Mr. K. Naveenkanth
3. Mr. D. Daluwatte
4. Mr. N. K. Dahanayake

Mr. K. Naveenkanth, Managing Director/CEO who was on Board as of 31<sup>st</sup> March 2021 resigned from being a Director of the Company with effect from 31<sup>st</sup> July 2021.

Mr. D. Daluwatte, Independent Non-Executive Director who was on Board as at 31<sup>st</sup> March 2021 expired on 23<sup>rd</sup> August 2021.

Directors and their shareholding as at 31 March 2021 were as follows:

	No. of shares 31.03.2021	No. of shares 31.03.2020
Mr. G. Ramanan	1,800,693,010	445,837
Mr. K. Naveenkanth	13,500	2,669
Mr. D. Daluwatte (deceased on 23.08.2021)	Nil	Nil
Mr. N. K. Dahanayake	1,000,000	Nil

Directors shareholding increased with subdivision of shares and Rights Issue of shares.

## Retirement by Rotation and Re-election

Mr. N. K. Dahanayake the Independent Non-Executive will retire in terms of Article 90 of the Articles of Association of the Company and offers himself for re-election as a Director at the forthcoming AGM.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS (Contd.)

## Related Party Transactions

The Company's transactions with Related parties, as detailed in Note 30 to the Financial Statements, have complied with Section 9 of CSE Listing Rules and Code of Best Practices on Related Party Transactions under the Securities Exchange Commission Directive issued under Section 13 (c) of the Securities Exchange Commission Act as declared by the Board of Directors.

## Directors' Interest

As required by the Companies Act, No.7 of 2007, an Interests Register was maintained by the Company during the period under review. Directors have made declarations as provided for in Section 192 (2) of the Companies Act. The Interests Register is available for inspection as required under the Companies Act.

## Remuneration and Fees

Details of Directors' remuneration and fees are set out in Note 8 to the Financial Statements.

## Risk and Internal Control

The Board of Directors is satisfied that there exists an effective and comprehensive system of internal controls to monitor, control and manage the risks to which the Company is exposed, to carry out its business in an orderly manner, to safeguard its assets and to secure as far as possible the reliability and accuracy of records.

## Corporate Governance

The Directors acknowledge their responsibility for the Company's corporate governance and the system of internal controls. The Directors are responsible to the Shareholders for providing strategic direction to the Company and safeguarding the assets of the Company. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the Financial Statements.

The main corporate governance practices of the Company are set out on pages 36 to 41 of the Annual Report.

The performance of the Company is evaluated at regular review meetings. These meetings provide an opportunity to ensure that progress is in line with agreed targets. Regular Board Meetings are held to further strengthen the review process and ensure compliance with all statutory and regulatory obligations.

## Statutory Payments and Compliance with Laws and Regulations

The Directors confirm that, to the best of their knowledge, all taxes and duties due to the Government and all contributions, levies and taxes payable in respect of the employees and all other known statutory dues as at the reporting date have been paid and/ or provided.

## Employee issues and Industrial Relations

There were no material issues relating to employees and Industrial relations during the financial year under review.

## Going Concern

The Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared on the going concern concept.

## Equal Opportunities

The Company is committed to provide equal opportunities to all employees irrespective of their gender, marital status, age, religion, race or disability. It is the Company's policy to give full and fair consideration to persons, with respect to applications for employment, continued employment, training, career development and promotion, having regard for each individual's particular aptitudes and abilities.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS *(Contd.)*

## Independent Auditors

The Company's Auditors during the period under review were Messrs A.I. Macan Markar & Co., Chartered Accountants. The fees paid to auditors are disclosed in Note 8 to the Financial Statements.

Based on the declaration from Messrs A.I. Macan Markar & Co., Chartered Accountants, and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company other than as disclosed in the above paragraph.

Messrs A.I. Macan Markar & Co., Chartered Accountants, have expressed their willingness to continue in office as Auditors of the Company for the ensuing year.

In accordance with the Companies Act No. 7 of 2007, a resolution proposing the re-appointment of Messrs A.I. Macan Markar & Co., Chartered Accountants, as Auditors to the Company for the ensuing year will be submitted at the forthcoming Annual General Meeting.

## Independent Auditor's Report

The Independent Auditor's report on the Financial Statements is given on page 44 to 47 of the Annual Report.

## Annual General Meeting

The 57<sup>th</sup> Annual General Meeting of the Company will be held on 12<sup>th</sup> October 2021. The notice convening the meeting and the agenda are given on page 85.

This Annual Report is signed for and on behalf of the Board.

(Sgd.)

**G. Ramanan**

Executive Director

(Sgd.)

**N. K. Dahanayake**

Director

Colombo

13<sup>th</sup> September 2021

(Sgd.)

**Ninecap Corporate Solutions (Pvt) Ltd.**

Secretaries

Colombo

13<sup>th</sup> September 2021

# STATEMENT OF DIRECTORS' RESPONSIBILITY

Set out below are the responsibilities of the Directors of the Company.

The Board of Directors are responsible for preparation of Financial Statements for each financial year and present Financial Statements to the Shareholders in accordance with the relevant provisions of the Companies Act No.7 of 2007 and other statutes which are applicable in preparation of Financial Statements. The Financial Statements comprise of the Statement of Financial Position as of 31 March 2021, the Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement for the year ended and Notes thereto.

The Financial Statements of the Company for the year ended 31 March 2021 incorporated in this Annual Report have been prepared in accordance with the Companies Act No.7 of 2007, Sri Lanka Accounting Standards (SLFRSs and LKASs) and Listing Rules of the Colombo Stock Exchange.

The Directors are responsible to select suitable accounting policies which are applied in a consistent manner and appropriate estimates and judgements made to reflect the true substance and form of transactions.

As per section 148 of the Companies Act No.7 of 2007, the Directors are required to maintain sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company. The Directors have therefore caused the Company to maintain proper books of accounts and regular review financial reports at their meetings. The Board also reviews and approves all interim Financial Statements prior to their release to the Colombo Stock Exchange and the public.

The Directors have taken reasonable measures to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have laid down effective and comprehensive internal control systems.

The Auditors of the Company, Messrs A.I. Macan Markar & Co., Chartered Accountants, who were appointed in accordance with a resolution passed at the last Annual General Meeting were provided with all necessary information required by them in order to carry out their audit and to express an opinion which is contained on page 44 to 47 of this Annual Report.

Directors confirm that after considering the financial position, operating conditions and regulatory and other factors, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future and that the Going Concern basis is the most appropriate in the preparation of these Financial Statements.

The Board of Directors is of the opinion that Board has discharged its responsibilities as set out above.

By order of the Board

(Sgd.)

**Ninecap Corporate Solutions (Pvt) Ltd.**  
Secretaries

Colombo  
13<sup>th</sup> September 2021

# REPORT OF THE AUDIT COMMITTEE

The Audit Committee of Industrial Asphalts (Ceylon) PLC was established as a sub-committee of the Main Board in accordance with the Corporate Governance Rules of section 7.10.6 of Colombo Stock Exchange and the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

The Audit Committee provides assistance to the Board of Directors in fulfilling its responsibilities covered under various functions.

## Functions and responsibilities of the Audit Committee

Key function of the Audit Committee of Industrial Asphalts (Ceylon) PLC is to assist the Board in following aspects:

- To ensure preparation, fair presentation of financial statements and assure adequacy of disclosures in the financial statements in accordance with the Sri Lanka Accounting Standards;
- To ensure compliance with financial reporting requirements and other information requirements stipulated in the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and other relevant financial reporting related regulations and requirements;
- Review Company's processes to ensure adequacy and effectiveness of the Company's internal control systems and Risk Management framework to meet the requirements of the Sri Lanka Auditing Standards;
- Establish procedures to identify, monitor and manage significant business and financial risks;

- Ensure independence and performance of the Company's external audit function.

Accordingly the Audit Committee carries out its responsibilities under various functional aspects such as financial reporting, internal controls and risk management, compliance, external audit and regulatory reporting for the betterment of the Company.

## Composition of the Audit Committee

The Audit Committee of Industrial Asphalts (Ceylon) PLC comprises of two (2) Independent Non-executive Directors as of the reporting date; Mr. R. Kishore Ignatius (Chairman of the Committee) and Mr. Sivanandan Marimuthu; who were appointed to the Audit Committee with effect from 23<sup>rd</sup> August 2021. Mr. Duleep Daluwatte, Independent Non-Executive Director who served as the Chairman of the Audit Committee as of 31<sup>st</sup> March 2021 passed away on 23<sup>rd</sup> August 2021.

Mr. Nanda Kumara Dahanayake served as a member of the Audit Committee until 23<sup>rd</sup> August 2021.

The Directors have the required financial knowledge and professional skills to carry out their functions effectively and efficiently.

The Company Secretary functions as the Secretary to the Audit Committee.

## Meeting Attendance

The Audit Committee had four (4) meetings during the financial year ended 31st March 2021 to discuss matters relating to the financial year and to review the results of the Company at the end of each quarter.

The Chief Executive Officer and the Financial Controller attend meetings on invitation. The External Auditors, Messrs A.I. Macan Markar & Co., Chartered Accountants attend meetings



# REPORT OF THE AUDIT COMMITTEE (Contd.)

on invitation. Meeting agendas are prepared by the Company Secretary and provided to the members of the Committee in advance along with required previous meeting minutes.

In addition, the Chairman of the Committee attends the Annual General Meeting of the Company and responds to any questions from the shareholders on the activities of the Committee.

The attendance of the Committee members at the Audit Committee meetings held during the reporting period was as follows:

Name of Director	No. of meetings held	No. of meetings attended
Mr. R. Kishore Ignatius (Chairman – Audit Committee - appointed w.e.f. 23.08.2021)	N/A	N/A
Mr. S. Marimuthu (appointed w.e.f. on 23.08.2021)	N/A	N/A
Mr. D. Daluwatte (deceased on 23.08.2021)	4	4
Mr. N. K. Dahanayake (member of the committee from 13.02.2020 to 23.08.2021)	4	4

## Financial Reporting and Compliance

During the financial year ended 31st March 2021 the Audit Committee reviewed and discussed the Interim Financial Statements and Annual Financial Statements with the Management in order to ensure its compliance with statutory requirements of Sri Lanka Accounting Standards, Companies Act No.7 Of 2007 and the Listing Rules of the Colombo Stock Exchange; and recommended to the Board of their approval prior to releasing the same to the Colombo Stock Exchange.

This review included:

- The evaluation of the appropriateness of the Accounting Standards and adoption

of the changes in Accounting Policies in preparation and presentation of the Financial Statements;

- Assessing the adequacy and validity of the significant estimates and judgement made by the Management and understand their impact on the Financial Statements;
- Compliance with the relevant Accounting Standards and applicable regulatory requirements;
- Discussion of Key Audit Matters in connection with the preparation of the Financial Statements;
- Assessing the Company's ability to continue as a going concern in the foreseeable future.

## Internal Controls and Risk Management

The Audit Committee is responsible to review the adequacy and effectiveness of the internal controls and the risk management system established within the organization to safeguard the assets of the Company.

During the reporting period the Audit Committee reviewed the adequacy and the effectiveness of the Company's internal control system and the procedures relating to governance and risk management system. Accordingly, the Audit Committee is satisfied that the Company's internal controls and the risk management framework in place provide a reasonable assurance that the financial position of the Company is adequately monitored and the Company's assets are safeguarded.

## External Audit

The Audit Committee is responsible for supervision of all matters associated with the appointment, terms, remuneration and performance of the External Auditors and for reviewing the scope and results of the audit.

## REPORT OF THE AUDIT COMMITTEE (Contd.)

The External Auditor's letter of engagement, including the scope of the audit was reviewed and discussed by the Audit Committee with the Management and the External Auditors prior to the commencement of the annual audit. Further the Audit Committee reviewed the Management Letter for the Financial Year ended 31st March 2020 with the Management and the External Auditors during the year and necessary actions were taken where required. Before the conclusion of the audit the Committee met with the External Auditors to discuss all key audit matters and agree on their treatment.

