

PIDILITE LANKA (PRIVATE) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2025



KPMG
(Chartered Accountants)
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PIDILITE LANKA (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pidilite Lanka (Private) Limited ("the Company"), which comprise the statement of financial position as at March 31, 2025, 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 material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2025, 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 for professional Accountants 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.

Other Information

Management is responsible for the other information. These financial statements does not include the other information.

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.

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Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FCIT, K. Somasundaram ACMA (UK), R. G. H. Raddella ACA, Ms. D. Corea Dharmaratne



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.

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

Report on Other Legal and Regulatory Requirements

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

Chartered Accountants
Colombo, Sri Lanka
07 May 2025

PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>For the year ended 31 March,</i>		2025	2024
	Note	<u>Rs.</u>	<u>Rs.</u>
Revenue	5	2,323,892,078	2,319,473,870
Cost of sales		(1,312,848,603)	(1,437,622,394)
Gross profit		1,011,043,475	881,851,476
Distribution expenses		(263,216,333)	(180,953,401)
Administrative expenses		(380,854,311)	(376,973,682)
Results from operating activities	6	366,972,831	323,924,393
Net finance income/(cost)	7	2,810,951	5,457,467
Profit before tax expense		369,783,782	329,381,860
Tax expense	8	(118,476,152)	(85,547,145)
Profit for the year		251,307,630	243,834,715
Actuarial gain/ (loss) from defined benefit plans		(2,450,156)	(4,523,250)
Deferred tax on actuarial loss		(735,047)	1,356,975
Total comprehensive income for the year		248,122,427	240,668,440

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

PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31 March,

	Note	2025 Rs.	2024 Rs.
Assets			
Non-current assets			
Property, plant and equipment	10	361,995,084	354,244,687
Capital work-in-progress	10.1	17,655,942	4,726,805
Right-of-use assets	11	63,728,726	75,284,115
Intangible assets	12	278,222,818	289,037,800
Investments	13	4,000,000	4,000,000
Total non-current assets		725,602,570	727,293,407
Current assets			
Inventories	14	418,816,995	333,708,605
Trade receivables	15	471,960,590	372,357,196
Other receivables	16	91,258,641	103,219,950
Amount due from related parties	17	4,156,102	4,038,828
Cash and cash equivalents	18	54,880,976	103,632,118
Short term investments	18.1	194,355,098	254,000,000
Total current assets		1,235,428,402	1,170,956,697
Total assets		1,961,030,972	1,898,250,104
Equity and liabilities			
Equity			
Stated capital	19	875,318,163	875,318,163
Retained earnings		588,560,603	491,581,329
Total equity		1,463,878,766	1,366,899,492
Non-current liabilities			
Retirement benefit obligations	20	22,134,951	17,571,609
Lease liability	21	68,134,084	71,957,864
Deferred tax liability	9	86,122,824	77,180,447
Total non-current liabilities		176,391,859	166,709,920
Current liabilities			
Lease liability	21	5,102,833	15,994,162
Trade and other payables	22	82,208,683	107,450,939
Income tax payable	8.2	45,198,853	26,299,313
Amount due to related parties	23	135,781,328	180,162,684
Accrued expenses		52,468,650	34,733,594
Total current liabilities		320,760,347	364,640,692
Total liabilities		497,152,206	531,350,612
Total equity and liabilities		1,961,030,972	1,898,250,104

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

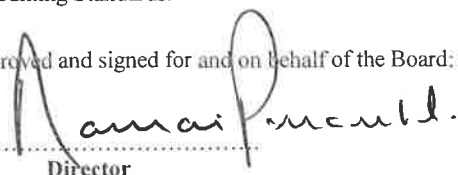
I certify that these financial statements are prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



Head of Finance

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

Approved and signed for and on behalf of the Board:



Director



Director

29th April 2025
Colombo

PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY

As at 31 March,

	Stated capital <u>Rs.</u>	Retained earnings <u>Rs.</u>	Total <u>Rs.</u>
Balance as at 01st April 2023	875,318,163	399,492,522	1,274,810,685
Profit for the year	-	243,834,715	243,834,715
Lease adjustment	-	(55,715)	(55,715)
Other comprehensive income, net of tax	-	(3,166,275)	(3,166,275)
Dividend Paid	-	(148,523,918)	(148,523,918)
Balance as at 31st March 2024	<u>875,318,163</u>	<u>491,581,329</u>	<u>1,366,899,492</u>
Balance as at 01st April 2024	875,318,163	491,581,329	1,366,899,492
Profit for the year	-	251,307,630	251,307,630
Other comprehensive income, net of tax	-	(3,185,203)	(3,185,203)
Dividend Paid	-	(151,143,153)	(151,143,153)
Balance as at 31st March 2025	<u>875,318,163</u>	<u>588,560,603</u>	<u>1,463,878,766</u>

