



Ministry of State Resources and
Enterprise Development



Paranthan Chemicals Company Limited

Annual Report

2013

CONTENTS

THE ORGANIZATION _____	01
CHEMICAL INDUSTRY IN SRI LANKA AND MAJOR CHALLENGES _____	03
CORPORATE INFORMATION AND LEGAL FORM _____	04
VISION & MISSION STATEMENTS AND GOALS AND OBJECTIVES _____	06
CHAIRMAN'S REVIEW _____	08
GENERAL MANAGER'S REVIEW _____	12
REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 ST DECEMBER 2013 _____	15
CURRENT PERFORMANCE, MID-TERM STRATEGIES AND PROPOSED ACTIVITY PLAN FOR ENHANCING OPERATIONS IN 2015 _____	21
STATEMENT ON DIRECTORS' RESPONSIBILITY _____	22
AUDITOR'S REPORT TO THE SHAREHOLDERS OF PARANTHAN CHEMICALS COMPANY LIMITED _____	23
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 ST DECEMBER 2013 _____	24
STATEMENT OF FINANCIAL POSITION AS AT 31 ST DECEMBER 2013 _____	25
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 ST DECEMBER 2013 _____	26
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 ST DECEMBER 2013 _____	27
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 ST DECEMBER 2013 - COMPARATIVE RATIOS _____	29
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 ST DECEMBER 2013 _____	30
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 ST DECEMBER 2013 _____	40
ORGANIZATION STRUCTURE - STRATEGIC BUSINESS UNITS _____	48
PRESENT ORGANIZATION STRUCTURE _____	49
HIGHLIGHTS / ACHIEVEMENTS IN 2013 AND PROJECTION FOR 2014 _____	50
PERFORMANCE REVIEW OF THE COMPANY _____	51
CORPORATE GOVERNANCE _____	52
AUDIT COMMITTEE REPORT _____	56
FIVE YEAR SUMMARY OF THE FINANCIAL HIGHLIGHTS YEAR ENDED 31 ST DECEMBER _____	58
NOTICE OF THE MEETING _____	59

THE ORGANIZATION

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



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

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

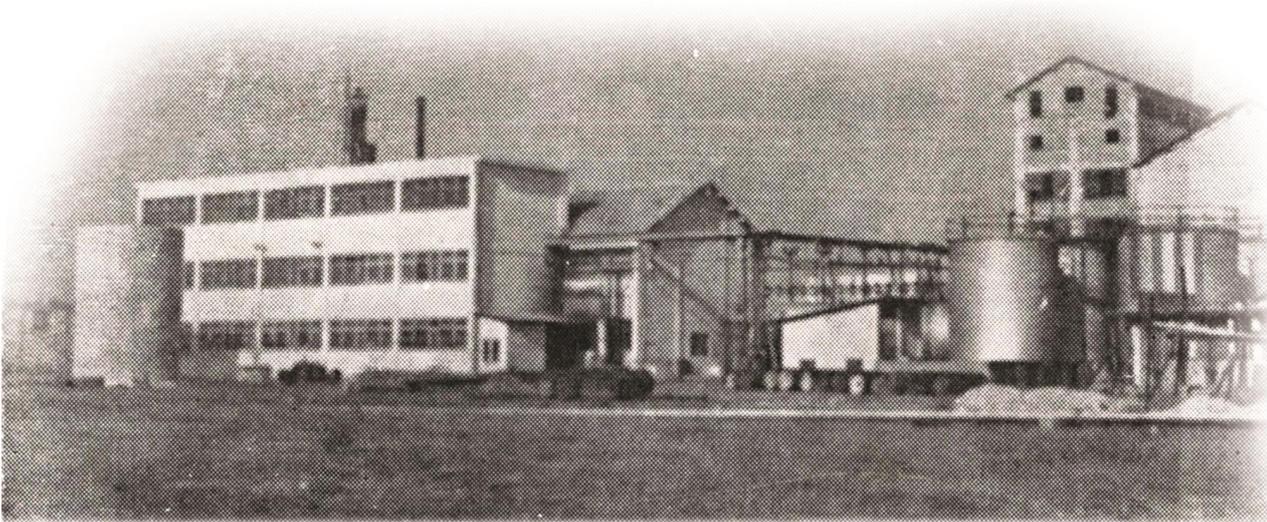
This Factory manufactured Caustic Soda, Liquid Chlorine as main products and Hydrochloric Acid, Zinc Chloride and Table salt as by-products, using local raw materials. At presents, the Company imports liquid Chlorine in 900 Kg cylinders and refill in to 68 Kg cylinders at the refilling unit of the Company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

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

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

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

The Company's Head Office and stores is situated at No. 100/25, Sri Ramanathan Mawatha, Colombo 15. Land extending to 227 acres at Paranthan is reserved for construction of the new chemical factory. The land at Kalutara industrial zone extending 2 acres which had been used for refilling Chlorine and related activities is now expected to use for some new Industrial application. The total employment of the Company as at 31st December 2013 was 67. The Company has been making regular tax payments over the past several years and continued to earned profits and ensured steady expansion.



Paranthan Old Factory

CHEMICAL INDUSTRY IN SRI LANKA AND MAJOR CHALLENGES

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

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

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

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

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

The Paranthan Chemicals Company Limited being a statutory body with 100% Government ownership and regulatory powers are expected to achieve the envisaged goals and objectives within the period set out in the Corporate Plan which is operational for 2014 - 2016.

CORPORATE INFORMATION

Legal Form	:	Public Limited Liability Company incorporated in 1991, in terms of the Companies Act 17 of 1982 and later reregistered under the Companies Act No. 7 of 2007. This has been carried out in keeping with the provisions of Public Companies Act No. 23 of 1987 for conversion of public corporations or Government Owned business undertakings into public companies. The powers and functions vested in the Paranthan Chemicals Corporation statute were re-assigned to the Paranthan Chemicals Company Limited by the Memorandum and Articles of Association.
Date of Incorporation	:	Established in 1957. Re-incorporated in 17 th January 1991.
Address Head Office	:	100/25, Sri Ramanathan Mawatha, Colombo 13, Sri Lanka
Industrial Unit	:	Fulertarn Estate, Kalutara
Telephone - Head Office	:	+94 11 2437555-6-7; +94 11 2437831; +94 11 2387109; +94 11 2437829
Telephone – Factory	:	+94 34 2289976
Fax	:	+94 11 2437555
Email	:	pccltd@slt.net.lk
Website	:	www.paranthanchemicals.lk
Principal Bankers	:	People’s Bank, Bank of Ceylon, Hatton National Bank and Sampath Bank
Statutory Auditors	:	Hemachandra & Co. Chartered Accountants
Chairman & Board Member	:	Dr. D.J.U. Purasinghe
Executive Director	:	Mr. Ananda Jayasri Gamage
Board of Directors	:	<ul style="list-style-type: none"> • Dr. D.J.U. Purasinghe • Mr. Ananda Jayasri Gamage • Mr. H.M.R. Kiriella • Mr. Mayalagu Shashikaran • Mr. H.A.N.S. Kumara • Mr. B.G. Gunawardana • Mr. J.D.A. Wishwamithra • Mr. D.M.P.A. Dassanayaka - Retired Date 24th June 2013 • Mr. G. Sarath Kumara - Retired Date 17th September 2013
Secretary to the Board	:	Mr. H.L. Vipula Silva
Principal Officers	:	<ul style="list-style-type: none"> • General Manager - Mr. S. Anura Siriwardhana • Deputy General Manager - Mrs. W.D. Keerthilatha • Deputy General Manager (Marketing) - Mr. D.M.T.S. Dissanayake • Assistant General Manager (Engineering) - Mr. Tissa Liyanage • Assistant General Manager (Supplies) - Mrs. W.S.K. Widyasekara • Assistant General Manager (Finance) - Mr. K.R.K. Jayaweera
Internal Auditor	:	Liyanage & Co. Chartered Accountants (Appointed on 1 st April 2012)

Senior Management Team of the Company - 2013



Chairman, Board of Directors and the Senior Management -2013
Paranthan Chemicals Company Ltd.
Ministry of State Resources and Enterprise Development



1st Row

Mr.B.G. Gunawardana (Director), Mr. Mayalagu Shashikaran(Director), Mr. H.M.R. Kiriella(Director),Mr. H.A.N.S Kumara (Director), Dr. D.J.U Purasingha(Chairman), Mr. Ananda Jayasiri Gamage (Executive Director),Mr.D.Swarnapala(Ministry Observer) Mr. Ahijith Wishwamithra(Director), Mr.H.L.Vipula Silva (Board Secretary)

2nd Row

Mr.D.M.T. Dissanayake(Dy.General Manager Marketing),Mr. Tissa Liyanage(Dy.General Manager Engineering), Mrs W.D. Keerthilatha(Dy.General Manager),Mr.Anura Siriwardane (General Manager),Mrs W.S. Waidyasekara(Asst.General Manager Supplies), Mr. K.R.K. Jayaweera (Asst.General Manager Finance)

Senior Management Team and the Staff – Head Office 2013



Paranthan Chemicals Company Ltd.
Chairman & the Head Office Staff - 2013
Ministry of State Resources and Enterprise Development



Left To Right

First Row

Mr.T.Liyanage,Mrs.W.S.K Waidyasekara,Mr.D.M.T.S Dissanayka,Mr.A.J.Gamage,Mr.D.J.U. Purasinghe,Mr.S.Anura Siriwardhana,Mrs.W.D.Keerthilatha,Mr.K.R.K. Jayaweera.

Second Row

Mr.P.D. Nuwan,Mrs.K.P.D. Perera,Mrs.Dulcy Lokuwithana,Mrs.K.S.Samarasinghe,Mrs.H.D.R.Y.Hewadewa,Mr.S.N.K Gunasekara,Mr.W.Nihal,Mr.L.D.R.D.Gokula,Mr.A.D.J Kadramer,Mrs.M.D.P Karunanayaka,Miss.B.Thavarajah,Mrs.P.I.Gunaratne.