The Audit Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest.

### Re-appointment of External Auditors

After evaluating and discussing the performance of the External Auditors with the Management of the Company, the Audit Committee has recommended to the Board of Directors that Messrs A.I. Macan Markar & Co., Chartered Accountants, be re-appointed as External Auditors for the financial year ending 31st March 2022 at a remuneration to be determined by the Board, subject to the approval of the Shareholders at the forthcoming Annual General Meeting.

(Sgd.)

**R. Kishore Ignatius**

Chairman

Audit Committee

13<sup>th</sup> September 2021

# REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee of Industrial Asphalts (Ceylon) PLC was established in accordance with the Corporate Governance Rules of section 7.10.5 of Colombo Stock Exchange and the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

## Composition of the Remuneration Committee

The Remuneration Committee of Industrial Asphalts (Ceylon) PLC comprises of the two (2) Independent Non-Executive Directors, Mr. Nanda Kumara Dahanayake (Chairman of the committee) and Mr. Sivanandan Marimuthu.

Mr. Duleep Daluwatte, Independent Non-Executive Director who served as a member of the Remuneration Committee as of 31<sup>st</sup> March 2021 passed away on 23<sup>rd</sup> August 2021.

Subsequent to the reporting period Mr. Sivanandan Marimuthu was appointed to the Remuneration Committee with effect from 23<sup>rd</sup> August 2021.

During the reporting period Mr. Nanda Kumara Dahanayake was appointed to the Remuneration Committee with effect from 13<sup>th</sup> February 2020, in place of late Mr. S. P. Muthusammy (Former Independent Non-executive Director deceased on 31<sup>st</sup> January 2020).

The Company Secretary functions as the Secretary to the Remuneration Committee.

## Meetings

The Remuneration Committee had one (1) meeting during the financial year ended 31 March 2021. The attendance of the Committee members at these meetings was as follows:

Name of Director	No. of meetings held	No. of meetings attended
Mr. N.K. Dahanayake (Chairman - Remuneration Committee)	1	1
Mr. D. Daluwatte (deceased on 23.08.2021)	1	1
Mr. S. Marimuthu (appointed w.e.f. 23.08.2021)	N/A	N/A

## Role of the Committee

The Remuneration Committee is responsible for reviewing and recommending the framework and policy for remuneration of Senior Management including Executive Directors of the Company. It is ensured that the remuneration at each level of management is competitive and based on performance they are rewarded in a fair manner.

The policy on remuneration is geared to attract and retain the best professional talent to the Company and to motivate and encourage them to perform at the highest possible level.

Evaluation of performance ensures equality and fairness without discrimination of gender, age, ethnicity, religion or any other consideration.

The aggregated remuneration of the Board of Directors and the Senior Management team are disclosed in the notes to the Financial Statements.

(Sgd.)

**N. K. Dahanayake**

Chairman

Remuneration Committee

13<sup>th</sup> September 2021

# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Board has established the Related Party Transactions Review Committee (RPTRC) as a Board Sub-Committee to ensure that the Company complies with the requirements of the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Section 9 of the Listing Rules of Colombo Stock Exchange.

## Composition of the Related Party Transactions Review Committee

As at 31st March 2021 RPTRC comprised of two (2) Independent Non-Executive Directors, Mr. Nanada Kumara Dahanayake (Chairman of the committee) and Mr. Duleep Daluwatte (deceased on 23.08.2021) in accordance with Listing Rule No.9.2.2. of the Colombo Stock Exchange.

Subsequent to the reporting period Mr. Kishore Ignatius was appointed to the RPTRC Committee with effect from 23<sup>rd</sup> August 2021.

The Company Secretary functions as the Secretary to the RPTR Committee.

## Meetings

The Committee had four (4) meetings during the financial year ended 31 March 2021 to comply with Listing Rule No. 9.2.4 of the Colombo Stock Exchange. The members' attendance at the meetings were as follows:

Name of Director	No. of meetings held	No. of meetings attended
Mr. N.K. Dahanayake (Chairman – RPTR Committee)	4	4
Mr. D. Daluwatte (deceased on 23.08.2021)	4	4
Mr. Kishore Ignatius (appointed w.e.f. 23.08.2021)	N/A	N/A

## Functions of the Committee

The key function of the Committee is to ensure on behalf of the Board that all related party transactions of the Company are consistent with the Code of Best Practices on Related Party Transactions.

Except for transactions mentioned in Rule 9.5 of CSE Listing Rules pertaining to Related Party Transactions, all other Related Party Transactions are reviewed in advance by the RPTRC. If the transaction is expressed to be conditional on such review, prior to the completion of the transaction the approval of the Committee will be obtained.

The Committee shall update the Board of Directors on the Related Party Transactions of the Company on a quarterly basis.

Make recommendations to obtain shareholder approval for applicable related party transaction as per the provisions in the Code of Best Practice and Section 9 of CSE Listing Rules. Such approval shall be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.

The Committee ensures that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee.

The Committee shall make immediate market disclosures on applicable related party transactions as required by the CSE Listing Rules.

Further shall make appropriate disclosures on related party transactions in Annual Report as required by the CSE Listing Rules.

# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (Contd.)

## Policies and Procedures

The Committee has adopted the Related Party Transactions Policy in accordance with the rules pertaining to Related Party Transactions set out in Section 9 of the Listing Rules of the Colombo Stock Exchange. This policy provides guidance and direction on all Related Party Transactions.

The Policy objectives are as follows:

- To ensure proper review, approval and disclosure of Related Party Transactions in accordance with regulatory requirements;
- To ensure that the interests of shareholders as a whole are taken into account by the Company when entering into Related Party Transactions.

## Performance Review during the Year

Details of Related Party Transactions entered into by the Company during the year are disclosed in Note 30 of Notes to the Financial Statements.

## Declaration

### Non-recurrent Related Party Transactions

There were no any non-recurrent Related Party Transactions during the financial year which require additional disclosures in the 2020/21 Annual Report as specified by the Section 9.3.2 of the Listing Rules of Colombo Stock Exchange.

### Recurrent Related Party Transactions

There were no any recurrent Related Party Transactions during the financial year which require additional disclosures in the 2020/21 Annual Report as specified by the Section 9.3.2 of the Listing Rules of Colombo Stock Exchange.

The Committee confirms that all applicable rules in the Code of Best Practice on Related Party Transactions and Section 9 of CSE Listing Rules have been complied with by the Company during the financial year ended 31st March 2021.

A Declaration by the Board of Directors on compliance with the Rules pertaining to the Related Party Transactions is included in the Annual Report of the Board of Directors on page 27 of this report.

(Sgd.)

**N. K. Dahanayake**

Chairman

Related Party Transactions Review Committee  
13<sup>th</sup> September 2021

# CORPORATE GOVERNANCE

The Board of Directors is committed to maintain the highest standards of corporate governance practiced in the interest of stakeholders while maintaining business integrity, appropriate ethical standards and professionalism in all its operations and activities. The Board ensures that the Company is in compliance with relevant statutory and regulatory requirements including requirements of the Companies Act No.7 of 2007, listing rules of Colombo Stock Exchange, requirements of Securities and Exchange Commission of Sri Lanka and other applicable laws and regulations. The Directors are responsible to establish sound internal control systems including comprehensive risk management framework, to safeguard the Company's assets, ensure accuracy and reliability of records and accountable for overall management of the Company.

In terms of sections 7.6 and 7.10 of the listing rules of the Colombo Stock Exchange, Industrial Asphalts (Ceylon) PLC complied with the relevant provisions under Corporate Governance.

## The Board of Directors

### Composition of the Board of Directors and Meetings

The Board of Directors is responsible for the governance practices established within the Company. As at 31 March 2021 the Board comprised of Managing Director/ Chief Executive Officer, Executive Director and two Independent Non-Executive Directors. Mr. D. Daluwatte, Independent Non-Executive Director who was on Board as at 31st March 2021 expired on 23<sup>rd</sup> August 2021.

Subsequent to the reporting period Mr. R. Kishore Ignatius and Mr. Sivanandan Marimuthu were appointed to the Board with effect from 29<sup>th</sup> July 2021. Mr. K. Naveenkanth who served as the Managing Director/CEO of the company as of 31<sup>st</sup> March 2021 resigned with effect from 31<sup>st</sup> July 2021.

The profiles of all the Directors detailing their areas of expertise are given on page 11 to 12 of the Annual Report.

The independence of the Non-Executive Directors were determined according to the CSE listing rules. Each Non-Executive Director has submitted a declaration of independence/ non-independence for the year. The Board makes a determination annually as to the independence/ non-independence of each Non-Executive Director.

The Non-Executive Directors bring independent objective judgement to bear on Board decisions by constructively challenging management and helping to develop the Company's strategic objectives.

The Board met on five (5) occasions during the year under review. The Directors' attendance at the Board meetings held is given below.

Name of Director	Board Meetings attended
Mr. G. Ramanan	5
Mr. K. Naveenkanth (resigned w.e.f. 31.07.2021)	5
Mr. D. Daluwatte (deceased w.e.f. 23.08.2021)	5
Mr. N. K. Dahanayake	5

The Board is also encouraged to seek independent professional advice when necessary, at the Company's expense and also have access to the Company Secretary to obtain advice and services as required.

### Delegation of Authority

The Board has delegated the authority to the Chief Executive Officer (CEO)/ Managing Director to facilitate the effective function of daily business affairs of the Company as per the set strategies, goals and objectives of the Board and to ensure high standards of governance. A team of Senior Management assists CEO in carrying out the day to day functions of the Company.

# CORPORATE GOVERNANCE (Contd.)

The Board has discussions with the CEO on the short term, medium term and long term objectives of the Company. Additionally the Board meets with Senior Management regularly to review operational matters and disseminate the Board's plan for the future.

## Appointments to the Board

The appointment of Directors to the Board is decided by the Board in accordance with the Articles of Association of the Company and in compliance with rules of governance.

Information relating to change in Directorate is communicated to the Shareholders by way of appropriate announcements to the Colombo Stock Exchange.

## Re-election of Directors

In accordance with the Articles of Association of the Company, members comprising one third of the Board of Directors except the Managing Director/ CEO, are required to stand for retirement by rotation at least once in every three years. A retiring Director is eligible for re-election at the Annual General Meeting.

## Company Secretary

The Company Secretary is appointed by the Board of Directors of the Company. The Company Secretary liaises with the Colombo Stock Exchange on the Company's communications. It is the responsibility of the Company Secretary for making announcements with regard to AGMs and EGM to the shareholders and for accurate recording of proxy voting.

## Board Sub-Committee

### Remuneration Committee

The composition of the Remuneration Committee and the Report of the Remuneration Committee is given on page 33 of this Annual Report.

### Related Party Transactions Review Committee

The composition of the Related Party Transactions Review Committee and the Report of the RPTR Committee is given on page 34 to 35 of this Annual Report.

## Audit Committee

The composition of the Audit Committee and the Report of the Audit Committee is given on page 30 to 32 of this Annual Report.

## Accountability

### Financial Reporting

The Board of Directors is responsible for timely publication of Financial Statements annually and quarterly basis. These Financial Statements are prepared based on Sri Lanka Accounting Standards (SLFRS/ LKAS) and in compliance with the listing rules of Colombo Stock Exchange. Board ensures that these publications include all relevant financial and non-financial information that needs to be communicated to the shareholders.

## Internal Controls

The Board of Directors is responsible for maintaining a sound internal control system within the organization to safeguard the Company's assets. The Board has delegated this responsibility to the Audit Committee and the responsibility of the Audit Committee with this regard is given in the page 30 to 32 of this Annual Report.

## Investor Relations and Communication with shareholders

The Board of Directors policy is to disclose all relevant information to stakeholders, within the bounds of prudent commercial judgement.

The Company ensures that the notice of the AGM along with the Annual Report containing the performance of the Company for the financial year under review are communicated to the shareholders at least 15 working days prior to the scheduled meeting.