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

PIDILITE LANKA (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS

For the year ended 31 March,

	2025	2024
	<u>Rs.</u>	<u>Rs.</u>
Cash flows from operating activities		
Profit before tax expense	369,783,782	329,381,860
Adjustments for:		
Depreciation for property, plant and equipment	24,711,792	31,591,548
Amortization for intangible assets	10,814,984	10,814,982
Amortization for right-of-use asset	9,914,830	9,340,743
Provision for retirement benefit obligations	3,913,891	2,618,352
Provision for damaged, expired good and slow moving stocks	214,452	(5,979,463)
Provision for doubtful debts	8,342,980	(4,009,989)
Interest expense	13,867,884	14,697,123
Exchange Gain or Loss/ Unrealized	(480,025)	(21,865,492)
Market return provision	(2,889,456)	(10,643,933)
Provision for Interest Income	-	(1,908,651)
(Over)/Under provision adjustments tax	563,729	-
Operating profit before working capital changes	438,758,843	354,037,080
Changes in :		
Inventories	(85,322,844)	282,118,297
Trade receivables	(107,946,374)	(114,671,180)
Other receivables	11,961,308	1,893,730
Amount due from related parties	(117,274)	90,616
Trade and other payables	(25,242,255)	32,757,026
Statutory payables	-	801,429
Amount due to related parties	(44,381,356)	32,807,452
Accrued expenses	20,624,512	(49,302,168)
Net cash flows from operations after working capital changes	208,334,560	540,532,282
Lease rentals paid during the year	(22,937,920)	(17,128,915)
Gratuity paid	(1,800,705)	(1,035,055)
Interest paid	(3,524,490)	(9,342,077)
Income Tax Paid	(91,933,011)	(57,844,898)
Dividend Paid	(151,143,153)	(148,523,918)
Net cash flows generated from operating activities	(63,004,719)	306,657,419
Cash flows from investing activities		
Purchases of property, plant and equipment	(27,735,383)	(13,379,233)
Purchase of capital work in progress	(17,655,942)	-
Proceeds received from short term investments	59,644,902	-
Investment in fixed deposits & treasury bills	-	(254,000,000)
Net cash used in investing activities	14,253,577	(267,379,233)
Cash flows from financing activities		
Loan repayment	-	-
Net cash used in financing activities	-	-
Net increase/ (decrease) in cash and cash equivalents	(48,751,142)	39,278,186
Cash and cash equivalents at the beginning of the year	103,632,118	64,353,931
Cash and cash equivalents at the end of the year	54,880,976	103,632,118

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

PIDILITE LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

1.1 Reporting entity

Pidilite Lanka (Private) Limited ("Company"), is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company and the principal place of the business are located at No 63/1, Dharmapala Mawatha, Colombo 07

1.2 Principal activities and nature of operations

The principal activities of the Company are manufacturing of adhesive products, importing and trading of such products, and distributing to local customers. There were no significant changes in the nature of principal business activities of the company during the financial year under review.

1.3 Parent enterprise and ultimate parent enterprise

The Company's parent undertaking is Pidilite International PTE Limited, which is incorporated in Singapore as a limited liability company and ultimate parent undertaking and controlling party is Pidilite Industries Limited, which is incorporated in India.

1.4 Number of employees

The number of employees at the end of the year was 98. (2024 - 99)

2. Basis for preparation

2.1 Statement of compliance

The Statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows, together with the notes, (the "financial statements") of the Company as at 31 March 2025 and for the period then ended have been prepared in accordance with new Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by the Institute of Chartered Accountants of Sri Lanka and complies with the requirements of the Companies Act No 07 of 2007.

2.2 Date of authorization of issue

The financial statements of the company for the year ended 31 March 2025 (including comparatives) were approved & authorized for issue by the Board of Directors on 29 April 2025.

2.3 Basis of measurement

The financial statements of the Company have been prepared on the historical cost basis except for the following material items in the statement of financial position

- Note 20 - The liability for defined benefit obligations is measured at the present value of the defined benefit obligation.

2.4 Comparative information

The previous year figures and phrases have been reclassified whenever necessary to conform to current year presentation.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2.5 Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entities of the company operate.

The financial statements are presented in Sri Lankan Rupee (LKR), which are the functional currency and the company's presentation currency. All financial information presented in Rupee has been rounded to the nearest Rupee unless stated otherwise.