Third Row

Mrs.K.L.D.S Subodini, Miss.N.Uresha Dilhani, Miss.K.K.D.Ruwandika, Mr.K.Ravikanth, Mr.T.S.Nalinda De Silva, Mr.A.S.Niroshan, Mr. S.D.Pathinayke, Mr.E.S.V.Nilanpriaya, Mr. K.N.Sanejeewa, Mr.L.D.G.P.Sampath, Miss.D.V.M.S. Samerasinghe, Miss.N.M.Fernando, Miss.C.K.O.Vidushika.

Forth Row

Mr.R.M.Siripala, Mrs.C.Manogarammal, Mr.k.k.Sunil, Mr.M.S.N.Kumara Silva, Mr.H.D.Ekanayake, Mr.P.D.A.Priyashantha, Mr.Antony fernando, Mr.R.P.D.Pushpakumara, Mr.C.Weerasekara, Mr.H.D.N.H.Siriwardana, Mr.H.A.N.D.Weersekara, Mr.J.A.J.Perera, Mr.P.D.Pradeep, Mr.S.R.A.K.Sugath.

VISION & MISSION STATEMENTS AND GOALS AND OBJECTIVES**Vision**

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

Mission

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

Goals

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

Organizational Objectives

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

Primary Objectives

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

- a. To succeed to the ownership of all property movable and immovable owned and used by the said Paranthan Chemicals Corporation.
- b. To succeed to all rights including patent rights, powers, privileges and interests arising in or out of such property of the said Paranthan Chemicals Corporation.
- c. To succeed to all the liabilities of the said Paranthan Chemicals corporation.
- d. To receive and maintain all books, accounts and documents relating or pertaining to the business of the said Paranthan Chemicals Corporation.
- e. To succeed to all contracts and agreements entered into for the purposes of the business of the said Paranthan Chemicals Corporation.

- f. To succeed to all actions and proceedings instituted by or against the said Paranthan Chemicals Corporation.
- g. To promote and establish a share trust under the laws of Sri Lanka enabling the employees of the Company to apply for and purchase, or otherwise acquire shares issued by the Company.

To carry on the business of:

- i. manufacture and sale of Dichloro – Diphenyl Trichloroethane (D.D.T.) Caustic Soda, Chlorine, Sulphuric acid, Fatty alcohols, Fertilizers, Insecticides, Fungicides, Pesticides, Agricultural chemicals and Detergents of every description, and other chemicals.
- ii. Development, manufacture and sale of any by-products such as Hydrochloric Acid, Zine chloride, Ferric Chloride, and Table salt which may be produced in the process of manufacturing of any of the articles specified above.
- iii. Import and sale of any of the products specified above.
- iv. Chemical manufactures and wholesale and retail chemists and druggists, analytical chemists, dry salters, importers, exporters and manufactures of and dealers in plastics, synthetic and other fibres, heavy and light chemicals, drugs, essences, cordials, acids, alkalis, pharmaceutical, medicinal, chemical, industrial and other preparations and articles of any kind whatsoever, mineral and other waters, explosives, ammunition and other explosive products and accessories of all kinds of fertilizers, vermifuges, fungicides, cements, oils, paints, pigments and varnishes, drug, paint and colour grinders, makers of and dealers in proprietary articles, of all kinds and of electrical, chemical, photographic, surgical and scientific apparatus and materials and in any similar or allied businesses and either in connection with the said business or as distinct or separate businesses.

Main Activities at Present

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

CHAIRMAN'S REVIEW

WELCOME ADDRESS

It is my privilege to welcome the Members and Stakeholders for the 23rd Annual General Meeting of the Company, the Proxy to the Secretary to the Treasury, the sole shareholder of the Company. I am also pleased to present the Annual Report and the Audited Financial Statements of the Company for the Financial Year ended 31st December 2013.

ECONOMIC REVIEW

The Annual Report for the year 2013 has provided vital information on activities endeavours by the Company and an overview of the business in Company portfolio also the development activities taken place.

The year under review could be described as a year when Sri Lanka enjoyed the 4th year of peace dividend after nearly 30 years of internal conflict and costly insurrection. The Company is once again an oasis of peace in a turbulent world renewing hope and aspiration thus reawakening the nation encompassing all communication.

Consequently, the year 2013 witnessed the growth of 7.3% in the economy. The reflected domestic demand strengthening and a pickup in exports and tourism. Faster growth in wholesale and retail trade, hotels and restaurants, transport, banking, insurance, and real estate lifted performance in the large service sector to 6.4% from 4.6% a year earlier, providing the impetus for the rebound. Industry grew by 9.9%, slightly less than a year earlier, as slower growth in mining and quarrying and in construction offset a pickup in manufacturing and utilities. Favorable weather helped maintain agriculture growth at a relatively favorable 4.7%.

The expansion of the Colombo Fort, the development of Hambantota Harbour, Mattala International Air Port, rehabilitation of highways and railway network, implementation of the Colombo-Galle Highway and Katunayake Expressway are some of the momentum held the economy to achieve this status. The stability of the country and the peace achieved also had a very positive impact on tourism and expansion of communication sector.

As a result of economic development and improvements to the local industry, the Company too is benefited and maintained a favourable development process. The Company was able to enhance its turn over owing to expansion of water purification centres in Northern Sri Lanka and capacity development of small industrialist.

COMPANY HIGHLIGHTS

The Company turnover in the financial year 2013 is slightly lower than the year 2012 but the company has managed to increase the gross profit by maintaining the lower cost of sales and improving the other incomes mainly from the interest of deposits. The profit before Tax of the financial year 2013 is

Rs.37.16Million which is approximately 15.6% higher than the previous year. But the net profit after tax of the previous year 2012 is higher than the year 2013 due to the tax benefit received in the year 2012.

The year 2013 even though the Company was able to maintain profitable status, several challenges had to be encountered. As I mentioned in my review in the year 2012, due to the Chlorine leak took place on 20th April 2012, the refilling station at Kalutara industrial estate had to be closed down. The Company had to face the resistance by the local people and politicians and as a result the refilling activities had to be shifted to Horana and given away to a Contractor. Outsourcing incurred an additional cost of Rs.5.8 Million in the year 2012 and Rs.6 Million in the year 2013. The attempts by the Company in the year 2012 & 2013, to reset the operations in a Government or private land had failed. Hon. Minister and His Excellency the President has been appraised in this regard.

The attempts by the Company to reset several other productions, in addition to Chlorine at the Kalutara location had failed owing to public resistance. Due to limitation of premises, same activities could not be undertaken at the contractor's premises at Horana and had these attempts were succeeded the company would have made additional income. But in the latter part of the year 2013 the Company could manage to get a 2 ½ acre land in the Board of Investment Industrial Zone in Horana under 30 year leased. The development activities of the land is done and hope that the shifting could be done without any disturbances from the people of the area.

The Company has now undertaken the responsibility to stream line the procedure from the importation of Chlorine, transportation, storage, refilling, delivering to customers, customer's storage facility having taken into consideration, the risk factors in dealing with Chlorine. Precautionary measures have been taken in 2013 in compliance with International Standards in usage of Chlorine. The Company has taken a public liability insurance for Rs.100 Million for covering the risk involvement in the entire chlorine operations.

The principal source of income of the Company is from trading activities mainly from Liquid Chlorine, Caustic soda and Hydrochloric acid. The initial plans have been made to find a suitable plant and set up in Paranthan. The company will be able to explore the exports market with chemical such as, Ammonia, Sulphuric Acid in the future.

BOARD OF DIRECTORS

As at 31st December 2013, Board of Directors comprised seven directors including Treasury Representative. The changes of the Board of Directors during the year under review have been given in detail in the report of Board of Directors. I have received the utmost support from my Co-Directors to achieve satisfactory results during the year.

FINANCIAL PERFORMANCE

The audited accounts of the Company for the year under review, reveals Rs.37.16 Million as profit before tax, by the Company. After provision for taxation, the net profit for the year works out to Rs.31.06Million.

This year too trading activities were confined to the import and sale of Liquid Chlorine, Caustic Soda and Hydrochloric Acid.

DEVELOPMENT ACTIVITIES AT THE PROPOSED PARANTHAN FACTORY PREMISES

The factory at Paranthan was established in 1954 as Government factory later converted as Paranthan Chemicals Corporation in 1957. Due to the terrorist activities started in 1983 the Paranthan factory was closed down from the year 1985 and as a result of that the Company used to engage in importing and trading Activities for the fulfilment of the country requirement of Liquid Chlorine, Caustic Soda and Hydrochloric Acid. Additionally, Zinc Chloride, Ferric Chloride and table salt were manufactured as by-products.

According to the “Mahinda Chinthana Vision for the Future” by His Excellency the President Mahinda Rajapakse has clearly stated that action would be taken to re-establish the chemical factory at Paranthan. Making a reality of the vision of His Excellency the President, the company has taken appropriate measures to reach anticipated development objectives.

The Project for development has been estimated approximately Rs.3 Billion. A discussion was held at the Ministry of Finance and Planning in this regard. At the discussion it was revealed that Government funding is not possible and possibility of finding a funding agency locally or overseas. Feasibility study of these processes is being carried out at present.

The main raw material requirement for chemical industry is considered salt. Without Elephant Pass Saltern reactivated, finding salt as raw material is an issue. Setting up of the Paranthan factory has delayed due to non-availability of Elephant Pass saltern.

An army camp has been set up at Paranthan factory premises and there were several land encroachment by outsiders were observed. The military is notified about the illegal occupation. As a result of the delaying re-establishment of saltern at Elephant Pass, the Company has taken a decision to setup a project for manufacturing of bleaching powder by using lime (chalk) and liquid Chlorine. The cost estimation for this project is approx. Rs.90 Million.

In addition to the bleaching powder project, the Company has made arrangements to re-setup the re-filling unit in a Company owned land under the management of the Company. The proposed unit will be set up in compliance with International Safety Standards. The Company has a container lorry (10 wheel) for transporting the part of import and export cargo of the Company.