## Annual Report of the Board of Directors

The Annual Report of the Board of Directors on the Affairs of the Company for 31 March 2021 is given on pages 25 to 28 of this Annual Report.

## CORPORATE GOVERNANCE (Contd.)

The summary of compliance with the Corporate Governance requirements under the Section 7.6 of the Listing Rules of the Colombo Stock Exchange

Rule No.	Requirement	Compliance Status	Details
<b>Contents of Annual Report</b>			
(i)	Names of persons who during the financial year were Directors of the Entity	Compliant	Board of Directors
(ii)	Principal activities of the Entity and its Subsidiaries during the year and any changes therein	Compliant	Annual Report of the Board of Directors
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Compliant	Shareholders Information
(iv)	The Float adjusted Market Capitalization, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding Requirement	Compliant	Shareholders Information
(v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year	Compliant	Annual Report of the Board of Directors
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Compliant	Risk Management
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Compliant	Annual Report of the Board of Directors
(viii)	Extents, locations, valuations and the number of building of the Entity's Land Holdings and Investment Properties	Compliant	Notes to the Financial Statements
(ix)	Number of shares representing the Entity's stated capital	Compliant	Notes to the Financial Statements
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Compliant	Shareholders Information
(xi)	Financial Ratios and market price information	Compliant	Notes to the Financial Statements and Shareholders Information
(xii)	Significant changes in the Entity's or its Subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	Compliant	Notes to the Financial Statements
(xiii)	If during the year the Entity has raised funds either through a public issue. Rights issue, and private placement	Compliant	Notes to the Financial Statements



## CORPORATE GOVERNANCE (Contd.)

Rule No.	Requirement	Compliance Status	Details
(xiv)	Employee Share Option Schemes and Employee Share Purchase Schemes	Compliant	The Company does not have Employee Share Option Schemes or Employee Share Purchase Schemes
(xv)	Disclosures pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5 c and 7.10.6 c of Section 7 of the Rules	Compliant	7.10.3 – Board of Directors 7.10.5 c – Report of the Remuneration Committee 7.10.6 c – Report of the Audit Committee
(xvi)	Related Party Transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	Compliant	Report of the Related Party Transactions Review Committee

### The summary of compliance with the Corporate Governance requirements under the Section 7.10 of the Listing Rules of the Colombo Stock Exchange

Rule No.	Requirement	Compliance Status	Details
<b>Disclosures regarding Board of Directors</b>			
7.10.1(a)	The correct number of Executive/ Non-executive Directors	Compliant	Three (3) Directors were Non-executive and one (1) Director was Executive as at the reporting date
7.10.2(a)	The correct number of Independent Non-executive Directors	Compliant	Three Non-executive Directors were Independent Directors
7.10.2(b)	Non-executive Directors should submit a signed and dated declaration of their independence/ non-independence	Compliant	The Board obtained declaration from the Non-executive Director/s
7.10.3(a) and (b)	Annual determination of criteria of independence and declaration of same by Board	Compliant	The Board of Directors annually determine and disclose the names of Directors deemed to be 'independent'.
7.10.3(c)	Publish a brief resume in the Annual Report, of each Director of the Board, including each Director's area of expertise	Compliant	Refer 'Board of Directors'
7.10.3(d)	Publish brief resume of newly appointed Director/s	Compliant	Brief resumes of newly appointed Directors were provided to the Exchange for dissemination to the public

## CORPORATE GOVERNANCE (Contd.)

Rule No.	Requirement	Compliance Status	Details
<b>Disclosures regarding the Remuneration Committee</b>			
7.10.5	A Listed Entity shall have a Remuneration Committee	Compliant	Refer 'Report of the Remuneration Committee'
7.10.5(a)	The number of Independent Non-executive Directors in the Remuneration Committee	Compliant	Refer 'Report of the Remuneration Committee'
7.10.5(a)	Whether the Chairman of the Remuneration Committee is a Non-executive Director	Compliant	Chairman is a Non-executive Director
7.10.5(b)	Disclosure on the functions of the Remuneration Committee	Compliant	Refer 'Report of the Remuneration Committee'
7.10.5(c)	Disclosure in the Annual Report on the aggregate remuneration paid to Executive and Non-executive Directors	Compliant	Refer page 67, Notes to the Financial Statements; Note No.08
<b>Disclosures regarding the Audit Committee</b>			
7.10.6	A Listed Entity shall have an Audit Committee	Compliant	Refer 'Report of the Audit Committee'
7.10.6(a)	The number of Independent Non-executive Directors in the Audit Committee	Compliant	Refer 'Report of the Audit Committee'
7.10.6(a)	Whether the Chairman of the Audit Committee is a Non-executive Director	Compliant	Chairman is a Non-executive Director
7.10.6(a)	Whether the Chairman or one member of the Audit Committee is a member of a recognized professional accounting body	Complaint	Chairman is a member of a professional accounting body
7.10.6(b)	Disclosure on the functions of the Audit Committee	Compliant	Refer 'Report of the Audit Committee'
7.10.6(c)	The basis for determining external auditors as being independent	Compliant	Refer 'Report of the Audit Committee'
7.10.6(c)	The Annual Report shall contain a report of the Audit Committee setting out the manner of compliance with the functions during the year under review	Compliant	Refer 'Report of the Audit Committee'

## CORPORATE GOVERNANCE (Contd.)

### The summary of compliance with the Section 9 of the Listing Rules of the Colombo Stock Exchange

Rule No.	Requirement	Compliance Status	Details
<b>Disclosures regarding Related Party Transactions</b>			
9	Appointment of Related Party Transactions Review Committee (RPTRC)	Compliant	Related Party Transactions Review Committee was formed
9.2.1	Except for transactions mentioned in Rule 9.5 all related party transactions should be reviewed by Related Party Transactions Review Committee.	Compliant	Refer 'Report of the Related Party Transactions Review Committee'
9.2.2	Related Party Transactions Review Committee should comprise a combination of Non-Executive Directors and Independent Non-Executive Directors	Compliant	Refer 'Report of the Related Party Transactions Review Committee'
9.2.2	One Independent Non-Executive Director shall be appointed as Chairman of the Related Party Transactions Review Committee.	Compliant	Refer 'Report of the Related Party Transactions Review Committee'
9.3.2(a)	In the case of Non-Recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceed 10% of the equity or 5% of the Total Assets whichever is lower, of the Listed Entity according to the latest Audited Financial Statements	Compliant	Refer 'Notes to the Financial Statements – Related Party Transactions'
9.3.2(b)	In the case of recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceed 10% of the net Revenue/ income as per the latest Audited Financial Statements	Compliant	Refer 'Notes to the Financial Statements – Related Party Transactions'
9.3.2(c)	Annual Report shall contain a Report by the Related Party Transactions Review Committee	Compliant	Refer 'Report of the Related Party Transactions Review Committee'
9.3.2(d)	A Declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with the Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	Compliant	Refer 'Annual Report of the Board of Directors'



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# INDEPENDENT AUDITOR'S REPORT

## A. I. MACAN MARKAR & CO.

CHARTERED ACCOUNTANTS

*"Inspiring All Stakeholders to Reach the Impossible"*

(A Member Firm of The International Accounting Group, USA)

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## TO THE SHAREHOLDERS OF INDUSTRIAL ASPHALTS (CEYLON) PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of **Industrial Asphalts (Ceylon) PLC** ("the Company"), which comprise the statement of financial position as at **March 31, 2021**, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 48 to 80 of this Annual Report.

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

### Basis for Opinion

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

### Key Audit Matters

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

# INDEPENDENT AUDITOR'S REPORT (Contd.)

## Valuation of Investment Properties

### Risk Description

Refer to Note 12 in the financial statements.

Management has estimated the fair value of Company's investment properties to be Rs. 843.5 Million as at 31st March 2021. An Independent external valuer's service had been obtained in order to support management's estimates and judgements.

The fair valuation of investment property was dependent on certain key assumptions that require significant management judgement, including capitalization rate and fair market rent. We have focused in this area due to the significant management judgement and the magnitude of the value of investment property reported in the financial statements.

### Our Responses

The procedures we performed in relation to management's fair valuation of investment properties included the following:-

- We evaluated the independent external valuers' competence, capabilities and objectivity. We assessed the methodologies and the appropriateness of the key assumptions used by the professional valuer by applying our knowledge of the property industry. We used independent and publicly available information on real estate of similar property and locations; and
- We checked on a sample basis, the accuracy and relevance of the input data used. We checked the completeness and accuracy of the investment properties by agreeing those assets and their book values to the general ledger and asset register.

We found the key assumptions were supported by the available evidence. The fair market rents were supported by recent renewals and capitalization rates were in line with our expectations.

## Recoverable amount of Trade & Other Receivables

### Risk Description

Refer to Note 15 in the financial statements.

The Company has recognized a total impairment provision amounting to Rs. 104,657,401/- (2019/2020 – Rs. 28,407,887/-) in the total trade and other receivable balances valued at Rs. 139,974,952/- (2019/2020 – Rs. 301,129,474/-).

Recoverability of the trade and other receivable balances is an area of significant judgement, particularly with regard to the estimation of specific impairment provision for bad debts.

### Our Responses

Our audit procedures included:

- Inquiring with regard to the calculation methodology, the basis for provision and the processes with respect to the provision for bad debts.
- Verifying the accuracy of the trade receivable aging and re-computing the provision for receivables.

# INDEPENDENT AUDITOR'S REPORT (Contd.)

## Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain and understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



## INDEPENDENT AUDITOR'S REPORT (Contd.)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is FCA 1850.



**CHARTERED ACCOUNTANTS**

Colombo.

13<sup>th</sup> September 2021

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH

	NOTE	2021 Rs	2020 Rs
<b>Revenue</b>	4	108,135,838	402,426,651
Less :			
Cost of Sales		(59,178,280)	(349,990,248)
<b>Gross Profit</b>		<b>48,957,558</b>	<b>52,436,403</b>
Other Operating Income	5	108,671,708	(219,499)
Administrative Expenses		(23,740,617)	(16,775,672)
Distribution Expenses		(11,894,352)	(13,365,242)
<b>Impairments/Provisions</b>	6	(76,249,514)	-
Surplus on Revaluation of Investment Property	12	80,500,000	175,400,000
<b>Results from Operating Activities</b>		<b>126,244,783</b>	<b>197,475,990</b>
Finance Income		1,964,115	40,856
Finance Costs		(11,055,865)	(15,329,863)
Net Finance Income/(Charges)	7	(9,091,750)	(15,289,007)
<b>Profit/(Loss) Before Taxation</b>	8	<b>117,153,033</b>	<b>182,186,984</b>
Income Tax (Expenses)/Reversal	9	45,043	(4,664,841)
<b>Profit/(Loss) for the year</b>		<b>117,198,076</b>	<b>177,522,143</b>
<b>Other comprehensive income/(expenses) for the year, net of tax that will not be reclassified to profit or loss</b>			
Actuarial gain/(loss) on defined benefit plans	23	(414,416)	(178,576)
<b>Other comprehensive income/(expenses) for the year, net of tax</b>		<b>(414,416)</b>	<b>(178,576)</b>
<b>Total comprehensive income/(expenses) for the year</b>		<b>116,783,660</b>	<b>177,343,567</b>
<b>Profit attributable to:</b>			
Equity Holders		116,783,660	177,343,567
<b>Total comprehensive income/(expenses) for the year</b>		<b>116,783,660</b>	<b>177,343,567</b>
<b>Diluted and Basic Earnings/(Loss) per Ordinary Share (Rs)</b>	10	0.03	0.06