2.6 Materiality and aggregation

As per LKAS 01 "Presentation of Financial Statement" 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.

2.7 Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects current and future periods.

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

2.7.1 Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an appropriate interest rate to discount them. Management makes certain assumptions based on their judgment in forecasting future operating results.

2.7.2 Useful lives of depreciable assets

Management reviews its estimation of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the useful life of certain property, plant and equipment.

2.7.3 Defined benefit obligation

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expense.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2.7.4 Recognition of deferred tax liabilities

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

2.8 Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and being satisfied that it has the resources to continue in business for the foreseeable future confirm that they do not intend either to liquidate or to cease operations of the Company.

3. Summary of material accounting policies

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

3.1 Foreign currency transactions

Transactions in foreign currencies are translated to Sri Lankan rupees the functional currency at the exchange rates at the dates of the transactions. All monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in profit or loss, except for differences arising on the re-translation of available for-sale equity instruments, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.2 Financial instruments

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

3.2.1 Financial Assets

3.2.1.1 Recognition and initial measurements

The Company initially recognises "Trade Receivables" when they are originated. All other financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets other than trade receivables that do not contain a significant financing component are initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3.2.1.2 Classification and subsequent measurement

On initial recognition, the Company classifies a financial asset as measured at amortized cost; Fair Value Through Other Comprehensive Income (FVOCI); or Fair Value Through Profit or Loss (FVTPL).

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.

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

A financial asset is measured at amortized cost if it is held within a business model where the objective is to hold assets to collect contractual cash flows and its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates and the financial asset is not designated as at FVTPL.

A debt investment is measured at FVOCI if it is held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the debt investment is not designated as at FVTPL.

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

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument.

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

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

3.2.1.3 Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

PIDILITE LANKA (PRIVATE) LIMITED
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Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3.2.1.3 Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company changes its objective of the business model for managing such financial assets.

3.2.1.4 Derecognition

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

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

3.2.2 Financial liabilities

3.2.2.1 Recognition and initial measurement

The Company initially recognise financial liabilities other than debt when it becomes a party to the contractual provisions of the instrument. The Company recognise debt securities issued when they are originated.

All financial liabilities are initially measured at fair value and, for an item not at Fair Value Through Profit or Loss (FVTPL), net of transaction costs that are directly attributable to its issue.

The Company's financial liabilities comprise of loans and borrowings, refundable rental and other deposits, bank overdrafts, trade and other payables and derivative financial instruments.

3.2.2.2 Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

PIDILITE LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities measured at amortised cost include trade and other payable.

3.2.2.3 Reclassification

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

3.2.2.4 Derecognition

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

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

3.2.3 Offsetting

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

3.2.4 Impairment

3.2.4.1 Impairment policy

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL as per the simplified approach. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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

The Company considers a financial asset to be in default when: the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

PIDILITE LANKA (PRIVATE) LIMITED
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Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

3.2.4.2 Measurement of ECLs

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

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

3.2.4.3 Credit-impaired financial assets

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

It is probable that the borrower will enter bankruptcy or other financial reorganisation

3.2.4.4 Presentation of allowance for ECL in the statement of financial position

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

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

3.2.5 Write-offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

3.3 Stated capital

Ordinary shares and preference shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3.4 Property, plant and equipment

3.4.1 Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the asset to the working condition for its intended use and borrowing costs if the recognition criteria are met. This also includes cost of dismantling and removing the items and restoring them in the site on which they are located.

All items of property, plant and equipment are recognised initially at cost.

3.4.2 Subsequent cost

The Company recognises in the carrying amount of property, plant and equipment the cost of replacing a part of an item, when it is probable that the future economic benefits embodied in the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the parts that are replaced are derecognised from the cost of the asset. The cost of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.4.3 Depreciation

Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in the statement of profit or loss and comprehensive income on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale or on the date that the asset is disposed. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

Building	4-10 years
Furniture and fittings	4 years
Office equipment	4 years
Factory machinery	5-10 years
Factory equipment	4-5 years

3.4.4 Derecognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal; or when no future economic benefits are expected from its use or disposal. Gains and losses on derecognizing are recognized in statement of profit or loss and other comprehensive income and gains are not classified as revenue.