FUTURE OF THE COMPANY

The Company has shown a remarkable progress in the year 2013 and it is expected the similar progress to be continued in 2014 as well amidst of unforeseen factors.

It is hopeful that the future prospect of the company is brighter as year by year. The company is showing signs of significant growth as well as an excellent performance in the current financial year.

AUDIT OPINION

The opinion of the auditors on financial statements is that, so far as appears from their examination, the Company has maintained proper accounting records for the year ended 31st December 2013 and the financial statements give true and fair view of the Company's state of affairs as at 31st December 2013 and its profit and cash flow for the year then ended in accordance with Sri Lanka Financial Reporting Standards.

REPORT ON OTHER LEGAL REGULATORY REQUIREMENTS

The auditors are of opinion that the financial statements for 2013 also comply with requirements of section 151 of the Companies Act 7 of 2007.

ACKNOWLEDGEMENT

I wish to express my deep gratitude to the His Excellency the President, Hon. Minister, Secretary to the Ministry and the staff of the Ministry of State Resources and Enterprise Development and Secretary to the General Treasury for their cooperation and the assistance extended to the Company and to me in order to discharge duties and responsibilities.

My gratitude is also to the External Auditors Hemachandra & Co. and Internal Auditor K. Liyanage & Co. for their services. My gratitude also due to, my fellow Directors and to the Senior Management, Staff and all employees of the company for their hard work and devoted service which enabled the company to ensure uninterrupted continuity.

It should be noted that Company would not have survived without the exemplary support of our valued customers. My appreciation goes to them as well all the others who support directly and indirectly looking forward for their undivided support and services in the year 2014 as well.



D.J.U. Purasinghe
Chairman
Paranthan Chemicals Company Limited.
28th May 2014.

GENERAL MANAGER'S REVIEW

The main activities of the Company and revenue sources during the year 2013 are confined to sale of liquid Chlorine, Caustic Soda and Hydraulic Acid. The turnover of the year under review is Rs.209.18 Million which is slightly lower than the previous year. But the Company could reach profit before taxes to Rs.37 Million which is better than the previous year. The achievement is basically due to the lower cost of sales, increased income from other operations and lower testing and maintenance charges of cylinders.

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

After the Chlorine leak in the Kalutara site on 20th April 2012, the Company could not settle down the manufacturing of new products and refilling of Chlorine operations in a Company owned land with adequate space. Due to the limited space, the planned new products such as Bleaching liquid, Bleaching powder could not be achieved in the year 2013. A limited quantities of bleaching liquid were manufactured at a contractor's location at Horana and expansion was difficult due to the limited space in the location. It is expected to re-establish Company owned unit for refilling Chlorine and other activities and as a result to increase the production.

ACTION TAKEN ON SAFE USAGE OF CHLORINE

After the incident, the Company has made an in depth analysis on the risk factors of Chlorine handling from the importation up to end user. The steps of safety measures have been identified including precautionary steps and implemented up to certain extend. Opinions from experts on this subject have been obtained in addition to field visits made to similar industries in foreign countries. This includes speciality training given for the chemical engineer.

All 900 Kg cylinders are properly examined by the suppliers and tested in compliance with International Standards and certified by the authorities of the respective countries. 68 Kg cylinders are tested locally for this purpose. The Company has increased the current public liability insurance cover from Rs.25 Million to 100.00 Million to cover the Public from any probable hazards due to the entire Chlorine operation. In addition, training programmes have been conducted on usage of Chlorine for Company employees and employees of Water Board attached to Western province and Southern province. An exhibition stall was arranged at Dayata Kirula exhibition held at Kuliypitiya.

FINANCE DIVISION

The Finance Division of the Company is headed by Deputy General Manager and consists of two executives and seven management assistant grade employees. During the year under review the Finance Division assisted in formulating strategies in terms of the short term and the loan term investments and corporate planning. Reporting of the information relevant to the up to date progress of the Company to

the Board of Directors and the line ministry and the Treasury were some of key functions carried out by the Division on time. In order to achieve the expected level of the profitability, the finance Division assisted and guided the other divisions whenever it was required. Adhering to the internal controls of the Company, meeting statutory requirements on time, proper relationship with the external entities also contributed the overall achievement of the company in the financial year 2013.

MARKETING DIVISION

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

SUPPLIES DIVISION

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

ADMINISTRATIVE DIVISION

The Administrative Division of the Company is one of the largest divisions of the Company which consist of 22 employees. The division is headed by a Deputy General Manager and assisted by four Executives, five Management Assistant and 12 Manual and Operational grade employees. The division manages the overall administration functions of the company which includes maintenance of up to date records relevant to the statutory payments of the employees, day to day attendance records, preparation and coordination of correspondences with stake holders, handling transport activities, and maintenance of building and premises.

RE-FILLING UNIT AT KALUTHARA & OUTSOURCED REFILLING FACILITY AT HORANA

Refilling unit Kaluthara consist of a Deputy General Manager (Engineering), Chemical Engineer, one Executives, six Management Assistants and fourteen Manual and operational grade employees. During the year 2013, the unit performed very satisfactorily.

But after the Chlorine leakage accident, which took place on 20th April 2012, the facility of refilling has been shifted to Horana on outsourced basis. New location for the same facility is now being searched for with more logistic facilities.



S. Anura Siriwardena

General Manager

Paranthan Chemicals Company Limited

28th May 2014



Kalutara Complex

Paranthan Chemicals Company Ltd.
Kalutara & Horana Unit Staff - 2013



Left To Right

First Row

Mrs.H.D.R.Y.Hewadewa,Mr.T.Liyanage,Mr.L.D.R.D.Gokula.

Second Row

Mrs.M.D.S.Ajantha,Mrs.R.A.Abesinghe,Mr.G.R.Dammika,Mr.E.A.M.J.Edirisinghe,Mr.H.A.Wimalasena,Mr.P.V.Sachith salinda,Mr.H.B.Piyasiri,Mr.S.A.K.Kumara.

Third Row

Mr.A.V.Keerthi Priyadewa,Mr.G.R.Weerasena,Mr.P.N.wijekulasuriya,MR.M.Moramudali,Mr.K.K.Vishvajith,Mr.W.D.Jagath Kumara,
Mr.B.K.Chaminda,Mr.R.W.Kumara,Mr.D.A.P.S.Bandara,Mr.H.T.G.K.Wikramasuriya,Mr.Premalal Silva,Mr.D.Patison.

REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2013

The Board of Directors of Paranthan Chemicals Company Limited hereby presents Annual Report and Accounts together with the Audited Financial Statements for the year ended 31st December 2013.

INTRODUCTION

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

PRINCIPAL ACTIVITIES

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

REVIEW OF BUSINESS

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

BOARD OF DIRECTORS

Current Board of Directors of the company consists of the following: Messrs.

- | | |
|-------------------------------|---|
| 1. Dr. D.J.U. Purasinghe | - Chairman and Director (Executive) |
| 2. Mr. Ananda Jayasiri Gamage | - Executive Director |
| 3. Mr. H.M.R. Kiriella | - Non-Executive Director |
| 4. Mr. Mayalagu Shashikaran | - Non-Executive Director |
| 5. Mr. H.A.N.S. Kumara | - Non-Executive Director (Appointed w.e.f 17/09/2013) |
| 6. Mr. B.G. Gunawardana | - Non-Executive Director (Appointed w.e.f 24/06/2013) |
| 7. Mr. J.D.A. Wishwamithra | - Non-Executive Director (Appointed w.e.f 24/06/2013) |

The Board comprises of Seven Directors out of whom five are Non-Executive Directors. Non-executive directors Mr. D.M.P.A. Dasanayake retired from directorship with effect from 24th June 2013 and, Non-executive director Mr. G. Sarath Kumara (The treasury representative) retired from directorship with effect from 17th September 2013.

BOARD MEETINGS

The company conducts monthly board meetings and, where necessary special board meetings are convened in order to transact special business. During the year ended 31st December 2013, 12 meetings of board were held.

Board Meeting attendance - 2013

Name of Director	Number of Meeting Attended
Dr. D.J.U. Purasinghe (Chairman & Director - Executive)	12
Mr. Ananda Jayasiri Gamage (Executive)	11
Mr. H.M.R. Kiriella (Non-Executive)	10
Mr. B.G. Gunawardana (Non-Executive) With effect from 24/06/2013	05
Mr. H.A.N.S. Kumara (Non-Executive) With effect from 17/09/2013	03
Mr. Mayalagu Shashikaran (Non-Executive)	07
Mr. D.M.P.A. Dassanayaka (Non-Executive) Retired from 27/06/2013	06
Mr. Sarath Kumara (Non-Executive) Retired from 17/09/2013	08
Mr. J.D. Ahijith Wishwamitha (Non-Executive) With effect from 24/06/2013	06

DIRECTORS INTERESTS IN CONTRACTS

Dr. D.J.U. Purasinghe, Mr. A.J. Gamage, Mr. H.M.R. Kiriella, Mr. H.A.N.S. Kumara, Mr. M. Shashikaran, Mr. J.D. Ahijith Wishwamitha and Mr. B.G. Gunawardana were the Directors of the Company as at 31st December 2013. Mr. D.M.P.A. Dassanayaka and Mr. Sarath Kumara retired from the post of Directors on 27th June 2013 and 17th September 2013 respectively. They have confirmed that they did not have any interest in contracts with the Company.

STATEMENT ON DIRECTORS' RESPONSIBILITY

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

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

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

- Sri Lanka Accounting Standards and Sri Lanka Financial Reporting Standards issued by the Institute of Chartered Accountants of Sri Lanka.
- Appropriate Accounting policies are selected and applied consistently.
- Estimates and judgments relating to the Financial Statements made on a prudent and reasonable basis to reflect the true and fair view of the Financial Statements.

Company has taken proper and sufficient internal controls measures and check systems. This is to ensure maintaining proper accounting records and for safeguarding assets. The Company's External Auditors M/S Hemachandra & Company, are appointed in accordance with the Resolution passed at the last Annual General Meeting. The auditors were provided with free access to undertake required inspections which they consider appropriate and necessary enabling them to form their opinion on the Financial Statements. The report of the Auditors on financial statements for the year 2013 sets out their responsibilities in relation to the Financial Statements.