The Accounting Policies and Notes from pages 52 to 80 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH	NOTE	2021 Rs	2020 Rs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment	11	34,556,308	36,911,942
Investment Property	12	843,500,000	763,000,000
		878,056,308	799,911,942
Intangible Assets	13	-	-
<b>Total</b>		<b>878,056,308</b>	<b>799,911,942</b>
<b>Current Assets</b>			
Inventories	14	6,092,687	7,042,052
Trade & Other Receivables	15	35,317,551	272,721,587
Financial Investments - Fair Value through Profit/(Loss)	16	-	7,513
Other Financial Assets	17	89,371,561	375,683
Income Tax Overpaid	18	3,405,548	3,405,548
Cash & Cash Equivalents	19	13,781,550	390,956
<b>Total</b>		<b>147,968,897</b>	<b>283,943,338</b>
<b>TOTAL ASSETS</b>		<b>1,026,025,205</b>	<b>1,083,855,280</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Capital &amp; Reserves</b>			
Stated Capital	20	156,642,070	6,665,620
Revaluation Reserve		46,112,663	46,112,663
General Reserve	21	15,141,299	15,141,299
Retained Profit/(Loss)		770,505,000	653,721,341
<b>Total Equity</b>		<b>988,401,032</b>	<b>721,640,923</b>
<b>Non-Current Liabilities</b>			
Deferred Tax Liability/(Asset)	22	(3,820,486)	(3,775,444)
Retirement Benefit Obligations	23	2,185,164	1,328,926
Interest bearing Loans & Borrowings	24	-	4,004,336
<b>Total</b>		<b>(1,635,322)</b>	<b>1,557,818</b>
<b>Current Liabilities</b>			
Interest bearing Loans & Borrowings	24	-	29,105,930
Trade & Other Payables	25	2,174,641	210,289,842
Lease Rental Received in Advance	26	35,400,000	35,400,000
Dividend Payable		1,268,070	1,268,070
Bank Overdraft	19	416,784	84,592,698
<b>Total</b>		<b>39,259,495</b>	<b>360,656,540</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>1,026,025,205</b>	<b>1,083,855,280</b>

The Accounting Policies and Notes from pages 52 to 80 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

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

Sgd.  
**S. Fernando**  
Financial Controller

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

Sgd.  
**G. Ramanan**  
Director  
13<sup>th</sup> September 2021

Sgd.  
**R. Kishore Ignatius**  
Director

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH 2021		Stated Revaluation Reserve	General Reserve	Retained Earnings	TOTAL
	Rs	Rs	Rs	Rs	Rs
<b>Balance as at 1st April 2019</b>	<b>6,665,620</b>	<b>46,112,663</b>	<b>15,141,299</b>	<b>479,377,303</b>	<b>547,296,885</b>
Net Profit/(Loss) for the year	-	-	-	177,522,143	177,522,143
<b>Other comprehensive income/(expenses) net of tax</b>					
Actuarial gain/(loss) on defined benefit plans	-	-	-	(178,576)	(178,576)
<b>Total Comprehensive Income/(Expenses) for the year</b>					
<b>Transactions with Equity Holders</b>					
Dividend to Equity Holders	-	-	-	(2,999,529)	(2,999,529)
<b>Balance as at 31st March 2020</b>	<b>6,665,620</b>	<b>46,112,663</b>	<b>15,141,299</b>	<b>653,721,341</b>	<b>721,640,923</b>
Net Profit/(Loss) for the year	-	-	-	117,198,076	117,198,076
Shares issued during the year	149,976,450	-	-	-	149,976,450
<b>Other comprehensive income/(expenses) net of tax</b>					
Actuarial gain/(loss) on defined benefit plans	-	-	-	(414,416)	(414,416)
<b>Total Comprehensive Income/(Expenses) for the year</b>					
<b>Transactions with Equity Holders</b>					
Dividend to Equity Holders	-	-	-	-	-
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>156,642,070</b>	<b>46,112,663</b>	<b>15,141,299</b>	<b>770,505,000</b>	<b>988,401,032</b>

The Accounting Policies and Notes from pages 52 to 80 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# STATEMENT OF CASH FLOWS

AS AT 31ST MARCH	NOTE	2021 Rs	2020 Rs
Profit/(Loss) for the year		117,153,033	182,186,984
<b>Adjustments for</b>			
Provision for Depreciation	11	4,656,384	5,890,306
Fixed Assets Disposal Gain/(Loss)	5	(300,000)	-
Share Disposal Gain/(Loss)	5	(107,837,556)	231,391
Surplus on revaluation of Investment Property	12	(80,500,000)	(175,400,000)
Dividend Income	5	(516,557)	-
Finance Income	7	(1,964,115)	-
Finance Cost	7	11,055,865	15,329,863
Impairment of Property, Plant & Equipment	11	1,215,000	-
Impairment of Trade & Other Receivables	6	76,249,514	-
Provision for Gratuity	23	441,822	265,030
<b>Operating Profit before Working Capital Changes</b>		<b>19,653,390</b>	<b>28,462,717</b>
(Increase)/Decrease in Inventories	14	949,366	2,359,706
(Increase)/Decrease in Trade & Other Receivables	15	161,149,666	(213,510,363)
Increase/( Decrease) in Trade & Other Payables	25	(208,115,201)	198,350,942
		(26,362,779)	15,663,002
Finance Income	7	1,964,115	-
Interest Paid	7	(11,055,865)	(15,329,863)
Gratuity Paid	23	-	-
Income Tax Payments	18	-	(2,908,352)
<b>Cash inflow/(outflow) from Operating Activities</b>		<b>(35,454,529)</b>	<b>(2,534,357)</b>
<b>Cash Flows from Investment Activities</b>			
Purchase of Property, Plant & Equipment	11	(3,515,750)	-
Investment in Other Financial Assets	17	(88,995,878)	-
Share Purchase during the year	16	(563,545,126)	(3,496)
Sales Proceeds from Property, Plant & Equipment	5	300,000	-
Sales Proceeds from Quoted Investment	16	671,395,051	3,024,204
Dividends Received	5	516,557	-
Capital Work-in-Progress	11	-	(4,244,427)
<b>Cash inflow/(outflow) from Investment Activities</b>		<b>16,154,853</b>	<b>(1,223,718)</b>
<b>Cash Flows from Financing Activities</b>			
Dividend Paid		-	(2,787,134)
Proceeds from Issues of Shares	20	149,976,450	-
Interest Bearing Borrowings	24	(33,110,265)	2,141,889
<b>Cash inflow/(outflow) from Financing Activities</b>		<b>116,866,185</b>	<b>(645,245)</b>
<b>Net Change in Cash &amp; Cash Equivalents</b>		<b>97,566,509</b>	<b>(4,403,321)</b>
<b>Cash &amp; Cash Equivalents</b>			
At the beginning		(84,201,742)	(79,798,422)
Net change in Cash & Cash Equivalents as above		97,566,509	(4,403,321)
<b>At the end (Note below)</b>		<b>13,364,767</b>	<b>(84,201,742)</b>
<b>Cash &amp; Cash Equivalents</b>			
Cash at Bank & in Hand		13,781,550	390,956
Bank Overdraft		(416,784)	(84,592,698)
<b>As at 31st March 2021</b>	19	<b>13,364,767</b>	<b>(84,201,742)</b>

The Accounting Policies and Notes from pages 52 to 80 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> March 2021

## 1. REPORTING ENTITY

### 1.1 Corporate Information

Industrial Asphalts (Ceylon) PLC is a Public Limited Liability Company incorporated and domiciled in Sri Lanka. The registered office and the principal place of the business are located at No. 321, Negombo Road, Peliyagoda.

### 1.2 Principal activities & Nature of Operations

The principal activities of the Company continued to be manufacture and distribution of bituminous products, distribution of specialist range of surface coating and industrial chemicals.

### 1.3 Number of Employees

The staff strength of the Company as at 31st March 2021 was 21 (2020 - 21)

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements comprising the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows together with Notes to the Financial Statements are prepared and presented in accordance with Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs), (hereafter "SLFRS") laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL). The presentation of the Financial Statements is in compliance with the requirements of the Companies Act No. 07 of 2007.

The Financial Statements were authorised for issue by the Board of Directors on 13<sup>th</sup> September 2021.

### 2.2 Basis of Measurement

The financial statements have been prepared on a historical cost basis except where appropriate disclosures are made with regard to fair value under relevant notes.

### 2.3 Functional Currency & Presentation Currency

The financial statements are presented in Sri Lankan Rupees, unless otherwise indicated.

### 2.4 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Financial Statements are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements.

### 2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by Sri Lanka Accounting Standards LKAS 1 Presentation of Financial Statements.

### 2.6 Off Setting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amount and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Comprehensive Income unless required to be permitted by the Accounting Standards or interpretation, and specifically disclosed in the Accounting Policies of the company.

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March 2021

## 2.7 Significant Accounting Judgment, Estimate and Assumption

The preparation of the financial statements in conformity with Sri Lanka Accounting Standards require management to make judgements, estimates and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements is included in the respective notes.

### 2.7.1 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. The Management have considered the potential downsides that the COVID-19 pandemic could bring to the business operations of the Company, in making this assessment. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the Financial Statements

continue to be prepared on the going concern basis.

### 2.7.2 Employee Benefit Liability

The cost as well as the present value of defined benefit plans - gratuity is determined using Actuarial Valuations. The Actuarial Valuation involves making assumptions about discount rates, future salary increases and other important related data. Due to the long term nature of employee benefits, such estimates are subject to significant uncertainty. Further details of assumptions together with an analysis of their sensitivity as carried out by the management in relation to the above key assumptions are given in Note 23.

### 2.7.3 Useful Life-time of the Property, Plant and Equipment

The Company review the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

### 2.7.4 Allowance for Doubtful Debts

Company reviews at each reporting date all receivables to assess whether an allowance should be recorded in the Statement of Profit or Loss. Management uses judgment in estimating such allowance considering the duration of outstanding and any other factors management is aware of that indicates uncertainty in recoverability.

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 FINANCIAL INSTRUMENTS

#### 3.1.1 Financial assets

##### (a) Initial recognition and measurement

Financial assets within the scope of SLFRS 9 are classified as amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. This assessment is referred to as the solely payments of principal and interest (SPPI) test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Company's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments.

##### (b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories

- Financial assets at amortized cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

##### (c) Debt instruments

###### ➤ Financial assets at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding"

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired



# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March 2021

## ➤ Financial assets at fair value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI.

The company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line items in the income statement.

## (d) Equity Instruments

### ➤ Financial assets designated at fair value through OCI

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under SLFRS 9 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

### ➤ Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March 2021

are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established

## **(e) Derecognition**

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

## **(f) Impairment of financial assets**

From 1 April 2018, the company assesses on a forward looking basis the expected credit losses associated with its debt

instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## **3.1.2 Financial liabilities**

### **(a) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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, bank overdrafts, loans and borrowings.

### **(b) Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March 2021

## ➤ **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

## **(c) Loans and borrowings**

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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 as finance costs in the statement of profit or loss.

## **(d) Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or

expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

## **(e) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

## **3.2 Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring fair value of an asset or liability, the Company uses observable market data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows,

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March 2021

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

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

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

or

- In the absence of a principal market, in the most advantageous market for the asset or liability

Or

the principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to

generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## 3.3 Taxation

### 3.3.1 Income Tax

Provision for the income tax liability is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the subsequent amendments.

Current income tax assets and liabilities for the current and prior periods consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

### 3.3.2 Deferred Taxation

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences: except where the deferred tax liability

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March 2021

arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and

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

Industrial Asphalts (Ceylon) PLC reviews the carrying amount of deferred tax assets at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Company measures Deferred tax assets and liabilities at the tax rates that are expected to be applied to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Company recognizes in equity the deferred tax relating to items recognized directly in equity, and not in the income statement.

### 3.4 Events Occurring After the Reporting Date

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

### 3.5 Property, Plant & Equipment

Items of property, plant and equipment except for land and buildings are stated at costs less accumulated depreciation and impairment. Such cost includes expenditure that is directly attributable to the acquisition of the asset and cost of replacing part of the asset when that cost is incurred, if the recognition criteria are met.