3.4.5 Capital work-in-progress

Capital expenses incurred which are not completed as at the reporting date are shown as Capital Work in Progress whilst, the Capital assets which have been completed during the year and put to use have been transferred to Property, Plant and Equipment.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3.5 Leases

3.5.1 As a lessee

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

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

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

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

The Company presents right of use assets that do not meet the definition of investment property in 'property, plant, and equipment and lease liabilities in loans and borrowings in the statement of financial position.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3.5.2 Short term lease and leases of low value

The Company has elected not to recognise right of use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

3.6 Intangible assets

3.6.1 Initial recognition and measurement

The Company recognises intangible assets if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Separately acquired intangible assets are measured on initial recognition at cost. The cost of such separately acquired intangible assets include the purchase price, import duties, non-refundable purchase taxes and any directly attributable cost of preparing the asset for its intended use.

3.6.2 Subsequent costs

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

3.6.3 Subsequent measurement

After initial recognition an intangible asset is stated at its costs less any accumulated amortisation and any accumulated impairment losses. The useful economic life of an intangible asset is assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income.

3.6.4 Intangible assets recognised by the Company

3.6.4.1 Computer software, Trademark & Technical Knowhow

All computer software cost incurred and licensed for use by the Company, which does not form an integral part of related hardware, which can be clearly identified and reliably measured with the probability of leading to future economic benefits, are capitalised under intangible assets.

The Company amortises the computer software over period of 5 years, technical knowhow over 10 years, and trademark over an indefinite period.

3.7 Inventories

Inventories are principally stated at cost, cost being determined by the weighted average cost ("WAC") method, which evaluates the amount of the inventories shown in the statement of financial position by writing them down based on their decrease in profitability, which is the net realizable amount.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3.8 Impairment – Non financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax liabilities are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of such assets are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

3.8.1 Calculation of recoverable amount

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

3.8.2 Reversal of impairment

In respect of non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in the statement of profit or loss and other comprehensive income.

3.9 Liabilities and provisions

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand of the creditor or within one year of the reporting date. Non-current liabilities are those balances that become repayable after one year from the reporting date.

All known liabilities have been accounted for in preparing the financial statements.

3.10 Employee benefits

3.10.1 Defined contribution plans - Provident/Trust fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution plan are recognised as an employee benefit expense in the income statement in the periods during which services are rendered by employees.

The Company contributes a sum not less than 12% of the gross emoluments of employees as provident fund benefits and 3% as trust fund benefits, respectively.

3.10.1.2 Retiring benefit obligation

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized in the financial position in respect of defined benefit plan is the present value of the defined

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the Projected Unit Credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that apply to the currency in which the benefit will be paid and that have terms to maturity approximating to the terms of the related liability.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 on Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in statement of profit or loss and other comprehensive income.

3.11 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.12 Revenue

Company revenue represents sales of goods to customers, and it excludes value added tax. Revenue is recognized when control of the goods has been transferred to the customers, which is mainly upon invoicing to the customer. Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and taxes taking into account contractually defined terms of payment.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

3.13 Other income

Other income is recognized on an accrual basis.

3.14 Expenditure

All expenditure incurred in the running of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the profit for the year.

3.15 Finance income / (expenses)

Finance income comprises interest income on short term funds invested, and which is recognised as it accrues in comprehensive income, using effective interest method.

Finance expenses comprise interest expense on corporate guarantee and lease. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gain and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in net gain or net loss position.

PIDILITE LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3.16 Income tax expense

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

3.16.1 Current tax

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

3.16.2 Deferred taxation

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

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

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

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

3.17 Statement of cash flows

The statement of cash flows is reported based on the “indirect method”.

3.18 Capital commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company’s control.

Commitments and Contingent liabilities are disclosed in Note 26 and 27 to the financial statements.

3.19 Related party transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies and decisions of the other, irrespective of whether a price is being charged.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3.20 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.

4. New accounting standards issued but not effective as at the reporting date

A number of new accounting standards are effective for annual reporting periods beginning after 1 January 2024 and earlier application is permitted. However, the Company has not early adopted the following new or amended accounting standards in preparing these financial statements.

SLFRS 18 Presentation and Disclosure in Financial Statements

SLFRS 18 will replace LKAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to company information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Company's statements of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is presented in the financial statements, including for items currently labelled as 'other'.

Other accounting standards

The following new and amended accounting standards are not expected to have a significant impact on the Company's financial statements.