INTERESTS REGISTER

The Interests Register was introduced during the year 2011 and continued in 2013 as per the Companies Act No. 07 of 2007.

REMUNERATION OF DIRECTORS

Directors' remuneration in respect of the Company for the year ended 31st December 2013 is given in Note 4 to the Financial Statements.

STATUTORY PAYMENTS

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

PROPERTY, PLANT & EQUIPMENT

Significant changes in Property, Plant and Equipment during the period under review are given in Note 8 to the accounts on page 43 & 44.

PAYMENT OF DIVIDEND

The Company paid dividend of Rs.5 Million for the year 2012.

PROPOSED FINAL DIVIDEND

The Dividend proposed for the accounting year for 2013 is Rs.4.5 Million.

AUDITOR

The Auditor of the Company during the year under review was M/S Hemachandra & Company, Chartered Accountants. A provision of Rs.66,300.00 has been made in the Accounts as audit fees for the year. The Auditor did not have any relationship or any other interests with the Company that would impair their independence.

SOLVENCY TEST

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

SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of Financial Statements are given on pages 30 to 38.

FUTURE FORECAST

The immediate plan of the company is to recommencing our chlorine factory at Paranthan making a reality of "Mahinda Chinthana" vision for future endeavours.

AUDIT COMMITTEE

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

APPRECIATION

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

By order of the Board,

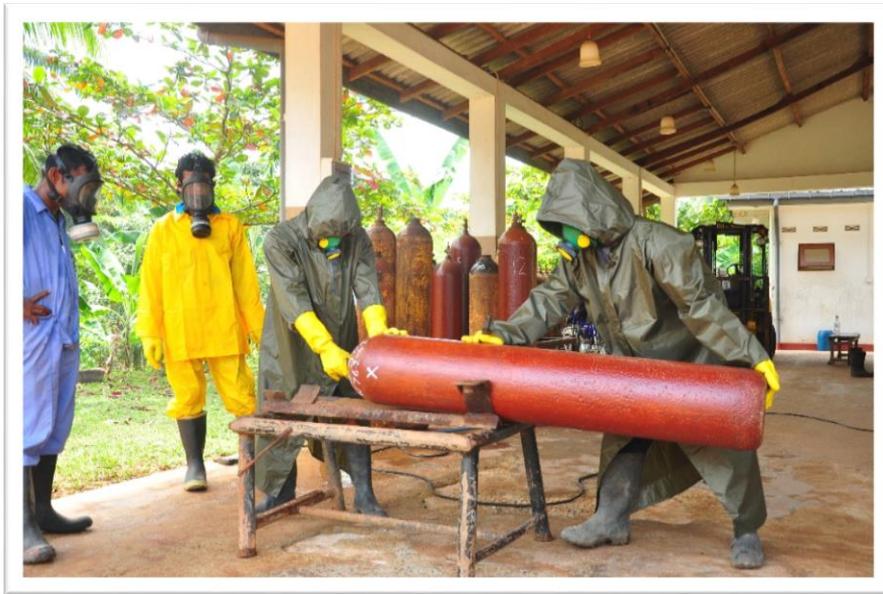


D.J.U. Purasinghe
Chairman
28th May 2014



H.M.R. Kiriella
Director

Refilling activities, Cleaning and Industrial Safety at the Centre of Activities of the Company 2013



CURRENT PERFORMANCE, MID-TERM STRATEGIES AND PROPOSED ACTIVITY PLAN FOR ENHANCING OPERATIONS IN 2015

The Corporation has planned for a sales target of Rs.264 Million and estimated profit after tax - Rs.27.51 Million for 2014. It is planned that annual sales of Chlorine are increased and sale of Caustic Soda and Hydrochloric acid based on a proper plan which is competitive with others in the market. The Company has also planned to increase the sales of Caustic Soda and Hydrochloric acid at a low cost and increase the sales.

The requirement of bleaching powder hitherto, is imported. It is planned that the requirement of bleaching powder be available locally for which a factory for bleaching powder is to be commenced in 2015. With this plan, the Company intends to enhance the sales income of Rs.106 Million from sale of bleaching powder.

It is planned to carry out the activities in respect of refilling process of Chlorine which is carried out by a contractor presently, at a cost of approximately Rs.6.7 Million by the Company in 2014. If this proposal is implemented, the additional expenditure will be saved in 2015.

The Company is pursuing the appropriate authorities to commence and re-activate the saltern at Elephant Pass. The Company wishes that this process will be carried out as a part of Company's operation and required planning for this is being made at present.

The head office of the Company is situated at No. 100/25 at Sri Ramanathan Mawatha, Colombo 13, which premise is belongs to the Ports Authority. The Ports Authority has requested the return of the land and building. This building is in dilapidated condition and needs essential repairs. Further, the premises are not adequate for the current staff. It is planned to consider shifting the office premises to a suitable location during the year 2014.

STATEMENT ON DIRECTORS' RESPONSIBILITY

Statement on Directors' Responsibilities

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

The Directors are equally responsible to maintain accounting records of the Company with reasonable accuracy to disclose the Financial position.

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

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.
- Appropriate accounting policies selected and applied consistently.
- Estimates and judgments relating to the Financial Statements made on a prudent and reasonable basis to reflect the true and fair view of the Financial Statements.

Company has taken proper and sufficient internal controls and accounting records for safeguarding assets and the Company's External Auditors Messrs Hemachandra & Company appointed in accordance with the Resolution passed at the last Annual General Meeting were provided with free access to undertake required inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, given on the following page, sets out their responsibilities in relation to the Financial Statements.



.....
Managing Director
27th May 2014.

H.P.E.R.S. HEMACHANDRA FCA
HEMACHANDRA & COMPANY
Chartered Accountants.

11, Wijayaba Mawatha,
Nawala Road, Nugegoda,
Sri Lanka.
Tel: +94 11 2827308 / 2829797
Fax : +94 11 2812803
E-mail : hemaco@sltnet.lk

AUDITOR'S REPORT TO THE SHARE HOLDERS OF
PARANTHAN CHEMICALS COMPANY LIMITED.

Report on the Financial Statements

We have audited the accompanying Financial Statement of Paranthan Chemicals Company Limited which Comprises the Statement of Financial Position as at 31st December 2013 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and a fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation & fair presentation of Financial Statements that are free from material misstatements whether due to fraud or error, selecting & applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Scope of Audit & Basis of Opinion

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with the Sri Lanka Auditing Standards. These standards require that we plan & perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatements.

An Audit includes examining, on a test basis evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge & belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company has maintained proper accounting records for the year ended 31st December 2013 and the Financial Statement give true and fair view of the Company's state of affairs as at 31st December 2013 and its Profit and Cash Flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with requirements of section 151 of the Company Act. No. 07 of 2007.

.....
HEMACHANDRA & COMPANY
Chartered Accountants
30th May 2014.



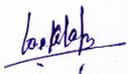
PARANTHAN CHEMICALS COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2013

	Notes	2013 Rs.	2012 Rs.
Revenue	1	206,268,365	217,294,221
Less : Cost of Sales	2	(107,704,481)	(125,823,189)
Gross Profit		98,563,884	91,471,032
Other Operating Income	3	20,221,718	15,633,150
		118,785,602	107,104,182
Expenses			
Selling & Distribution Expenses		(3,307,058)	(2,554,403)
Depreciation		(15,545,190)	(14,059,720)
Administrative & Establishment Expenses		(62,660,955)	(58,378,418)
		(81,513,203)	(74,992,541)
Profit / (Loss) from Operating Activities	4	37,272,399	32,111,641
Less : Finance Costs		(110,369)	(95,792)
Net Profit / (Loss) before Taxation		37,162,030	32,015,849
Less : Taxation	5	(6,099,832)	5,309,622
Net Profit / (Loss) after Taxation		31,062,198	37,325,471
Other Comprehensive Income			
Revaluation Gain/ (Loss) on PPE		-	-
Net Gain/ (Loss) available for Sale on Financial Assets		-	-
Actuarial Gain/ (Loss) on Defined Benefit Plan		-	-
Income Tax on Other Comprehensive Income		-	-
Other Comprehensive Income for the Year Net of Tax		-	-
		31,062,198	37,325,471
Earnings per Share	6	7.76	9.33
Dividend per Share	7	1.12	1.25

PARANTHAN CHEMICALS COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2013

ASSETS	Notes	2013 Rs.	2012 Rs.
<u>Non-Current Assets</u>			
Property, Plant & Equipment	8	301,236,277	273,854,360
Work-in-Progress		987,330	744,330
		302,223,607	274,598,690
<u>Current Assets</u>			
Inventories	9	13,131,995	16,998,263
Trade & Other Receivables		29,379,494	21,023,183
Staff & Other Debtors		17,149,200	14,192,636
Deposits, Prepayments & Advances		5,791,086	6,527,791
Short Term Investments	10	124,847,967	133,378,267
Cash and Cash Equivalents		5,036,437	1,135,033
Total Current Assets		195,336,180	193,255,173
Total Assets		497,559,787	467,853,863
<u>EQUITY & LIABILITIES</u>			
<u>Capital & Reserves</u>			
Stated Capital	11	108,500,000	108,500,000
Retained Profits		94,025,871	67,963,672
Other Components of Equity	12	220,795,490	220,795,490
		423,321,361	397,259,162
<u>Non-Current Liabilities</u>			
Retirement Benefit Obligation	13	6,957,033	6,286,406
Differed Tax	14	29,780,856	32,029,950
		36,737,889	38,316,356
<u>Current Liabilities</u>			
Trade Creditors & Other Payables		36,839,001	32,278,345
Bank Overdrafts		661,536	-
Total Current Liabilities		37,500,537	32,278,345
Total Equity & Liabilities		497,559,787	467,853,863

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



Head of Finance

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

These Financial Statements were approved by the Board of Directors.



Chairman

The Significant Accounting Policies and Notes on Pages 08 to 61, form an integral part of these Financial Statements.