Land and buildings are stated at fair value less depreciation and impairment charged subsequent to the date of the revaluation.

Land and buildings of the Company are revalued at once in every 3-5 years on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised to the revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. We recognize a revaluation deficit in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

#### Subsequent Cost

These are costs that are recognized in the carrying amount of an item if it is probable that the future economic benefits embodied within that part will flow to the company and it can be measured.

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March 2021

## Restoration Cost

Expenditure incurred on replacement repairs or maintenance of Property, Plants Equipment in order to restore or maintain the future economic benefits expected from the originally assessed standard of performance is recognized as an expense when incurred.

## Reclassification to Investment Property

When the use of a property changes based on commencement of an operating lease to another party, for a transfer from inventories to investment property, the property is measured at fair value and reclassified accordingly. Any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in profit or loss.

## De-recognition

Company derecognizes an item of property, plant and equipment upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

## Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the reducing balance method over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. We do not depreciate land.

Class of Asset	% per Annam
Plant & Machinery	10%
Office, Computer Equipment	25%
Motor Vehicles	25%
Building	2%
Other Equipment	25%

Company now determines the depreciation charge separately for each significant part of an item of property, plant and equipment and begins to depreciate when it is available for use, rather than adopting a method whereby property, plant and equipment are depreciated fully in the year of disposal with no such charge being accounted for in the year of purchase.

## 3.6 Investment Properties

Investment property is property held either to earn rental income or capital appreciation or for both, but not for sale on the ordinary course of business, use in production or supply of goods and services or for administrative purposes.

### Basis of Recognition and Measurement

Investment Properties are measured initially at cost. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions as at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognized in statement of profit or loss in the year in which they arise.

### De-recognition

Investment Properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March 2021

no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of profit or loss in the year of retirement or disposal.

## Transfer to Investment Property

Transfers are made to investment property when there is a change in use evidenced by commencement/ end of owner occupation, commencement of development with a view to sale, commencement of an operating lease to another party or completion of construction or development.

## Determining Fair Value

Formal valuations are carried out annually by a qualified valuer. External and independent valuers, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, values the Investment Property.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

## Disclosures

- (a) A reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing the following: -
- Additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognized in the carrying amount of an asset

- Additions resulting from acquisition through business combinations
  - Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with SLFRS 5 (non-current assets held for sale) and other disposals
  - Net gains or losses from fair value adjustments
  - The net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity
  - Other changes
- (b) The amounts recognized in profit or loss for,
- Rental income from investment property
  - Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period
  - Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period
  - The cumulative change in fair value recognized in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March 2021

## (c) Details of investment properties

- Location and extent
- Valuation techniques used in measuring fair value and significant unobservable inputs
- Valuation details - value details, effective date of valuation

## 3.7 Intangible Assets

### Basis of Recognition

An Intangible Asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 38 'Intangible Assets'. Accordingly, these assets are stated in the Balance Sheet at cost, less accumulated amortization and accumulated impairment losses, if any.

### Subsequent Expenditure

Subsequent expenditure on Intangible Assets is capitalized only when it increases the future economic benefits embodied in these assets. All other expenditure is charged to the Income Statement when incurred.

### Useful Economic Lives, Amortization and Impairment

The useful lives of Intangible Assets are assessed to be either finite or indefinite. The company does not possess intangible assets with indefinite useful lives. Useful economic lives, amortization and impairment of finite and indefinite intangible assets are described below:

### Intangible Assets with Finite Lives and Amortization

Intangible Assets with finite lives are amortized over the useful economic lives. The amortization period and the

amortization method for an intangible asset with finite useful life are reviewed at least at each Balance Sheet date. Changes in the expected useful life or the expected pattern of consumption of future economic benefit embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Income Statement as an expense.

### Computer Software

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

### Amortization of Intangible Assets

Intangible assets are amortized using the straight line method to write down the cost over its estimated useful economic lives. Effective rates are as follows: -

Class of Asset	% per Annum
Software	50%

The unamortized balances of intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognized as expenses in the Income Statement to the extent that they are no longer probable of being recovered from the expected future benefits.



# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March 2021

## **De-recognition of Intangible Assets**

Intangible assets are derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Income Statement.

## **3.8 Leases**

### **Right of use assets**

The Company recognizes right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

### **Lease liabilities**

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the

commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### **Short-term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## **3.9 Inventories**

Inventories are valued at the lower of cost or net realizable value after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less estimated cost of completion and estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formula: -

**Raw Material** - At actual cost on weighted average cost basis

**Finished Goods & Work-in-Progress** - At the cost of direct materials, fixed labour and an appropriate proportion of manufactory overheads based on normal capacity.

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March 2021

**Goods in Transits** - At actual cost.

### 3.10 Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventory and deferred tax assets) to determine whether there is any indication of impairment. If any such indicator exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.11 Liabilities and Provisions

#### 3.11.1 Provisions

When company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of

resources embodying economic benefits will be required to settle the obligation and the company can reliably estimate the amount of the obligation, we recognize it as a provision in accordance with LKAS 37 - Provisions, Contingent Liabilities and Contingent Asset.

#### 3.11.2 Retirement Benefit Obligations

##### 3.11.2.1 Defined Benefit Plan - Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company is liable to pay retirement benefits under the Payment of Gratuity Act No. 12 of 1983. Provision has been made for retirement gratuities using "Project Unit Credit" (PUC) method as recommended by LKAS 19 "Employee Benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash flows based on the actuarial valuation carried out by an independent qualified actuary. The assumptions based on which the results of actuarial valuation was determined are included in Notes to the Financial Statements. The liability is not externally funded.

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

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March 2021

## **3.11.2.2 Defined Contribution Plans - Employees' Provident Fund & Employees' Trust Fund**

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

## **3.12 Income Statement**

### **Contracts with customers**

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

### **Goods transferred at a point in time**

Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

### **Services transferred over time**

The company determines at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the company recognizes the revenue over time by measuring the progress towards complete satisfaction of that performance obligation

The following specific recognition criteria are used for the purpose of recognition of revenue that are in the scope of SLFRS 15:

### **(a) Sale of Goods**

Revenue from sale of goods is recognized when the control of the goods have passed to the buyer, usually on delivery of the goods; with the Company not retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

### **(b) Interest**

Revenue is recognised on a time proportion basis that takes in to accounts the effective interest rate on asset.

### **(c) Dividends**

Dividend Income is recognized when the shareholders' right to receive the payment is established.

### **(d) Rental Income**

Rental Income arising on investment properties is accounted for on a straight-line basis over the lease terms.

### **(e) Others**

Other income is recognized on an accrual basis.

### **Borrowing Costs**

Borrowing costs are recognized as an expense in the year in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March 2021

as part of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using Company's weighted average cost of borrowing after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investments. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for development, but only where activities necessary to prepare the asset for redevelopments are in

## Foreign Currency Translation

Foreign currency gains or losses are reported on a net basis.

### 3.13 Comparative figures

Where necessary, the comparative figures have been reclassified to conform to the current year's presentation.

### 3.14 Earnings per share

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### 3.15 Changes in Significant Accounting Policies

The following amendments to the existing accounting standards which will be effective from 01 January 2021 are not expected to have a significant impact on the Company's financial statements.

- Amendments to SLFRS 9, LKAS 39 and SLFRS 7 - Interest Rate Benchmark Reform
- Amendment to SLFRS 16 - COVID 19 Related Rent Concessions

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March

<b>4 REVENUE</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
Paints	11,760,785	14,730,351
Bitumen related	60,975,053	351,661,749
Rent Income from Investment Property	35,400,000	35,400,000
Sundries	-	634,551
<b>TOTAL</b>	<b>108,135,838</b>	<b>402,426,651</b>
<b>5 OTHER OPERATING INCOME/(EXPENSES)</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
Dividend Income	516,557	6,952
Share Disposal Gain/(Loss)	107,837,556	(231,391)
Fixed Assets Disposal Gain/(Loss)	300,000	-
Sundry Income	17,595	4,940
<b>TOTAL</b>	<b>108,671,708</b>	<b>(219,499)</b>
<b>6 IMPAIRMENTS/PROVISIONS</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
Provision for Doubtful Debtors	76,249,514	-
<b>TOTAL</b>	<b>76,249,514</b>	<b>-</b>
<b>7 NET FINANCE INCOME</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
Interest on Fixed Deposits	30,391	40,856
Repo Interest Income	1,933,724	-
	<b>1,964,115</b>	<b>40,856</b>
Less:		
Bank Loan Interest	(3,225,425)	(3,106,617)
Lease Interest Expense	(853,819)	(1,338,578)
Bank Charges	(135,925)	(360,923)
Overdraft Interest	(6,840,695)	(10,523,745)
	<b>(11,055,865)</b>	<b>(15,329,863)</b>
<b>NET INCOME/(EXPENSES)</b>	<b>(9,091,750)</b>	<b>(15,289,007)</b>
<b>8 PROFIT/(LOSS) BEFORE TAX</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
<b>Profit/(Loss) before tax is stated after charging:</b>		
Depreciation of Property, Plant & Equipment	4,656,384	5,890,306
Personal Expenses ( <b>Note 8.1</b> )	12,087,659	11,370,916
Directors Emoluments	2,208,000	2,208,000
Auditors Remuneration	320,000	280,000
<b>Note 8.1</b>		
Salaries & Wages	10,020,519	9,625,290
Contribution to Defined Contribution Plans (EPF & ETF)	1,625,318	1,480,597
Contribution to Defined Benefit Plan for Gratuity	441,822	265,030
	<b>12,087,659</b>	<b>11,370,916</b>

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March

<b>9 INCOME TAX EXPENSE</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
<b>Current Tax Expense</b>		
Income Tax for the Current Year	-	-
<b>Deferred Tax Expense</b>		
Deferred Taxation	(45,043)	4,664,841
<b>Total</b>	<b>(45,043)</b>	<b>4,664,841</b>

**9.1** In terms of the provisions of Inland Revenue Act No. 24 of 2017 and the subsequent amendments, the Company is liable to Income Tax at the rate of 18%. The tax loss carried forward as at 31st March 2021 amounts to Rs. 107,634,098/-.

<b>9.2 Reconciliation of accounting profit to income tax:</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
Profit/(Loss) before income tax	117,153,033	182,186,984
Tax effect on disallowable expenses	5,265,313	6,059,449
Tax effect on allowable expenses	(190,770,526)	(176,662,063)
Income from separate sources	(1,964,115)	(40,856)
<b>Total Taxable Income</b>	<b>(70,316,295)</b>	<b>11,543,514</b>
Taxable Investment Income	1,964,115	40,856
Tax Losses set-off	(2,480,671)	(11,584,370)
Assessable Income	(70,832,851)	-
Less : Qualifying Payments	-	-
<b>Taxable Income/(Loss)</b>	<b>(70,832,851)</b>	<b>-</b>
Income Tax @ 18%	-	-

<b>10 DILUTED AND BASIC EARNINGS/(LOSS) PER ORDINARY SHARE</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
Profit/(Loss) for the year (Rs)	117,198,076	177,522,143
Weighted average Ordinary Shares in issue (nos)	3,436,960,313	2,999,529,000
<b>Diluted and Basic Earnings/(Loss) per Ordinary Share (Rs)</b>	<b>0.03</b>	<b>0.06</b>