- Lack of Exchangeability (Amendments to LKAS 21)
- Classification and measurement of Financial Instruments (Amendments to SLFRS 9 and SLFRS 7)

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March,

	2025 <u>Rs.</u>	2024 <u>Rs.</u>
5 Revenue		
Net sales	2,323,892,078	2,319,473,870
	<u>2,323,892,078</u>	<u>2,319,473,870</u>
6 Profit from operating activities		
The above is stated after charging all expenditure including the following;		
License fees	13,611,548	11,297,888
Depreciation	24,711,792	31,591,549
Amortization	20,729,812	2,283,543
Auditors' remuneration	1,265,000	1,100,000
Staff cost (Note 6.1)	183,689,365	179,887,576
6.1 Staff cost		
Staff salary	65,477,832	54,581,265
Bonus	7,310,701	10,558,809
Terminal benefits	18,281,998	15,959,940
Allowances and other benefits	92,618,834	98,787,562
	<u>183,689,365</u>	<u>179,887,576</u>
7 Net finance income/(cost)		
Finance Income		
Interest on Fixed Deposit Interest	13,360,966	2,358,873
Interest on Treasury Bond	2,445,445	231,904
Exchange loss and other bank charges	872,425	17,563,812
	<u>16,678,836</u>	<u>20,154,589</u>
Finance Cost		
Interest for Corporate Guarantee	(3,524,490)	(5,354,996)
Interest on lease liability	(10,343,395)	(9,342,127)
	<u>(13,867,885)</u>	<u>(14,697,123)</u>
Net finance income / (cost)	<u>2,810,951</u>	<u>5,457,466</u>
8 Tax expense		
Current tax expense (Note 8.1)	110,832,551	84,144,211
Origination of temporary differences (Note 9)	8,207,330	23,374,498
(Over)/Under provision adjustments	(563,729)	(21,971,564)
	<u>118,476,152</u>	<u>85,547,145</u>

In terms of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto, the Company is liable for taxation at the rate of 30% on its taxable profits.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March,

8.1 Tax reconciliation statement

	2025 Rs.	2024 Rs.
Profit before taxation	369,783,782	329,381,860
Add: Disallowable expenses	69,982,315	37,784,298
	439,766,097	367,166,158
Less: Allowable expenses	(70,324,259)	(86,685,456)
Taxable income	<u>369,441,838</u>	<u>280,480,702</u>
 Tax expense @ 30%	 110,832,551	 84,144,211
Total tax expense	<u>110,832,551</u>	<u>84,144,211</u>

8.2 Income Tax payable

45,198,853 26,299,313

9 Deferred tax assets / (liability)

	2025 Rs.	2024 Rs.
Balance at the beginning of the year	(77,180,447)	(55,162,925)
Recognised in profit or loss	(8,207,330)	(23,374,498)
Recognized in other comprehensive income	(735,047)	1,356,975
Balance at the end of the year	<u>(86,122,824)</u>	<u>(77,180,447)</u>

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

9.1 Deferred taxation

	2025 Rs.	2024 Rs.
Deferred tax assets	47,264,770	48,609,908
Deferred tax liabilities	(133,387,594)	(125,790,355)
Net deferred tax liabilities	<u>(86,122,824)</u>	<u>(77,180,447)</u>

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following :

	2025		2024	
	Temporary differences	Tax effect	Temporary differences	Tax effect
	Rs.	Rs.	Rs.	Rs.
Property, plant and equipment	(114,402,504)	(34,320,750)	(103,162,789)	(30,948,837)
Intangible assets	(266,494,086)	(79,948,226)	(240,854,281)	(72,256,284)
Lease Asset	(63,728,726)	(19,118,618)	(75,284,115)	(22,585,234)
Employee benefits	22,134,951	6,640,485	17,571,609	5,271,483
General provision for inventory	38,323,439	11,497,032	38,108,987	11,432,696
Provision for doubtful debts	18,626,755	5,588,026	10,283,775	3,085,132
Provision for market return	5,227,173	1,568,152	8,116,629	2,434,989
Lease Liability	73,236,917	21,971,075	87,952,027	26,385,608
Deferred tax liability	<u>(287,076,081)</u>	<u>(86,122,824)</u>	<u>(257,268,158)</u>	<u>(77,180,447)</u>

The effective rate of 30% is applied by the Company for the tax effect computation.