Director

PARANTHAN CHEMICALS COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2013

	Stated Capital	Capital & Reserves	Other Components of Equity	Accumulated Profit / (Loss)	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Restated Balance as at 01 st January 2012	40,000,000	68,500,000	220,795,490	33,638,201	362,933,691
Dividend Paid	-	-	-	(3,000,000)	(3,000,000)
Net Profit / (Loss) for the Year	-	-	-	37,325,471	37,325,471
Balance as at 31 st December 2012	40,000,000	68,500,000	220,795,490	67,963,672	397,259,162
Dividends	-	-	-	(5,000,000)	(5,000,000)
Net Profit / (Loss) for the Year	-	-	-	31,062,199	31,062,199
Restated Balance as at 31 st December 2013	40,000,000	68,500,000	220,795,490	94,025,871	423,321,361

PARANTHAN CHEMICALS COMPANY LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31ST DECEMBER 2013

		2013	2012
		Rs.	Rs.
Net Profit /(Loss) Before Taxation	Note A	19,378,911	18,080,354
Adjustment For;			
Depreciation		15,545,190	14,059,720
(Profit) / Loss on Sale of Fixed Assets		(123,006)	(40,750)
Provision for Gratuity		1,248,472	838,395
Staff Loan Interest expenses		659,427	731,345
Operating Profit before Working Capital Changes		36,708,995	33,669,064
(Increase) / Decrease in Inventories		3,866,268	7,752,368
(Increase) / Decrease in Trade & Other Receivables		(8,356,311)	(2,481,525)
(Increase) / Decrease in Staff & Other Debtors		(2,956,563)	(1,979,553)
(Increase) / Decrease in Deposits, Prepayments & Advances		736,705	(2,776,982)
Increase / (Decrease) in Trade & Other Payables		(6,944,722)	4,014,140
Cash Generated From Operations		(13,654,624)	4,528,448
Cash Generated From Operating Activities		23,054,371	38,197,512
Income Tax Paid		(1,843,546)	(7,351,290)
Gratuity Paid		(577,845)	(892,382)
Cash flow from / (Used in) Operating Activities		20,632,980	29,953,840
Cash Flow from/(Used in) Investing Activities			
Interest Income		17,123,692	13,204,150
Purchase of Property, Plant & Equipment		(42,928,359)	(12,551,084)
Proceeds from Sale of Property, Plant & Equipment		124,256	44,561
Capital Work-in-Progress		(243,000)	-
Cash flow from/(Used in) Investing Activities		(25,923,411)	697,627
Cash flow from/(Used in) Financing Activities			
Dividends Paid		-	(3,000,000)
Cash flow from/(Used in) Financing Activities		-	(3,000,000)
Net Increase/(Decrease) in Cash & Cash Equivalents		(5,290,431)	27,651,467
Cash & Cash Equivalents at the beginning of the year		134,513,300	106,861,833
Cash & Cash Equivalents at the end of the year	Note B	129,222,869	134,513,300

Note A	2013 Rs.	2012 Rs.
Net Profit Before Interest & Taxation		
Net Profit after Interest before Taxation	37,162,030	32,015,849
Adjustments: Interest Income	(17,783,119)	(13,935,495)
Net Profit before Interest & Taxation	19,378,911	18,080,354

Note B	2013 Rs.	2012 Rs.
Cash & Cash Equivalents Balance as at the end of the Year is made up of.		
Fixed Deposits - Bank of Ceylon	28,240,556	25,000,000
Fixed Deposits - Bank of Ceylon	25,000,000	-
Fixed Deposits - Bank of Ceylon	10,896,244	-
Fixed Deposits - Hatton National Bank Ltd.	-	3,171,657
Fixed Deposits - Hatton National Bank Ltd.	4,442,088	3,975,997
Re-purchase Agreements - People's Bank	-	20,256,289
Re-purchase Agreements - People's Bank	-	4,026,315
Re-purchase Agreements - People's Bank	-	2,074,927
Re-purchase Agreements - People's Bank - Overnight	7,000,000	32,600,000
Fixed Deposits - People's Bank	6,868,103	6,094,433
Fixed Deposits - People's Bank	8,217,886	7,275,074
Fixed Deposits - People's Bank	30,118,995	26,665,810
Deposits & Repurchase Agreements	4,064,095	2,237,765
	124,847,967	133,378,267
People's Bank - Corporate Branch	(661,536)	10,017
Hatton National Bank	1,769,547	1,073,683
Sampath Bank	97,477	944
Bank of Ceylon-Corporate Branch	3,141,589	-
Petty Cash - Head Office	26,675	46,233
Petty Cash - Kalutara	690	2,656
Postage Imprest	460	1,500
	4,374,902	1,135,033
	129,222,869	134,513,300

PARANTHAN CHEMICALS COMPANY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

<u>COMPARATIVE RATIOS</u>	2013	2012	2011	2010	2009
Gross Profit Ratio	47.78%	42.10%	47.21%	41.09%	41.49%
Stock Turnover Ratio	7.14 Times	6.02 Times	4.07 Times	4.14 Times	4.28 Times
Debtors to Turnover	12.21%	9.1%	8.61%	8.44%	8.83%
Current Ratio	5.20:1	5.98:1	5.81:1	4.73:1	6.71:1
Quick Assets Ratio	4.85:1	5.46:1	4.94:1	3.93:1	4.63:1
Earnings Per Share	Rs.7.76	Rs.9.33	Rs.8.24	Rs.2.39	Rs.3.62
Total Expenses to Turnover	39.57%	34.55%	33.01%	32.86%	28.97%
Dividend Per Share	Rs.1.12	Rs.1.25	Rs.0.75	Rs.0.75	Rs.0.75

**PARANTHAN CHEMICALS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013****1. CORPORATE INFORMATION****1.1. Reporting Entity**

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

1.2. Approval of Financial Statements

The Financial Statements are authorized for issue by the Board of Directors on 28th May 2013

1.3. Number of Employees

The number of employees of the Company at the year end, was 70. (In 2012 - 64)

1.4. Principal Activities and the Nature of Operations

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

1.5. Responsibility for Financial Statements

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

1.6. Statement of Compliance

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

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

2. BASIS OF PREPARATION

2.1. Basis of Measurement

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

2.2. Presentation and Functional Currency

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

3. ACCOUNTING POLICIES

3.1. CHANGES IN ACCOUNTING POLICIES

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

Comparative information

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

3.2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Revaluation of Property, Plant and Equipment

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

Taxes

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

Impairment of Tangible Assets

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Foreign Currency Translation

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

4.2. Tax

Current Tax

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

Deferred Tax

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

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

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

4.3. Property, Plant and Equipment

Basis of Recognition

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

Basis of Measurement

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

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

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

De Recognition

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

Depreciation

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

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

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

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

4.4. Financial Instruments - Initial Recognition and Subsequent Measurement

i) Financial Assets

Initial Recognition and Measurement

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

Subsequent Measurement

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

Loans and Receivables

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost, using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Income Statement. The losses arising from impairment is recognized in the Income Statement in finance costs.

ii) Financial Liabilities

Initial Recognition and Measurement

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

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

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

4.5. Inventories

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

4.6. Trade and Other Receivables

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

Provision for Bad and Doubtful Debts are made as follows;

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

4.7. Cash and Cash Equivalents

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

4.8. Defined Benefit Plan - Gratuity

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

Defined Contribution Plan – Employees’ Provident Fund and Trust Fund

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

4.9. Liabilities and Provisions

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

4.10. Events Occurring after the Reporting Period

Events after the reporting period are those events favourable and unfavourable that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The materiality of the events occurring after the reporting period, is considered and appropriate adjustments to or disclosures are made in the financial statements, where necessary.

4.11. Deposits on Returnable Cylinders

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

4.12. Revenue Recognition

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

The following specific criteria are used for recognition of revenue:

Sale of Goods

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

Turnover Based Taxes

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

Interest Income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where

appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the Income Statement.

Gains and Losses

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

Other Income

Other income is recognized on an accrual basis.

4.13. Expenditure Recognition

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

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

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

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

6. FIRST-TIME ADOPTION OF SLFRS/LKAS

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

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

7. DIRECTORS' INTEREST IN CONTRACTS

Dr. D.J.U. Purasinghe, Mr. A.J. Gamage, Mr. H.M.R. Kiriella, Mr. H.A.N.S. Kumara, Mr. M. Shashikaran, Mr. J.D. Ahijith Wishwamitha and Mr. B.G. Gunawardana were the Directors of the Company as at 31st December 2013. Mr. D.M.P.A. Dassanayaka and Mr. Sarath Kumara retired from the post of Directors on 24th June 2013 and 17th September 2013 respectively. They have confirmed that they did not have any interest in contracts with the Company.