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March

11 PROPERTY, PLANT & EQUIPMENT	Buildings		Plant & Machinery		Motor Vehicles		Lease Hold Plant & Machinery		Lease Hold Motor Vehicles		Office Equipment		Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost/ Valuation</b>														
Balance at the beginning of the year	14,151,599	7,920,174	5,608,895	5,030,000	18,806,860	7,543,181	59,060,709							
Additions during the year	241,672	-	-	-	-	3,274,078	3,515,750							
Less Disposals during the year	-	-	-	-	(1,145,000)	-	(1,145,000)							
Balance at the end of the year	14,393,271	7,920,174	5,608,895	5,030,000	17,661,860	10,817,259	61,431,459							
<b>Accumulated Depreciation</b>														
Balance at the beginning of the year	198,143	2,244,358	4,424,074	1,882,823	7,973,125	5,426,243	22,148,767							
On Disposals during the year	-	-	-	-	(1,145,000)	-	(1,145,000)							
Depreciation charge for the year	194,181	567,582	296,205	314,718	2,708,434	575,265	4,656,384							
Balance at the end of the year	392,324	2,811,940	4,720,279	2,197,541	9,536,559	6,001,508	25,660,151							
<b>Net book value:</b>														
<b>As at 31 March 2021</b>	<b>14,000,947</b>	<b>5,108,234</b>	<b>888,616</b>	<b>2,832,459</b>	<b>8,125,301</b>	<b>4,815,751</b>	<b>35,771,308</b>							
As at 31 March 2020	13,953,456	5,675,815	1,184,821	3,147,177	10,833,735	2,116,938	36,911,942							
<b>Impairment Provision:</b>														
<b>As at 31 March 2021</b>	<b>-</b>	<b>(1,215,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,215,000)</b>							
As at 31 March 2020	-	-	-	-	-	-	-							
<b>Carrying Amount:</b>														
<b>As at 31 March 2021</b>	<b>14,000,947</b>	<b>3,893,234</b>	<b>888,616</b>	<b>2,832,459</b>	<b>8,125,301</b>	<b>4,815,751</b>	<b>34,556,308</b>							
As at 31 March 2020	13,953,456	5,675,815	1,184,821	3,147,177	10,833,735	2,116,938	36,911,942							
<b>11.1 CAPITAL WORK IN PROGRESS</b>														
	<b>2021</b>	<b>2020</b>												
	<b>Rs</b>	<b>Rs</b>												
Balance at the beginning of the year	-	-												
Additions during the year	241,672	4,244,427												
Transfer to Buildings	(241,672)	(4,244,427)												
Balance at the end of the year	-	-												

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March

12 INVESTMENT PROPERTY	2021 Rs	2020 Rs
Balance B/F	763,000,000	587,600,000
Disposals	-	-
Transfers from/(to) Property, Plant & Equipment	-	-
Change in Fair Value	80,500,000	175,400,000
<b>FAIR VALUE</b>	<b>843,500,000</b>	<b>763,000,000</b>

Changes in the fair values are recognized as gain in profit or loss. All gains are unrealized.

12.1 INCOME EARNED FROM INVESTMENT PROPERTY	2021 Rs	2020 Rs
Rental Income (Note 4)	35,400,000	35,400,000
Direct Operating expenses	-	-

## 12.2 DETAILS OF INVESTMENT PROPERTY

Investment Property represents Land & Building at No.28/1, New Nuge Road, Peliyagoda.

Effective date of valuation	<b>31st March 2021</b>
Total Land extent	<b>02A - 00R - 12.94P</b>
Number of Buildings	<b>2</b>

Investment Properties of the Company are accounted for on the fair value model. The above Investment Property has been revalued by Mr. S. Sivaskantha, Chartered Valuation Surveyor, on the basis of Investment method valuation technique.

Investment Properties are considered under Level 3 of the fair value hierarchy.

Significant unobservable inputs - Gross monthly rental, discount rate.

### The following Investment properties are revalued during the financial year 2020/2021

Location	Type of Assets	Significant unobservable input		Fair value LKR Mn.	Correlation to fair value
		Gross monthly rental	Yield Discount Rate		
No. 28/1, New Nuge Road Peliyagoda	Land & Building	Rs. 2.95 Mn - Rs. 5.5 Mn	7% p.a	843,500,000	Positive

The sensitivity of the Statement of Profit or Loss and Statement of Financial Position is the effect of the assumed changes in discount rate,(taken individually, while other variables are held constant) on the profit or loss and carrying value of Investment Property for the year.

	Fair Value/Gain or (Loss) on Investment Property Rs Mn	Investment Property Valuation Rs Mn
If Discount Rate Increases By 0.10%	(5.5)	838
If Discount Rate Decreases By 0.10%	5.5	849



# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March

<b>13 INTANGIBLE ASSETS</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
<b>Cost</b>		
Balance at the beginning of the year	266,899	266,899
Additions during the year	-	-
Balance at the end of the year	<b>266,899</b>	<b>266,899</b>
<b>Accumulated amortization</b>		
Balance at the beginning of the year	266,899	266,899
Amortization Charge for the year	-	-
Balance at the end of the year	<b>266,899</b>	<b>266,899</b>
<b>WDV</b>	-	-

<b>14 INVENTORIES</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
Raw Materials	9,972,243	11,201,508
Packing Materials	1,857,818	1,664,714
Finished Goods	878,505	1,080,272
Work-in-Progress	1,087,024	798,460
TOTAL	13,795,589	14,744,955
Less: Inventory Impairment	(7,702,903)	(7,702,903)
	<b>6,092,687</b>	<b>7,042,052</b>

**14.1** Inventories amounting to Rs. 6,092,687/- (2020 - Rs.7,042,052/-) have been pledged as security for short term loans and overdraft facilities.

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March

<b>15 TRADE &amp; OTHER RECEIVABLES</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
Trade Receivables ( <b>Note 15.1</b> )	3,148,876	270,788,084
Staff Loans & Festival Advances	779,823	832,073
Other Receivables - Sale of Equity Investments	24,000,000	-
Rent Receivable	1,475,000	-
Salary Advance	1,800,000	-
Deposits & Prepayments ( <b>Note 15.2</b> )	4,113,852	1,101,430
<b>TOTAL</b>	<b>35,317,551</b>	<b>272,721,587</b>

<b>15.1 TRADE RECEIVABLES</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
Trade Receivables ( <b>Note 15.3</b> )	104,205,680	295,595,374
Less: Impairment of Trade Receivables	(101,056,804)	(24,807,290)
<b>TOTAL</b>	<b>3,148,876</b>	<b>270,788,084</b>

<b>15.2 DEPOSITS &amp; PREPAYMENTS</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
Deposit LECO	2,500	2,500
Refundable Deposit	540,000	540,000
Prepayments	3,571,352	558,930
VAT Receivables	3,600,597	3,600,597
	7,714,449	4,702,027
Less: Impairment for VAT Receivable	(3,600,597)	(3,600,597)
<b>TOTAL</b>	<b>4,113,852</b>	<b>1,101,430</b>

## 15.3 AGE ANALYSIS OF TRADE RECEIVABLES:

	<b>Total</b>	<b>1 - 90 Days</b>	<b>91-180 Days</b>	<b>181-270 Days</b>	<b>&gt; 270 Days</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Trade Receivables	<b>104,205,680</b>	3,256,720	215,797	-	100,733,163

## 15.4 IMPAIRMENT OF TRADE RECEIVABLES

The Company establishes a provision for impairment of Trade Receivables by assessing the credit risk of individual customers.

The Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors, and the economic environment.

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March

## 16 FINANCIAL INVESTMENTS - FAIR VALUE THROUGH PROFIT/(LOSS)

Name of Company	2021			2020		
	No. of Shares	Cost Rs	Market Value Rs	No. of Shares	Cost Rs	Market Value Rs
<b>Quoted Investments</b>						
Union Bank PLC	-	-	-	200	5,000	1,620
Laughf Gas PLC	-	-	-	5	115	46
ACL Cables PLC	-	-	-	100	10,314	3,110
Sampath Bank PLC	-	-	-	23	3,496	2,737
<b>TOTAL</b>			<b>-</b>		<b>18,925</b>	<b>7,513</b>

## 17 OTHER FINANCIAL ASSETS

	2021 Rs	2020 Rs
Short Term Investment in REPO	89,120,231	-
Investment in Fixed Deposits	251,329	375,683
<b>TOTAL</b>	<b>89,371,561</b>	<b>375,683</b>

## 18 INCOME TAX (RECEIVBLE)/PAYABLE

	2021 Rs	2020 Rs
Balance at the beginning of the year	(3,405,548)	(497,196)
Gross Income Tax ( <b>Note 9</b> )	-	-
	(3,405,548)	(497,196)
<b>Tax Credits</b>		
ESC Recoverable	-	(203,713)
WHT Receivable	-	(2,704,639)
<b>BALANCE INCOME TAX PAYABLE/(OVERPAID)</b>	<b>(3,405,548)</b>	<b>(3,405,548)</b>

## 19 CASH & CASH EQUIVALENTS

	2021 Rs	2020 Rs
Cash at Bank - Current A/c	13,750,148	76,910
Cash at Bank - Savings A/c (Account Closed)	-	301,611
Cash in Hand	31,402	12,435
<b>TOTAL</b>	<b>13,781,550</b>	<b>390,956</b>
Less: Bank Overdraft	(416,784)	(84,592,698)
<b>CASH &amp; CASH EQUIVALENTS IN THE CASH FLOW STATEMENT</b>	<b>13,364,767</b>	<b>(84,201,742)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March

20 STATED CAPITAL	2021 Rs	2020 Rs
Ordinary Shares at the beginning of the year	6,665,620	6,665,620
749,882,250 Shares issued during the year	149,976,450	-
<b>3,749,411,250 ORDINARY SHARES AT THE END OF THE YEAR</b>	<b>156,642,070</b>	<b>6,665,620</b>

## 20.1 SUB-DIVISION OF SHARES

Company carried out an increase in Ordinary shares in issue by way of a sub-division of shares, which concluded on 22nd May 2020. Accordingly the Ordinary Voting Shares of the Company were increased from 666,562 to 2,999,529,000 Ordinary Voting Shares with effect from 22nd May 2020 resulting from sub-division of shares.

## 20.2 RIGHTS ISSUE OF SHARES

Company raised a sum of Rs.149,976,450/- by way of a Rights Issue of 749,882,250 Ordinary Voting Shares in the proportion of one (1) Ordinary Share for every four (4) Ordinary Shares held in the Company at a consideration of Rs.0.20 per share, which concluded on 2nd September 2020.

Accordingly, the number of shares of the Company increased upto 3,749,411,250 Ordinary Voting Shares subsequent to the Rights Issue of shares.

## 20.3 RIGHTS ISSUE FUNDS UTILIZATION AS AT 31ST MARCH 2021

Objective No	Objective as per Circular	Amount allocated as per Circular Rs	Proposed Date of Utilization as per Circular	Amount allocated from Proceeds Rs (A)	% of total Proceeds	Amount Utilized Rs (B)	% of Utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested
1.1	Part settlement of Short Term Loans - Commercial Bank	2,500,000	Immediately upon allotment	2,500,000	1.67%	2,500,000	100%	
1.2	Part settlement of Overdraft Facility - Commercial Bank	47,500,000	Immediately upon allotment	47,500,000	31.67%	47,500,000	100%	
2	Finance Working Capital requirements	99,976,450	6 months to 24 months from allotment	99,976,450	66.66%	-	-	Invested in Short Term Investments

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March

<b>21 GENERAL RESERVES</b>	<b>2020 Rs</b>	<b>2019 Rs</b>
General Reserves	<b>15,141,299</b>	<b>15,141,299</b>

General reserves refer to transfers made from retained earnings in the previous years. No particular purpose was identified.