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

10 Property, plant and equipment

	Office Equipment Rs.	Furniture & Fittings Rs.	Factory Machinery Rs.	Factory Equipment Rs.	Building Rs.	Total Rs.
Cost						
Balance as at 1st April 2024	10,325,398	15,760,522	93,692,320	128,712,266	343,325,013	591,815,519
Additions during the year	2,803,804	1,986,628	10,041,245	4,222,378	8,681,329	27,735,384
Transfer	-	-	3,592,503	-	1,134,302	4,726,805
Balance as at 31st March 2025	13,129,202	17,747,150	107,326,068	132,934,644	353,140,644	624,277,708
Accumulated depreciation						
Balance as at 1st April 2024	8,408,162	13,479,306	54,456,459	120,954,305	40,272,600	237,570,832
Charge for the year	953,977	725,589	10,034,905	5,080,053	7,917,268	24,711,792
Balance as at 31st March 2025	9,362,139	14,204,895	64,491,364	126,034,358	48,189,868	262,282,624
Carrying amount						
Balance as at 31st March 2025	3,767,063	3,542,255	42,834,704	6,900,286	304,950,776	361,995,084
Balance as at 31st March 2024	1,917,236	2,281,216	39,235,861	7,757,961	303,052,413	354,244,687
10.1 Work In Progress						
Balance as at 1st April 2024					4,726,805	-
Transferred to PPE					(4,726,805)	-
Additions during the year					17,655,942	4,726,805
Balance as at 31st March 2025					17,655,942	4,726,805

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

2025
Rs.

2024
Rs.

11 Right-of-use assets

Cost

As at 01st April	84,863,606	70,710,962
Recognized during the year	92,031	42,481,726
Disposal During the year	-	(28,329,082)
Revaluation during the year	(1,732,590)	-
As at 31st March	<u>83,223,047</u>	<u>84,863,606</u>

Less: Accumulated amortization

As at 01st April	9,579,491	18,110,931
Amortization charge on the right-of-use assets for the year	9,914,830	(8,531,440)
As at 31st March	<u>19,494,321</u>	<u>9,579,491</u>

Net book value as at 31st March

<u>63,728,726</u>	<u>75,284,115</u>
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12 Intangible assets

	Computer Systems	Commercial and Technical Know- How	Trademark	Total
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Cost				
Balance as at 01st April 2024	19,547,885	69,000,000	276,000,000	364,547,885
Additions during the year	-	-	-	-
Balance as at 31st March 2025	<u>19,547,885</u>	<u>69,000,000</u>	<u>276,000,000</u>	<u>364,547,885</u>
Accumulated amortization				
Balance as at 01st April 2024	8,793,870	57,516,215	9,200,000	75,510,085
Charge for the year (Note 4.1)	3,909,577	6,905,405	-	10,814,982
Balance as at 31st March 2025	<u>12,703,447</u>	<u>64,421,620</u>	<u>9,200,000</u>	<u>86,325,067</u>
Carrying amount				
As at 31 March 2025	<u>6,844,438</u>	<u>4,578,380</u>	<u>266,800,000</u>	<u>278,222,818</u>
As at 31 March 2024	<u>10,754,015</u>	<u>11,483,785</u>	<u>266,800,000</u>	<u>289,037,800</u>

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

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

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

	2025	2024
	<u>Rs.</u>	<u>Rs.</u>
13 Investments		
NINA Lanka Construction Technologies (Private) Limited	4,000,000	4,000,000
As at 31 March	<u>4,000,000</u>	<u>4,000,000</u>
14 Inventories		
Raw materials	98,859,286	86,687,286
Semi finished products	56,953,561	19,433,923
Finished goods	175,903,976	168,605,729
Goods in transit	84,777,508	56,617,693
Packing materials	40,286,981	39,764,888
Promotional materials	359,122	708,073
	<u>457,140,434</u>	<u>371,817,592</u>
(-) Provision for impairment on slow moving inventories	<u>(38,323,439)</u>	<u>(38,108,987)</u>
	<u>418,816,995</u>	<u>333,708,605</u>
15 Trade receivables		
Trade receivables	490,587,345	382,640,971
Provision for bad and doubtful debts (15.1)	<u>(18,626,755)</u>	<u>(10,283,775)</u>
	<u>471,960,590</u>	<u>372,357,196</u>
15.1 Impairment losses recognized in the year		
On receivables more than a year	<u>18,626,755</u>	<u>10,283,775</u>
16 Other receivables		
Advances	42,722,731	52,947,182
Pre-payments	27,529,277	22,612,527
VAT receivables	16,936,341	22,859,068
Miscellaneous	4,070,292	4,801,173
	<u>91,258,641</u>	<u>103,219,950</u>
17 Amount due from related parties		
Macbertan (Private) Limited	2,741,023	2,623,749
NINA Lanka Construction Technologies (Private) Limited	<u>1,415,079</u>	<u>1,415,079</u>
	<u>4,156,102</u>	<u>4,038,828</u>