PARANTHAN CHEMICALS COMPANY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

	2013	2012
	Rs.	Rs.
1 REVENUE		
Sales	209,109,472	220,180,897
Less : Nation Building Tax	(2,841,107)	(2,886,676)
	206,268,365	217,294,221
2 COST OF SALES		
Opening Inventories	10,420,882	18,659,970
Add : Purchases	104,854,111	117,584,101
	115,274,993	136,244,071
Less :Closing Inventories	(7,570,512)	(10,420,882)
	107,704,481	125,823,189
3 OTHER OPERATING INCOME		
Interest on Staff Loans	1,192,440	1,088,679
Interest on Fixed Deposits & Call Deposits	16,590,679	12,846,817
Other Income	2,315,593	1,656,904
Profit on Sale of Fixed Assets	123,006	40,750
	20,221,718	15,633,150
4 PROFIT FROM OPERATING ACTIVITIES		
Profit from operation is stated after charging the following expenses.		
Depreciation	15,545,190	14,059,720
Auditors' Remuneration	66,300	66,300
Personnel Costs Note 4.1	31,185,051	29,598,321
4.1 PERSONNEL COSTS		
Salaries, Wages and other related expenses	25,789,627	24,967,249
Terminal Gratuity	1,248,472	838,395
Employees' Provident Fund & Employees' Trust Fund	4,146,952	3,792,677
	31,185,051	29,598,321
The above included :-		
Directors' Emoluments (Chairman & Executive Director Salary)	1,260,000	1,260,000
Directors' Fees	329,400	318,000
	1,589,400	1,578,000

		2013 Rs.	2012 Rs.
5	<u>TAXATION</u>		
	<u>Current Income Tax</u>		
	- Current Tax based on Ordinary Activities	8,348,926	7,022,168
	Adjustments for Previous Year over Provision	-	-
	- Deferred Taxation Charges / (Reversal)	(2,249,094)	(12,331,790)
		6,099,832	(5,309,622)

5.1 RECONCILIATION OF ACCOUNTING PROFIT & TAX PROFIT

Net Profit as per Accounts	37,162,030	32,015,849
Aggregate Disallowable Expenses	21,093,361	17,863,571
	58,255,391	49,879,420
Aggregate Allowable Expenses	(17,779,369)	(12,079,066)
Tax Profit	40,476,022	37,800,354
Taxation	8,348,926	7,022,168

The Calculation of Income Tax for the Year of Assessment 2011/2012 had been done, based on the Standard Rate applicable for the Year of Assessment 2010/2011, which amounts to Rs.9,094,865.00 and such amount has already been settled. But based on the Standard Rate for the year of Assessment 2011/2012 the correct amount should be Rs.5,562,634.00. As a result a sum of Rs.4,065,265.00 is available on our behalf along with an Over Tax paid by the Company earlier. We have already made a request to the Department of Inland Revenue to provide us this Credit Facility Refund of Rs.4,065,265.00 but has not been provided so far.

5.2 DEFERRED TAX EXPENSES / (INCOME)

Deferred Tax Expenses / (Income) arising due to Timing Differences at 28% & 10%	(2,249,094)	(12,331,790)
	(2,249,094)	(12,331,790)

6 EARNINGS PER SHARE

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

6.2 The following reflects the income and share data used in the Basic Earnings per Share computations, for the year ended 31st December 2013.

Amount used as Numerators:

Net Profit / (Loss)	31,062,199	37,325,471
Net Profit attributable to Ordinary Shareholders	31,062,199	37,325,471

	2013	2012
	Rs.	Rs.
Number of Ordinary Shares Used as Denominators:		
Weighted Average number of Ordinary Shares in issue		
Applicable to Basic Earnings Per Share	4,000,000	4,000,000
	<u>4,000,000</u>	<u>4,000,000</u>
Earnings Per Share	7.76	9.33

7 DIVIDEND PER SHARE

Amount used as Numerators

Dividend for the Year	4,500,000	5,000,000
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Number of Ordinary Shares Used as the Denominators

Ordinary Shares in issue applicable to Dividend Per Share	4,000,000	4,000,000
Dividend Per Share	1.12	1.25

8. PROPERTY, PLANT & EQUIPMENT

At Cost	Lands	Buildings	Plant & Machinery	Furniture & Fittings	Office Equipment	Computers	Motor Vehicles	Containers	Bicycles	Tools & Equipment	Communication & Medical Equipment	Total Restated
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Gross Carrying Amount</i>												
Balance as at 01 st January 2013	70,000,000.00	24,374,517.50	1,648,184.00	2,365,607.62	2,016,674.07	1,786,900.00	25,988,252.00	173,032,999.93	2,500.00	363,492.00	183,750.00	301,762,877.12
Add : Additions during the year	-	-	483,658.00	105,855.29	323,389.28	492,900.00	5,200,000.00	36,272,756.06	-	-	49,800.00	42,928,358.63
Less : Disposals and Transfers	-	-	-	(1,000.00)	(7,850.00)	(42,550.00)	-	(84,500.00)	(2,500.00)	(3,400.00)	-	(141,800.00)
Balance as at 31 st December 2013	70,000,000.00	24,374,517.50	2,131,842.00	2,470,462.91	2,332,213.35	2,237,250.00	31,188,252.00	209,221,255.99	-	360,092.00	233,550.00	344,549,435.75
<i>Depreciation</i>												
Balance as at 01 st January 2013	-	879,866.60	253,376.65	703,792.70	1,074,826.11	761,191.01	10,977,462.94	12,977,371.12	2,500.00	231,126.22	47,004.16	27,908,517.51
Add : Charges for the year	-	443,886.60	196,897.50	317,856.65	330,416.92	517,752.62	5,721,977.82	7,916,625.88	-	26,658.11	73,118.22	15,545,190.32
Less : Disposals and Transfers	-	-	-	(1,000.00)	(6,600.00)	(42,550.00)	-	(84,500.00)	(2,500.00)	(3,400.00)	-	(140,550.00)
Balance as at 31 st December 2013	-	1,323,753.20	450,274.15	1,020,649.35	1,398,643.03	1,236,393.63	16,699,440.76	20,809,497.00	-	254,384.33	120,122.38	43,313,157.83
Net Book Value As at 31st December 2013	70,000,000.00	23,050,764.30	1,681,567.85	1,449,813.56	933,570.32	1,000,856.37	14,488,811.24	188,411,758.99	-	105,707.67	113,427.62	301,236,277.30

At Cost	Lands	Buildings	Plant & Machinery	Furniture & Fittings	Office Equipment	Computers	Motor Vehicles	Containers	Bicycles	Tools & Equipment	Communication & Medical Equipment	Total Restated
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Gross Carrying Amount												
Balance as at 01 st January 2012	70,000,000.00	24,374,517.50	1,155,500.00	2,203,039.59	1,690,500.07	1,235,350.00	15,488,252.00	173,127,704.71	2,500.00	324,260.00	-	289,601,623.87
Add : Additions during the year	-	-	492,684.00	293,485.13	382,483.00	659,450.00	10,500,000.00	-	-	39,232.00	183,750.00	12,551,084.13
Less : Disposals and Transfers	-	-	-	(130,917.10)	(56,309.00)	(107,900.00)	-	(94,704.78)	-	-	-	(389,830.88)
Balance as at 31 st December 2012	70,000,000.00	24,374,517.50	1,648,184.00	2,365,607.62	2,016,674.07	1,786,900.00	25,988,252.00	173,032,999.93	2,500.00	363,492.00	183,750.00	301,762,877.12
Depreciation												
Balance as at 01 st January 2012	-	435,980.00	118,459.84	496,893.64	645,481.31	500,427.49	5,187,128.96	6,693,640.34	2,500.00	154,305.61	-	14,234,817.19
Add : Charges for the year	-	443,886.60	134,916.81	334,005.20	485,653.80	368,663.52	5,790,333.98	6,378,435.56	-	76,820.61	47,004.16	14,059,720.24
Less : Disposals and Transfers	-	-	-	(127,106.14)	(56,309.00)	(107,900.00)	-	(94,704.78)	-	-	-	(386,019.92)
Balance as at 31 st December 2012	-	879,866.60	253,376.65	703,792.70	1,074,826.11	761,191.01	10,977,462.94	12,977,371.12	2,500.00	231,126.22	47,004.16	27,908,517.51
Net Book Value As at 31st December 2012	70,000,000.00	23,494,650.90	1,394,807.35	1,661,814.92	941,847.96	1,025,708.99	15,010,789.06	160,055,628.81	-	132,365.78	136,745.84	273,854,359.61

8.1 Revaluation of Property, Plant & Equipment's

The Company uses the Revaluation model of measurement of Property, Plant Equipment's. The Company engaged Valuation Department, an independent expert valuer, to determine the fair value of its Property, Plant Equipment's. Fair value is determined by reference to market - based evidence valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent revaluation was 31st December 2010. Details of previous revaluations is are as follows.

Property	Method of Valuation	Effective Date of Valuation	Property Valuer
Property, Plant & Equipment of Paranthan Chemicals Company Limited	Open Market Value Method	31 st December 2010	Valuation Department

The Freehold Property as revalued as at 31st December 2010 by the Valuation Department and the surplus arising from the revaluation was transferred to the revaluation reserve.

	2013 Rs.	2012 Rs.
9 INVENTORIES		
Liquid Chlorine - 900 Kg	6,501,306	7,891,807
Liquid Chlorine - 68 Kg	610,330	100,964
Caustic Soda Flakes	456,863	1,509,973
Hydrochloric Acid	-	906,661
Bleaching Liquid	2,013	10,698
Bleaching Powder	-	779
Trading Stock	7,570,512	10,420,882
Chlorine Valves, Spindles, Washers Protectors, Spanners & Valves Complete	3,775,331	4,667,769
Protective Hoods	162,300	162,300
Emergency Kit	1,396,843	1,341,884
Stationery	227,009	405,429
Total Inventories	13,131,995	16,998,263
10 SHORT TERM INVESTMENTS		
Fixed Deposits - Hatton National Bank Ltd.	-	3,171,657
Fixed Deposits - Hatton National Bank Ltd.	4,442,088	3,975,997
Repurchase Agreements - People's Bank	-	20,256,289
Repurchase Agreements - People's Bank	-	4,026,315
Repurchase Agreements - People's Bank	-	2,074,927
Repurchase Agreements - People's Bank - Overnight Repo	7,000,000	32,600,000
Fixed Deposits - BOC	10,896,244	-
Fixed Deposits - BOC	25,000,000	-
Fixed Deposits - BOC	28,240,556	25,000,000
Fixed Deposits - People's Bank	6,868,103	6,094,433
Fixed Deposits - People's Bank	8,217,887	7,275,074
Fixed Deposits - People's Bank	30,118,995	26,665,810
Interest Receivables on Call, Fixed deposits & Repurchase Agreements	4,064,095	2,237,765
	124,847,967	133,378,267
11 STATED CAPITAL		
<u>Represented By</u>		
Capital Reserve	68,500,000	68,500,000
Nos. 4,000,000 Ordinary Shares	40,000,000	40,000,000
	108,500,000	108,500,000
12 OTHER COMPONENTS OF EQUITY		
<u>Re Valuation Reserves on Property, Plant and Equipment</u>		
Balance as at the beginning of the Year	220,795,490	220,795,490
Revaluation Surplus during the Year	-	-
Reversal of Revaluation	-	-
Balance at the end of the Year	220,795,490	220,795,490

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

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

	2013	2012
	Rs.	Rs.
13 RETIREMENT BENEFIT OBLIGATION		
Provision for Gratuity		
As at 1 st January 2012	6,286,406	6,340,393
Add: Provision for the Year	1,248,472	838,395
	7,534,878	7,178,788
Less: Payments made during the Year	(577,845)	(892,382)
As at 31 st December 2013	6,957,033	6,286,406

13.1 Defined Benefit Liability is valued as of 31st December 2013 and the principal assumption used in the valuation is as follows.