<b>22 DEFERRED TAX LIABILITY/(ASSET)</b>	<b>2021 Rs</b>	<b>2020 Rs</b>
Balance at the beginning of the year	(3,775,444)	(8,440,285)
Charge/(Reversal) for the year	(45,043)	4,664,841
Balance at the end of the year	<b>(3,820,486)</b>	<b>(3,775,444)</b>

<b>22.1</b>		
Deferred Tax Asset	1,333,673	1,222,068
Deferred Tax Liability	(5,154,159)	(4,997,512)
Net Deferred Tax Assets	<b>(3,820,486)</b>	<b>(3,775,444)</b>

<b>22.2</b>		
Deferred Tax on Gratuity	(393,330)	(239,207)
Deferred Tax on C/F Tax Losses	(4,760,830)	(4,758,305)
Deferred Tax on Property, Plant & Equipment	1,333,673	1,222,068
	<b>(3,820,486)</b>	<b>(3,775,444)</b>

<b>23 RETIREMENT BENEFIT OBLIGATION</b>	<b>2021 Rs</b>	<b>2020 Rs</b>
Balance as at 1st April 2020	1,328,926	885,320
Current Service Cost	308,929	167,645
Interest Cost	132,893	97,385
Payments made during the year	-	-
Actuarial Gain/(Loss)	414,416	178,576
<b>BALANCE AS AT 31ST MARCH 2021</b>	<b>2,185,164</b>	<b>1,328,926</b>

The Company carried out an actuarial valuation of the gratuity as at 31st March 2021 by Mr. M. Poopalanathan, AIA, Messrs. Actuarial and Management Consultant (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the "Projected Unit Credit Method", the method recommended by the LKAS 19.

Discount rate	7.50%
Future salary increase	7.50%

### Sensitivity Analysis

A quantitative sensitivity analysis for significant assumptions as at 31 March is, as shown below

	<b>Effect on Present Value Profit or Loss</b>	<b>of Defined Benefit Obligation</b>
If Discount Rate Increases By 1%	110,405	(110,405)
If Discount Rate Decreases By 1%	(123,696)	123,696
If Salary Increment Rate Increases By 1%	(130,342)	130,342
If Salary Increment Rate Decreases By 1%	118,400	(118,400)

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March

<b>24 INTEREST BEARING LOANS &amp; BORROWINGS</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
Payable after one year		
Finance Lease	-	4,004,336
<b>TOTAL</b>	<b>-</b>	<b>4,004,336</b>
Payable within one year		
Finance Lease	-	2,642,530
Short Term Loans	-	26,463,400
<b>TOTAL</b>	<b>-</b>	<b>29,105,930</b>

<b>24.1 SOURCES OF FINANCE</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
Commercial Bank of Ceylon PLC	-	29,146,865
Commercial Leasing & Finance PLC	-	3,963,400
<b>TOTAL</b>	<b>-</b>	<b>33,110,265</b>

<b>25 TRADE &amp; OTHER PAYABLES</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
Trade Payables	1,170,009	206,467,108
Accrued Expenses	1,004,632	3,689,400
VAT Payable	-	133,334
<b>TOTAL</b>	<b>2,174,641</b>	<b>210,289,842</b>

## 26 LEASE RENTAL RECEIVED IN ADVANCE

On 28th February 2018, the Company entered into an Agreement with Siam City Cement (Lanka) Ltd to lease out its property situated at No. 28/1, New Nuge Road, Peliyagoda, for a period of 10 years. According to the terms of the Lease Agreement, the Lease Rental received in advance as at 31st March 2019 amounted to Rs. 35.4 Million and the Lease Rental applicable from 1st May 2019 amounts to Rs. 2,950,000/- per month. As at the year end, the Lease Rental received in advance amounted to Rs. 35.4 Million.

	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
Opening Balance	35,400,000	35,400,000
Lease Rental Received during the year (Rs. 2,950,000 x 12)	35,400,000	35,400,000
Less: Income recognised (Rs. 2,950,000 x 12)	(35,400,000)	(35,400,000)
<b>Closing Balance</b>	<b>35,400,000</b>	<b>35,400,000</b>

<b>27 DIVIDEND PAID</b>	<b>2021</b>	<b>2020</b>
	<b>Rs</b>	<b>Rs</b>
Interim Dividend paid	-	-
Final Dividend paid	-	2,999,529
Dividend payout ratio	-	0.02
Dividend per share	-	4.50

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March

## 28 CAPITAL COMMITMENTS & CONTINGENCIES

There were no material capital commitments and contingencies as at 31<sup>st</sup> March 2021.

## 29 EVENTS OCCURRING AFTER THE FINANCIAL POSITION DATE

No circumstances have arisen since the Balance Sheet date, which would require adjustments to or disclosure in the financial statements, except for the following:-

### Disposal of Paints & Coatings Division

The Board of Directors of Industrial Asphalts (Ceylon) PLC at a Board Meeting held on 29th July 2021 resolved to accept the offer presented by Mr. K. Naveenkanth for purchase of the Company's Paints and Coatings Division in its entirety. The exit would release capital and resources from the business segment which has been unprofitable for several years and the Board does not see it turning into a profitable segment in the future. The total consideration relating to the disposal was Rs. 15 million. The Board was advised by KPMG on the segmental valuation and the total consideration was within the valuation given by KPMG. The transaction was on normal commercial terms and is not prejudicial to the interests of the Entity and its minority shareholders. The transaction does not qualify under the 'major transactions' specified by the Section 185 of the Companies Act No. 07 of 2007. The transaction was reviewed by the Related Party Transaction Review Committee and approved by the Board of Directors of the Company.

## 30 RELATED PARTY TRANSACTIONS

Disclosure as per the requirement of Colombo Stock Exchange Listing Rule Section 9.3.2 and Code of Best Practices on Related Party Transactions, under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act is on page 34 Related Party Transactions Review Committee Report.

There were no any recurrent or non-recurrent related party transactions during the financial year under review which require additional disclosures in the financial statements.

## 31 ASSETS PLEDGED AS SECURITY

Name of Bank	Loan Facility	Security	Carrying amount of Assets Pledged	
			2021 Rs	2020 Rs
Commercial Bank of Ceylon PLC	Overdraft - Rs.75Mn Short Term Loan - Rs.22,500,000/-	Investment Property at 28/1, New Nuge Road, Peliyagoda	Investment Property Rs. 843,500,000/-	Investment Property Rs. 763,000,000/-
		Over stock held at 321, Negombo Road, Peliyagoda.	Inventory Rs 6,092,687/-	Inventory Rs. 7,042,052/-
		Over Trade Debtors	Trade Debtors Rs. 3,148,876/-	Trade Debtors Rs. 270,788,084/-

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March

## 32 COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the classification and presentation as at 31<sup>st</sup> March 2021.

## 33 IMPACT OF COVID-19

The COVID-19 pandemic situation in the world has impacted to the country's economy and business activities of many sectors. In preparing these financial statements the Management of the Company has assessed the existing and anticipated impacts of the COVID-19 pandemic on the Company's operations.

During the financial year under review the Company experienced a significant drop in business due to the Covid-19 outbreak in both Paints & Coatings business segment and Bitumen business segment.

The overall total net revenue of the Company experienced a drop of 73.13% from Rs.402.4 Mn in 2019/2020 to Rs.108.1 Mn in 2020/2021.

However amidst the challenging environment Company managed to secure a profit after tax of Rs.117 million for the financial year ended 31st March 2021.

Company successfully completed the Rights Issue of shares during the year ended 31st March 2021, thereby increasing the equity base of the Company by Rs.149 Mn.

Therefore with the capital raising currently it is assessed that there is no significant impact on the financing and liquidity position of the Company due to the COVID-19 outbreak.

The Board of Directors of the Company is of the view that the Company could cope up during this challenging period without any going concern issues.

## 34: FINANCIAL INSTRUMENTS

IFRS 7 requires the disclosure of risk information to be based on the information provided internally to the entity's key management personnel, as defined in IAS 24.

### Credit Risk

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

Maturity analysis of financial assets	Carrying amount	Contractual cash flows				
		Less than 01 Year		More than 1 year		
		6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	5 years
Trade & other receivables	28,623,876	3,148,876	25,475,000	-	-	-
Other Financial Assets	89,371,561	89,120,231	251,329	-	-	-
Cash & cash equivalents	13,781,550	13,781,550	-	-	-	-
	<b>131,776,988</b>	<b>106,050,658</b>	<b>25,726,329</b>	-	-	-



# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March

## Impairment Losses

The aging of Trade Receivables at the reporting date was;

	Gross 2020/21	Impairment 2020/21	Gross 2019/20	Impairment 2019/20
Not Past Due	-	-	-	-
Past due 0 - 90 days	3,256,720	(107,843)	572,777	-
Past due 91 - 180 days	215,797	(215,797)	104,098,298	-
Past due 181 - 270 days	-	-	110,598,435	-
More than One Year	100,733,163	(100,733,163)	80,325,864	(24,807,290)
	104,205,680	(101,056,804)	295,595,374	(24,807,290)

## Liquidity Risk

The following are the contractual maturities of financial liabilities,

Maturity analysis of financial liabilities	Carrying amount	Contractual cash flows				
		Less than 01 Year		More than 1 year		
		6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	5 years
Trade & other receivables	1,966,641	-	1,966,641	-	-	-
Bank overdrafts	416,784	416,784	-	-	-	-
	<b>2,383,425</b>	<b>416,784</b>	<b>1,966,641</b>	-	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## Interest rate risk

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was;

	Carrying Amount 2020/2021	Carrying Amount 2019/2020
<b>Fixed Rate Instruments</b>		
Financial assets	89,371,561	375,683
Financial Liabilities	-	6,646,865
	<b>89,371,561</b>	<b>7,022,548</b>
<b>Variable Rate Instruments</b>		
Financial assets	-	-
Financial Liabilities	-	26,463,400
	-	<b>26,463,400</b>

# NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31<sup>st</sup> March

## Fair Value Disclosures

	Carrying amount	Fair value
<b>Financial assets</b>		
Trade and Other receivables	28,623,876	28,623,876
Other Financial Assets	89,371,561	89,371,561
Cash and cash equivalents	13,781,550	13,781,550
	<b>131,776,988</b>	<b>131,776,988</b>
<b>Financial liabilities</b>		
Trade & other payables	1,966,641	1,966,641
Bank overdrafts	416,784	416,784
	<b>2,383,425</b>	<b>2,383,425</b>

## 35. FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9.

Financial Assets	31-Mar-21 Rs.	31-Mar-20 Rs.
<b>Financial asset at fair value through P&amp;L</b>		
Investment in quoted company	-	7,513
	-	<b>7,513</b>
<b>Financial asset at amortised cost</b>		
Trade & other receivables	28,623,876	270,788,084
Other Financial Assets	89,371,561	375,683
Cash and cash equivalents	13,781,550	390,956
	<b>131,776,988</b>	<b>271,554,723</b>

Financial Liability	31-Mar-21 Rs.	31-Mar-20 Rs.
<b>Financial liabilities at amortised cost</b>		
Trade & other payables	1,966,641	208,602,181
Interest bearing loans & borrowings	-	33,110,265
Bank overdrafts	416,784	84,592,698
	<b>2,383,425</b>	<b>326,305,144</b>

# FIVE YEAR FINANCIAL SUMMARY

## OPERATING RESULTS FOR THE PERIOD

	Rs.				
Year ended 31 March	2021	2020	2019	2018	2017
<b>Revenue</b>	108,135,838	402,426,651	151,254,073	44,067,284	27,678,436
<b>Gross Profit</b>	48,957,558	52,436,403	43,179,869	12,119,237	13,429,312
<b>Results from operating activities</b>	139,594,203	197,511,399	21,374,359	485,445,847	(3,451,427)
Net financing cost	22,441,170	15,324,415	15,458,174	12,005,244	10,754,056
<b>Profit/ (loss) before taxation</b>	117,153,033	182,186,984	5,916,185	473,440,603	(14,205,483)
Current Taxation	45,043	(4,664,841)	9,862,656	214,463	3,340,581
<b>Profit/ (loss) for the year</b>	117,198,076	177,522,143	15,778,841	473,655,066	(10,864,902)
Other Comprehensive Income/ (Expense)	(414,416)	(178,576)	18,223	37,038	120,087
<b>Total Comprehensive Income for the year</b>	116,783,660	177,343,567	15,797,064	473,692,104	(10,744,815)
<b>Total Comprehensive Income - Equity Holders</b>	116,783,660	177,343,567	15,797,064	473,692,104	(10,744,815)