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

	2025 Rs.	2024 Rs.
18 Cash and cash equivalents		
Cash at bank	54,289,656	103,067,602
Cash in hand	591,320	564,516
	54,880,976	103,632,118
18.1 Short term investments		
Fixed deposits	164,355,098	216,500,000
Treasury bills	30,000,000	37,500,000
	194,355,098	254,000,000
Cash and cash equivalents balances for the cash flow statement purpose	249,236,074	357,632,118
19 Stated capital		
6,892,269 Ordinary Shares	875,318,163	875,318,163
	875,318,163	875,318,163
20 Retirement benefit obligations		
Balance as at 01 April	17,571,609	10,430,007
Current service cost	2,173,032	1,604,857
Interest for the year	1,740,859	2,048,550
Actuarial loss/ (gain) on retirement benefit plans	2,450,156	4,523,250
Payment during the year	(1,800,705)	(1,035,055)
Balance as at 31 March	22,134,951	17,571,609

20.1 Messer. Universal Actuaries carried out an actuarial valuation of the defined benefit plan gratuity on 2 April 2024. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows,

	2025	2024
Rate of discount	10.24%	11.80%
Rate of salary increment	10%	10%
Retirement age - Female (in years)	50	50
Retirement age - Male (in years)	55	55

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

Average expected future working life in years is 3.25 (2023 - 3.26)

Retirement Benefit obligations (Continued)

Sensitivity Analysis - Discount rate

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

	2025		2024	
Percentage change in discount rate	-1%	1%	-1%	1%
Increase/ (Decrease) in retirement benefit obligations (Rs.)	573,603	(543,598)	418,037	(397,471)

Sensitivity Analysis-Salary increment rate

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

	2025		2024	
Percentage change in salary increment rate	-1%	1%	-1%	1%
(Decrease)/ Increase in retirement benefit obligations (Rs.)	(549,618)	569,543	(407,431)	421,119

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31 March,</i>		2025	2024
		<u>Rs.</u>	<u>Rs.</u>
21	Lease liability		
	As at 01 April	87,952,026	41,062,297
	Addition during the period	-	49,597,356
	Revaluation for the year	(2,212,615)	-
	Interest for the year	10,343,395	9,342,077
	Lease rentals paid during the period	(22,845,889)	(17,128,866)
	Prepaid rental adjustment	-	5,079,162
	As at 31 March	<u>73,236,917</u>	<u>87,952,026</u>
	Payable within one year	5,102,833	15,994,162
	Payable in more than one year	68,134,084	71,957,864
	<u>Amount recognized in statement of profit or loss and other comprehensive income</u>		
	Lease under SLFRS 16		
	Interest on lease liabilities	10,343,395	9,342,077
	<u>Amount recognized in statement of cash flows</u>		
	Total cash outflows for leases	22,845,889	17,128,866
22	Trade and other payables		
	Trade payables	58,163,431	89,743,902
	Other payable	<u>24,045,252</u>	<u>17,707,037</u>
		<u>82,208,683</u>	<u>107,450,939</u>
23	Amount due to related parties		
	Pidilite Industries Ltd	<u>135,781,328</u>	<u>180,162,684</u>
		<u>135,781,328</u>	<u>180,162,684</u>
	Amount due to related parties (Continued)		
		2025	2024
		<u>USD</u>	<u>USD</u>
	Other receivables	(124)	(5,243)
	Import creditors	420,618	504,040
	Other payable	31,563	69,834
		<u>452,057</u>	<u>568,631</u>
		2025	2024
		<u>Rs.</u>	<u>Rs.</u>
	Other receivables	(37,576)	(1,721,192)
	Import creditors	126,331,378	159,118,085
	Other payable	9,487,225	22,765,790
		<u>135,781,328</u>	<u>180,162,684</u>

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

24 Related party transactions

24.1 Transactions with related parties

Related party	Nature of transaction	Transaction amount		Balance as at 31 March	
		2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Macbertan (Private) Limited	Opening balance	2,623,749	2,714,368	-	-
	Trade purchases	117,274	106,490	-	-
	Shared cost	-	-	-	-
	Other purchases	-	-	-	-
	Settlements	-	(197,109)	-	-
	Gratuity receivables	-	-	-	-
	Net Sales	-	-	-	-
	Other Debits	-	-	-	-
	Rent deposit	-	-	-	-
	Settlements	-	-	-	-
	Closing Balance	-	-	2,741,023	2,623,749
Pidilite Industries Limited	Opening balance	(180,162,684)	(147,057,790)	-	-
	Trade purchases	(514,949,223)	(388,359,285)	-	-
	Settlements	630,059,768	390,041,915	-	-
	Goods in Transit	(36,462,699)	(48,314,809)	-	-
	Interest for corporate guarantee	(3,170,694)	(5,354,996)	-	-
	SAP license fees	(8,713,620)	(10,171,852)	-	-
	Royalaty Charges	(22,382,176)	(18,102,734)	-	-
	Technical Knowhow	-	(12,220,810)	-	-
	Other receivables (Debit Notes)	-	-	-	-
	Receivable Settlements	-	-	-	-
	Un-realized exchange loss	-	-	-	-
	Cloud Email Charges	-	(89,035)	-	-
	Closing Balance	-	-	(135,781,328)	(180,162,684)
NINA Lanka construction technologies (Pvt) Ltd.	Opening balance	1,415,079	1,415,079	-	-
	Trade purchases	-	-	-	-
	Settlements	-	-	-	-
	Closing Balance	-	-	1,415,079	1,415,079