	2013	2012
Discount Rate	12%	12%
Annual Salary Increment Rate	10%	10%
Staff Turnover	5%	5%

	2013	2012
	Rs.	Rs.
14 DEFERRED TAX		
Balance as at 01 st January 2013	32,029,950	44,361,740
Transferred during the Year	(2,249,094)	(12,331,790)
Balance as at 31 st December 2013	29,780,856	32,029,950

The Revaluation of Plant & Equipment in the SLFRS's Conversion of (Rs.151,333,490) creates a Deferred Tax Liability of Rs.58,717,596 as at 31st December 2010. This is to be charged / (Reversed) from January 2011 onwards in accordance with timing difference, decline in applicable Tax Rate of

the company from 2010 (tax rate - 35% - 2010) further, increased the Deferred Tax Liability charged to Statement of Comprehensive Income.

	2013	2012
	Rs.	Rs.
Transferred to Statement of Comprehensive Income	2,249,094	12,331,790

15 **CONTINGENT LIABILITIES**

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

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

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

17 **DISCLOSURES**

Refilling Process

Due to the leakage of chlorine, the environment of the plant located at Kalutara, Nagoda was affected, thereby it became necessary to shift to a new site that belongs to the Industrial Development Board Site. The cost for the event was Rs.6.7 Million (approximately) for this change of location. This has brought a reduction of profit for the year 2013 / 2014.

Hydraulic Testing Charges and Cleaning, Inspection & Drying Charges

Hydraulic Testing Charges and Cleaning, Inspection & Drying Charges incurred during the Year ended on 31st December 2013 was Rs.1,078,318.13. Out of that cost, for valid test certificates beyond 31st December 2013, amounting to Rs.94,171 has been deferred to year 2014.

18 **DIVIDEND PER SHARE**

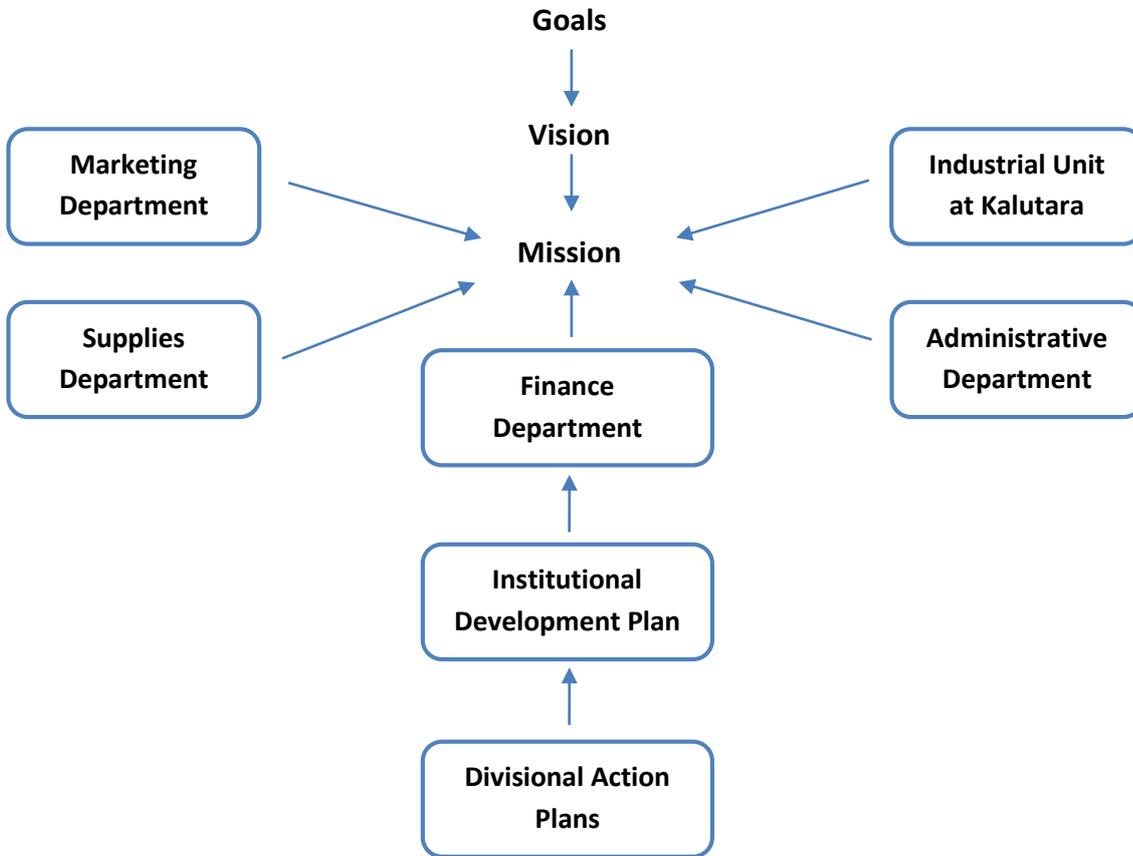
For the Year Ended 31st December

	2013	2012
	Rs.	Rs.
Final Dividends Declared	4,000,000	5,000,000
No. of Ordinary Shares	4,500,000	4,000,000
Dividend Per Share	1.12	1.25

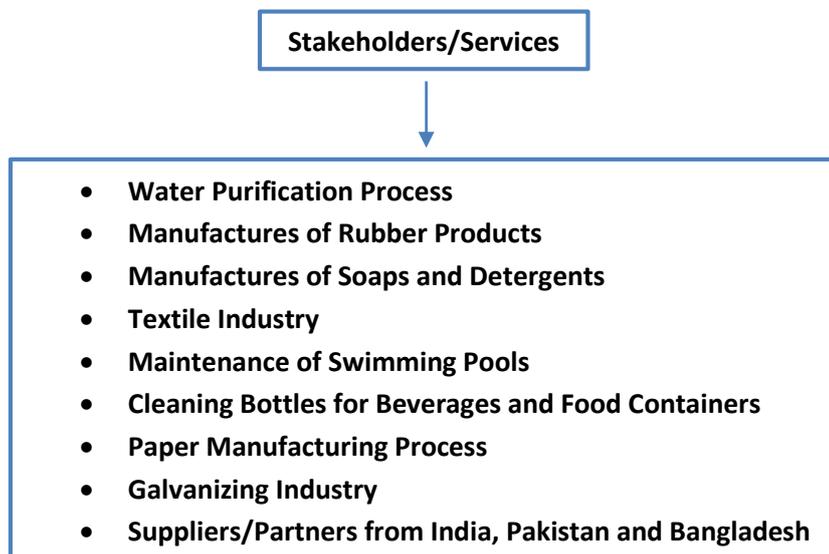
The Board of Directors, has recommended a first and final dividend of Rs.1/= per share (4,000,000) for the year ended 31st December 2013 which is to be approved by the shareholders at the Annual General Meeting, as stipulated by the Sri Lanka Accounting Standards (SLFRS/LKAS) No.10, Events after the Balance Sheet Date. This proposed dividend is disclosed, but not recognized as a liability as at 31st December 2013.