## FINANCIAL POSITION

	Rs.				
As at 31 March	2021	2020	2019	2018	2017
<b>Assets</b>					
Non-current Assets	878,056,308	799,911,942	626,157,821	607,421,743	77,364,184
Current Assets	147,968,897	283,943,338	72,720,342	48,644,148	71,622,266
<b>Total Assets</b>	1,026,025,205	1,083,855,280	698,878,163	656,065,891	148,986,450
<b>Equity</b>					
Stated Capital	156,642,070	6,665,620	6,665,620	6,665,620	6,665,620
Revaluation Reserve	46,112,663	46,112,663	46,112,663	46,112,663	46,112,663
General Reserve	15,141,299	15,141,299	15,141,299	15,141,299	15,141,299
Retained Earnings	770,505,000	653,721,341	479,377,302	466,579,767	(7,112,337)
<b>Total Equity</b>	988,401,032	721,640,923	547,296,884	534,499,349	60,807,245
Non-current Liabilities	(1,635,322)	1,557,818	(978,829)	6,869,012	2,750,931
Current Liabilities	39,259,495	360,656,540	152,560,108	114,697,530	85,428,274
<b>Total Equity and Liabilities</b>	1,026,025,205	1,083,855,280	698,878,163	656,065,891	148,986,450
Ordinary Voting Shares (Nos.)	3,749,411,250	666,562	666,562	666,562	666,562

## RATIOS

Gross Margin	45%	13%	29%	28%	49%
Net Margin	108%	44%	10%	1075%	-39%
Basic Earnings per share (EPS) - Rs.	0.03	0.06	23.67	710.59	(16.30)
Current Ratio	3.77	0.79	0.48	0.42	0.84
Net Assets per share - Rs.	0.29	0.24	821.07	801.87	91.23
Debt to Equity Ratio	0.04	0.50	0.28	0.23	1.45
Market price per share (end) - Rs.	0.04	292.50	371.00	344.70	305.40
Dividend per share (DPS) - Rs.	-	4.50	4.50	4.50	-
Dividend pay out Ratio (%)	-	2%	19%	1%	0%

# SHAREHOLDERS INFORMATION

## Distribution Schedule of Shareholders

Holdings (Shares)	31 March 2021			31 March 2020		
	No. of Holders	Total Shares	Holdings %	No. of Holders	Total Shares	Holdings %
1 – 1,000	559	217,856	0.01%	469	41,993	6.29%
1,001 – 10,000	974	5,268,336	0.14%	31	92,106	13.82%
10,001 -100,000	1,567	74,853,736	1.99%	4	86,626	13.00%
100,001 – 1,000,000	1,050	388,746,642	10.37%	1	445,837	66.89%
Over 1,000,000	269	3,280,324,680	87.49%	-	-	-
	4419	3,749,411,250	100.00%	505	666,562	100.00%

## Public Holding

	31 March 2021			31 March 2020		
	Holders	Shares	%	Holders	Shares	%
Public Holding	4416	1,945,589,740	51.89%	502	217,586	32.64%
Total Holding	4419	3,749,411,250	100.00%	505	666,562	100.00%
Float Adjusted Market Capitalization			695,481,500			63,643,905

The Company complies with the Minimum Public Holding Requirement under option 5 as set out in the Listing Rules 7.13.1(a) as at reporting date.

## Twenty Largest Shareholders

Name of Shareholder	31 March 2021	
	No. of Shares	%
MR. GOVINDASAMY RAMANAN	1,800,693,010	48.03
SAMPATH BANK PLC/ DR. T. SETHILVERL	176,510,524	4.71
HATTON NATIONAL BANK PLC/MR. RIZMY AHAMED RISHARD	107,372,852	2.86
MISS ANNE JUDITH SYLVIA NIMSMI AMERASINGHE	74,000,000	1.97
SAMPATH BANK PLC/ MR. SHABBIR HUSAIN ABBAS GULAMHUSAIN	66,223,946	1.77
MR. D. B. WETHASINGHE	54,000,000	1.44
MR. KANDIAH BALENDRA	41,238,143	1.10
MR. PERIYASAMY RAMESH	31,000,000	0.83
MR. M. M. ABDUL LATIFF	28,138,500	0.75
MR. DAYANAND PATHMANATHAN	25,000,000	0.67
STAR PACKAGING (PVT) LTD	25,000,000	0.67
MR. ARJUNA BANDARA DAMUNUPOLA	23,000,000	0.61
DR. CLIVE CHRISHANTHAN JAMES	20,000,500	0.53
MR. DE SILVA SHYAM ANEL	19,600,000	0.52
MERCHANT BANK OF SRI LANKA & FINANCE PLC/MR. H.A.D.S. JAYATISSA	19,512,245	0.52
MR. ANUSHKA KUMARA PANDITHA DAHANAYAKE	16,888,293	0.45
MRS. PREMILA O. BOGAHALANDA	16,731,000	0.45
MR. M. RAVINDRA DEVAMITHRA PEIRIS GOONARATNE	15,005,650	0.40
MR. RAVINATH SANJEEVA FERNANDO	15,000,000	0.40
MR. ALI AKBAR SALEHBHAI	15,000,000	0.40

## SHAREHOLDERS INFORMATION (Contd...)

### Twenty Largest Shareholders

Name of Shareholder	31 March 2020	
	No. of Shares	%
MR. GOVINDASAMY RAMANAN	445,837	66.89
SAMPATH BANK PLC/ DR. T. SENTHILVERL	43,688	6.55
SAMPATH BANK PLC/ MR. SHABBIR HUSAIN ABBAS GULAMHUSAIN	19,054	2.86
MR. D. B. WETHASINGHE	12,000	1.80
MR. M. MAHIBALAN	11,884	1.78
MYLAND DEVELOPMENTS (PVT) LTD	8,899	1.34
MR. K. A. N. L. RATNASEKERA	7,000	1.05
MRS. C. A. D. S. WOODWARD	6,932	1.04
MERCHANT BANK OF SRI LANKA & FINANCE PLC/ MR. S. M. D. N. P. BANDA	6,719	1.01
MR. M. M. ABDUL LATIFF	6,253	0.94
WALDOCK MACKENZIE LTD/ MR. S. A. GULAMHUSEIN	4,508	0.68
MR. R. UDALAGAMA	4,000	0.60
MR. M. A. JUNAID	3,902	0.59
MRS. PREMILA O. BOGAHALANDA	3,718	0.56
MBSL/ G. S. P. GUNASENA	3,140	0.47
SOUTH ASIAN INVESTMENT (PVT) LTD	2,796	0.42
MR. NAVEENKANTH KANAGARATNAM	2,669	0.40
MRS. J. MYLVAGANAM	2,466	0.37
MR. R. G. G. WIJESURIYA	2,350	0.35
MRS. A. L. HULANGAMUWA	2,306	0.35

# SHAREHOLDERS INFORMATION (Contd...)

## Market Value of Shares

For the Year ended	31 March 2021	31 March 2020
Highest price per share (Rs.)	1.50	312.30
Lowest price per share (Rs.)	0.20	250.00
Last traded price per share (Rs.)	0.40	292.50

Company carried out an increase in Ordinary shares in issue by way of a sub-division of shares, by splitting each issued Ordinary share into 4500 Ordinary shares from 22nd May 2020. Accordingly the Ordinary Voting Shares of the Company were increased from 666,562 to 2,999,529,000 Ordinary Voting Shares with effect from 22nd May 2020 without changing the Stated Capital of the Company as of 22nd May 2020.

Company raised a sum of Rs.149,976,450/- by way of a Rights Issue of 749,882,250 Ordinary Voting Shares in the proportion of one (01) Ordinary Share for every four (04) Ordinary Shares held in the Company at a consideration of Rs.0.20 per share, which concluded on 2nd September 2020.

Accordingly, the number of shares of the Company increased upto 3,749,411,250 Ordinary Voting Shares subsequent to the Rights Issue of shares.

## Financial Calendar 2020/21

In terms of the Listing Rules of the Colombo Stock Exchange, Interim Financial Reports were issued as follows.

### Reports

1st Quarter 2020/21 Interim Financial Report (Unaudited)  
2nd Quarter 2020/21 Interim Financial Report (Unaudited)  
3rd Quarter 2020/21 Interim Financial Report (Unaudited)  
4th Quarter 2020/21 Interim Financial Report (Unaudited)

### Date of Release

21 September 2020  
16 November 2020  
16 February 2021  
31 May 2021

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 57th Annual General Meeting (AGM) of Industrial Asphalts (Ceylon) PLC will be held as a **Virtual Meeting** on **Tuesday, 12<sup>th</sup> October 2021 at 3.30 p.m.** to transact the following businesses;

1. To receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31st March 2021 together with the Report of the Auditors' thereon.
2. To re-elect Mr. N. K. Dahanayake who retires in terms of Article 90 of the Articles of Association of the Company and offers himself for re-election as a Director.
3. To re-appoint Messrs A. I. Macan Markar & Co., Chartered Accountants, as Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.
4. To authorize the Directors to determine and make donations.

By order of the Board of  
**Industrial Asphalts (Ceylon) PLC**

(Sgd.)

**Ninecap Corporate Solutions (Pvt) Ltd.**  
Secretaries  
At Colombo,  
13<sup>th</sup> September 2021

## NOTES

A member entitled to attend and vote at the above Meeting is entitled to appoint a Proxy to attend and vote on behalf of him/ her.

A Proxy need not be a member of the Company.

A Form of Proxy is enclosed for this purpose.

The completed Form of Proxy must be deposited at the Office of Industrial Asphalts (Ceylon) PLC, No. 321, Negombo Road, Peliyagoda not less than 48 hours before the time fixed for the Meeting.





# FORM OF PROXY

I/We, ..... (please indicate full name)  
of .....  
bearing NIC No. .... being a member/ members of the Company,  
hereby appoint Mr/ Mrs/ Miss .....  
..... (please indicate full name) bearing NIC No. ....of  
..... or whom failing

Mr. G. Ramanan	whom failing
Mr. N. K. Dahanayake	whom failing
Mr. R. K. Ignatius	whom failing
Mr. S. Marimuthu	

As my/ our proxy to represent me/ us and vote on my/ our behalf at the 57<sup>th</sup> Annual General Meeting of the Company to be held as a **Virtual Meeting** on **Tuesday, 12<sup>th</sup> October 2021 at 3.30 p.m.** and at any adjournment thereof and at every poll which may be taken in consequence thereof.

**Please indicate your preference by placing a 'X' in the box of your choice against the Resolution No.**

	<b>For</b>	<b>Against</b>
1. Receiving of the Annual Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 <sup>st</sup> March 2021 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Mr. N. K. Dahanayake Director who retires in terms of Article 90 of the Articles of Association of the Company and offers himself for re-election as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-appointment of Messrs A.I. Macan Markar & Co., Chartered Accountants, as Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
4. Authorize the Directors to determine and make donations.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this..... Day of.....

.....  
Signature

**Please provide the following details:**

Full Name of the Shareholder : .....

CDS A/C No/ NIC No/ Company Reg. No : .....

E -mail address : .....

No of Shares held : .....

Full Name of the Proxy holder : .....

Proxy holder's ID No (if not a Director) : .....

Proxy holder's E -mail address : .....

## **INSTRUCTIONS FOR COMPLETION OF PROXY**

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and filling the date of signature and your National Identity Card number.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the Proxy in his/ her discretion may vote as he/ she thinks fit.
3. The completed Form of Proxy should be deposited at the Office of **Industrial Asphalts (Ceylon) PLC, No.321, Negombo Road, Peliyagoda**, 48 hours before the time appointed for the holding of the meeting.
4. If an Attorney has signed the Form of Proxy, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
5. If the Shareholder is a Company or a Corporate Body, the Proxy should be executed under its Common Seal in accordance with its Articles of Association or Constitution.
6. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.





*industrial asphalts (ceylon) PLC*

321, Negombo Road, Peliyagoda.

Tel: 0115 289 845 | Fax: 0115 289 849 | E-mail: [info@iac.lk](mailto:info@iac.lk) | Web: [www.iac.lk](http://www.iac.lk)