24.2 Transactions with key management personnel

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

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

25 Litigations and claims

The Company does not have any other litigation and claim which require adjustments to or disclosure in the financial statements.

26 Capital commitments

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

27 Contingent liabilities

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

	2025	2024
	<u>Rs.</u>	<u>Rs.</u>
Acceptances	-	-
Ordinary letter of credit	114,650,941	133,554,577
	<u>114,650,941</u>	<u>133,554,577</u>

28 Events occurring after the reporting date

Subsequent to the reporting date, no circumstances have arisen other than below which would require adjustment to or disclosure in the financial statements:

29 Directors' responsibility

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

30 Approval of financial statements

These financial statements will be approved by the Board of Directors and authorized for issue on 03 May 2024.

31 Financial risk management

Overview

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

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

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

(i) Credit risk

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

(ii) Liquidity risk

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

(iii) Market risk

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

(iv) Interest rate risk

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

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

31 Financial risk management (Continued)

(v) Currency risk

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

As at 31 March Currency	2025			2024		
	Amount	Rate	Value Rs.	Amount	Rate	Value Rs.
USD	443,960	301	133,445,676	629,373	305	192,022,985
EUR	-	-	-	-	-	-

The Forex crisis has impacted the overall economy of the country. Company identified the potential impact on its business and the industry it is operating. Appropriate control measures were taken to continuously monitor and curtail the costs, debtors, capital expenses and the expenses for marketing and promotions. Further, company has taken multiple pricing actions to curtail the impact of forex revaluation loss. Despite all these challenges the business was able to deliver the growth on its sales and EBITDA (excluding Forex revaluation loss). Company has delivered profits at bottom line during the year. Having considered the above, management is of the view that the company has adequate resources to continue in operational existence for the foreseeable future.

(vi) Operational risk

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

(vii) Capital management

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

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

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

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

	2025 Rs.	2024 Rs.
Interest - Bearing loans and borrowings	-	-
Equity	1,463,878,766	1,488,628,698
Equity & Interest - Bearing Loans and Borrowings	1,463,878,766	1,488,628,698
Gearing Ratio	0.00%	0.00%

32 Fair value disclosure

Fair value of financial assets and liabilities

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

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

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

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

PIDILITE LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

32 Fair value disclosure (Continued)

Fair value vs the carrying amount

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

As at 31 March	2025		2024	
	Carrying amount	Fair value	Carrying amount	Fair value
	Rs.	Rs.	Rs.	Rs.
Assets				
Trade receivable	471,960,590	471,960,590	372,357,196	372,357,196
Other receivable	91,258,641	91,258,641	103,219,950	103,219,950
Amount due from related party	4,156,102	4,156,102	4,038,828	4,038,828
Cash and cash equivalents	54,880,976	54,880,976	103,632,117	103,632,117
	622,256,309	622,256,309	583,248,090	583,248,090
Liabilities				
Trade and other payables	82,208,683	104,943,908	72,186,882	72,186,882
Statutory payable	-	2,507,031	1,705,602	1,705,602
Accrued expenses	52,468,650	34,733,592	84,035,762	84,035,762
Amount due to related party	135,781,328	180,162,684	147,057,790	147,057,790
Bank overdraft	-	-	-	-
	270,458,660	322,347,215	304,986,036	304,986,036

33 Comparative Information

The presentation and classification of certain items in the financial statements for the current and previous years have been amended to enhance clarity and ensure comparability with the current year's presentation, in order to maintain consistency with the Company's presentation policy.

Statement of Profit or Loss and Other Comprehensive Income

<i>For the year ended 31st march 2024</i>	As Previously Reported	Reclassification	Current Presentation
	Rs.	Rs.	Rs.
Other Income	2,590,777	(2,590,777)	-
Net Finance Income/ (Cost)	2,866,690	2,590,777	5,457,466
Statutory Payable	2,507,031	(2,507,031)	-
Other Payable	15,200,006	2,507,031	17,707,037