ORGANIZATION STRUCTURE – STRATEGIC BUSINESS UNITS

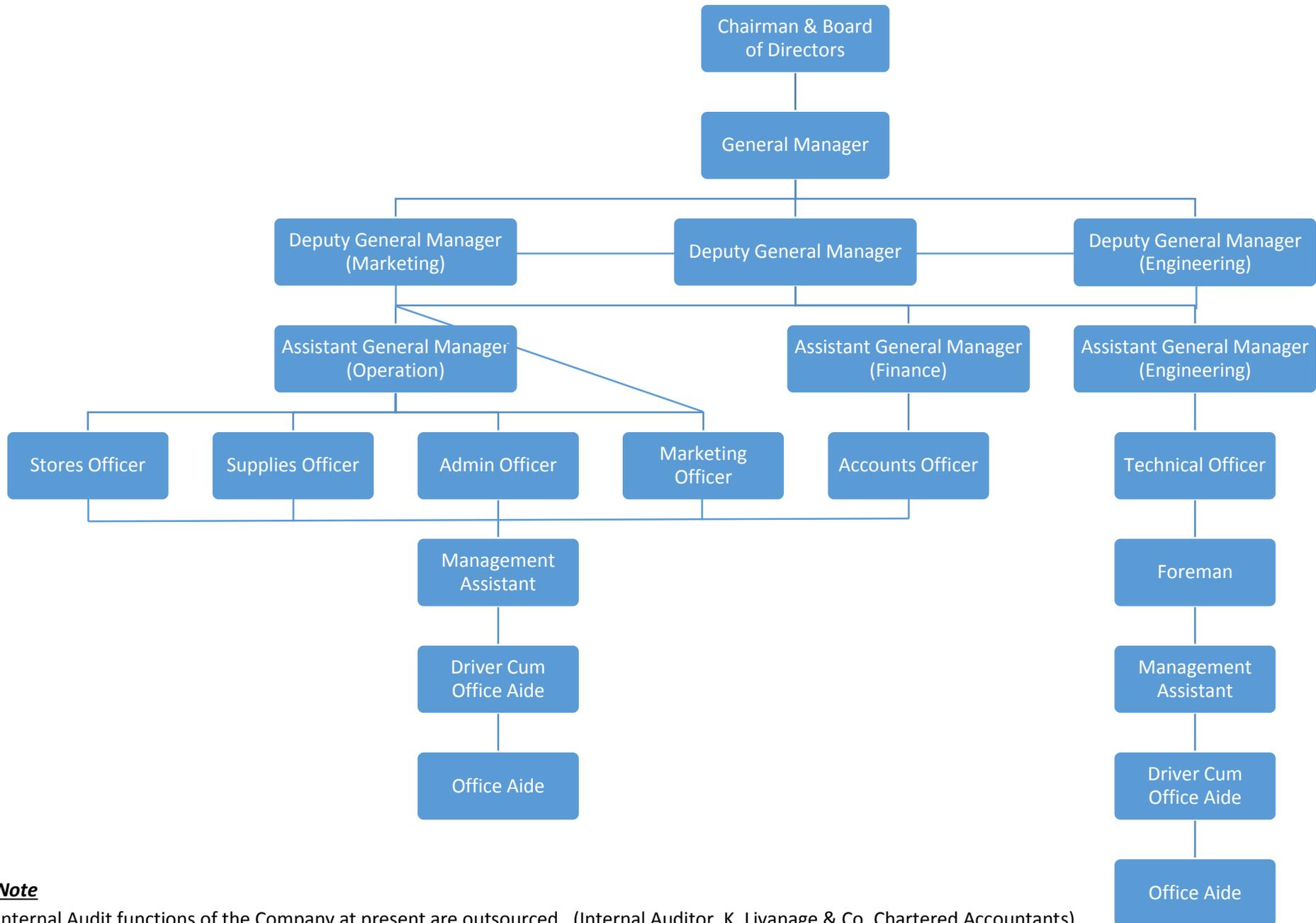
Strategic Business Units



Strategic Targets



PRESENT ORGANIZATION STRUCTURE



Note

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

HIGHLIGHTS / ACHIEVEMENTS IN 2013 AND PROJECTION FOR 2014

PARANTHAN CHEMICALS COMPANY LIMITED
OPERATIONAL FINANCIAL HIGHLIGHTS OF 2013 AND BUDGETED FOR 2014

	2012 Actual Rs.'000	2013 Actual Rs.'000	2014 Budgeted Rs.'000
NON CURRENT ASSETS	274,599	302,224	398,399
CURRENT ASSETS	193,255	195,336	107,402
TOTAL ASSETS	467,854	497,560	505,801
EQUITY AND LIABILITIES CAPITAL AND RESERVES			
Share Holders Fund	397,259	423,321	447,617
NON CURRENT LIABILITIES	38,316	36,738	39,382
CURRENT LIABILITIES	32,278	37,501	18,802
Total Equity & Liabilities	467,854	497,560	505,801
Revenue	217,297	206,268	264,413
Cost of Sales	(125,823)	(107,704)	139,734
Gross Profit	91,471	98,564	124,679
Other Operating Income	15,633	20,222	5,900
	107,104	118,786	130,579
Profit from Operation	32,112	37,272	37,996
Profit before Tax	32,015	37,162	37,851
Profit after Tax	37,325	31,062	27,510
Earnings per Share (Rs.)	9.33	7.76	6.87
Dividends per Share (Rs.)	1.25	1.12	1.25

PERFORMANCE REVIEW OF THE COMPANY

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

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

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

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

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

The Company has sustained an approximate financial loss of Rs.6.7 Million due to the chlorine leakage incident which resulted in changing logistics.

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

CORPORATE GOVERNANCE

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

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

THE BOARD OF DIRECTORS

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

Enhance shareholder value.

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

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

BOARD MEETINGS

The company conducts monthly board meetings and, where necessary special board meetings are convened in order to transact special business. During the year ended 31st December 2013, 12 meetings of board were held.

Board Meeting attendance - 2013

Name of Director	Number of Meeting Attended
Dr. D.J.U. Purasinghe (Chairman & Director - Executive)	12
Mr.Ananda Jayasiri Gamage (Executive)	11
Mr. H.M.R. Kiriella (Non-Executive)	10
Mr. B.G. Gunawardana (Non-Executive) With effect from 24/06/2013	05
Mr. H.A.N.S. Kumara (Non-Executive) With effect from 17/09/2013	03
Mr. Mayalagu Shashikaran (Non-Executive)	07
Mr. D.M.P.A. Dassanayaka (Non-Executive) Retired from 24/06/2013	06
Mr. Sarath Kumara (Non-Executive) Retired from 17/09/2013	08
Mr. J.D. Ahijith Wishwamitha (Non-Executive) With effect from 24/06/2013	06

Management Committee Meetings

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

Tenure, Retirement and Re- Election of Directors

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

Audit Committee Meetings

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

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

Audit Committee Meeting attendance - 2013

Name of Director	No. of Meeting Attended
Mr. H.M.R. Kiriella (Non-Executive)	04
Mr. B.G. Gunawardana (Non-Executive) With effect from 24/06/2013	01
Mr. H.A.N.S. Kumara (Non-Executive) With effect from 17/09/2013	01
Mr. Mayalagu Shashikaran (Non-Executive)	01
Mr. D.M.P.A. Dassanayaka (Non-Executive) Retired from 27/06/2013	02
Mr. Sarath Kumara (Non-Executive) Retired from 17/09/2013	03

Internal Control

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

Presentation of Financial Statements and Related Transparency & Accountability

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

Rules of Discipline

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

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

Financial Disclosures and Transparency

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

Ethical Standards

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

Statutory Payments

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

Accountability and Disclosure

In the year ended 31st December 2013, the members of the Board of Directors have reviewed in detail the Annual Financial Statements in order to satisfy themselves that they present a true and fair view of the Company's affairs. A summary of Director's Responsibilities in respect of Financial Statements is given on page 21.

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



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

AUDIT COMMITTEE REPORT

Role of the Audit Committee

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

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

Composition of the Audit Committee

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

Mr. G. Sarath Kumara - Chairman of the Audit Committee (the Treasury representative) - Retired
Mr. H.A.N.S. Kumara - Chairman of the Audit Committee (the Treasury representative) - Newly appointed
Mr. H.M.R. Kiriella - Member
Mr. Mayalagu Shashikaran - Member

Meetings and Attendance

The Committee met on 4 occasions during the year 2013 and discussed the matters referred by the board of directors at their meeting. Members` attendance at these meetings is set out in the Corporate Governance Report. The Managerial officers of the company, the Internal Auditors and the inviter of the Ministry of State Resources and Enterprises Development are invited to attend meetings whenever required.

Activities

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

Internal Control System

In 2013 the Committee reviewed the results of the audits undertaken by Internal Auditors, M/S Liyanage & Co., Chartered Accountants. The Internal Auditor (for the year 2013), considered the adequacy of management's response to the matters raised, including the implementation of any recommendations made.

Compliance

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

On behalf of the Committee,



Mayalagu Shashikaran
Member of the Audit Committee
28th May 2014



H.M.R. Kiriella
Member of the Audit Committee

PARANTHAN CHEMICALS COMPANY LIMITED
FIVE YEAR SUMMARY OF THE FINANCIAL HIGHLIGHTS
YEAR ENDED 31ST DECEMBER

	2013 Rs.	2012 Rs.	2011 Rs.	2010 Rs.	2009 Rs.
Revenue	206,268,365	217,294,221	186,898,881	179,531,798	191,919,442
Cost of sales	(107,704,481)	(125,823,189)	(98,658,356)	(105,762,236)	(111,419,740)
Gross profit	98,563,884	91,471,032	88,240,525	73,769,562	80,499,702
Other operating income	20,221,718	15,633,150	5,666,039	7,454,108	5,197,995
	118,785,602	107,104,182	93,906,564	81,223,670	85,697,697
Selling & Distribution expenses	(3,307,057)	(2,554,403)	(2,757,642)	(437,817)	(1,088,055)
Administration & Establishment exp.	(78,206,145)	(72,438,138)	(63,301,162)	(58,148,781)	(54,017,686)
Finance expenses	(110,369)	(95,792)	(136,125)	(413,523)	(487,225)
Profit before tax	37,162,031	32,015,849	27,711,635	22,223,548	30,104,731
Taxation	(6,099,832)	5,309,622	5,260,991	(12,655,534)	(15,641,455)
Net profit for the period	31,062,199	37,325,471	32,972,626	9,568,014	14,463,276
Dividend to Shareholder	4,500,000	5,000,000	3,000,000	3,000,000	3,000,000
ASSETS					
NON CURRENT ASSETS					
Property plant & Equipment	301,236,277	273,854,360	275,366,807	70,719,774	77,479,027
Work in Progress	987,330	744,330	744,330	1,319,330	-
Current Assets	195,336,180	193,255,173	166,118,013	139,778,694	112,949,955
Total Assets	497,559,787	467,853,863	442,229,150	211,817,798	190,428,982
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Stated capital	108,500,000	108,500,000	108,500,000	108,500,000	108,500,000
Retained profit	314,821,361	288,759,162	254,433,691	60,544,748	54,976,734
Shareholder's fund	423,321,361	397,259,162	362,933,691	169,044,748	163,476,734
Non-current liabilities	36,737,889	38,316,356	50,702,133	13,211,284	10,128,393
Current liabilities	37,500,537	32,278,345	28,593,326	29,561,766	16,823,855
Total equity and liabilities	497,559,787	467,853,863	442,229,150	211,817,798	190,428,982

NOTICE OF THE MEETING

Notice is hereby given that the 23rd Annual General Meeting of the Company will be held on 7th August 2014 at 2.00 p.m. at the Head Office of the Paranthan Chemicals Company Ltd., at 100/25, Sri Ramanathan Road, Colombo 13.

Agenda

1. To receive and adopt the Annual Report of the Directors and Financial Statements for the year ended 31st December 2013, together with the Report of the Auditors thereon.
2. To declare a Dividend as recommended by the Directors.
3. To re-elect two Directors who retire in terms of Articles 87 & 88 of the Articles of Association of the Company.
4. To appoint the new Auditor and to fix their fees as spelled out in Section 155(a) of the Companies Act No.07 of 2007.

By order of the Board



H.L. Vipula Silva
Secretary
17th July 2014

Notes:

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

