



LANKA CERAMIC PLC

ANNUAL REPORT 2020/21

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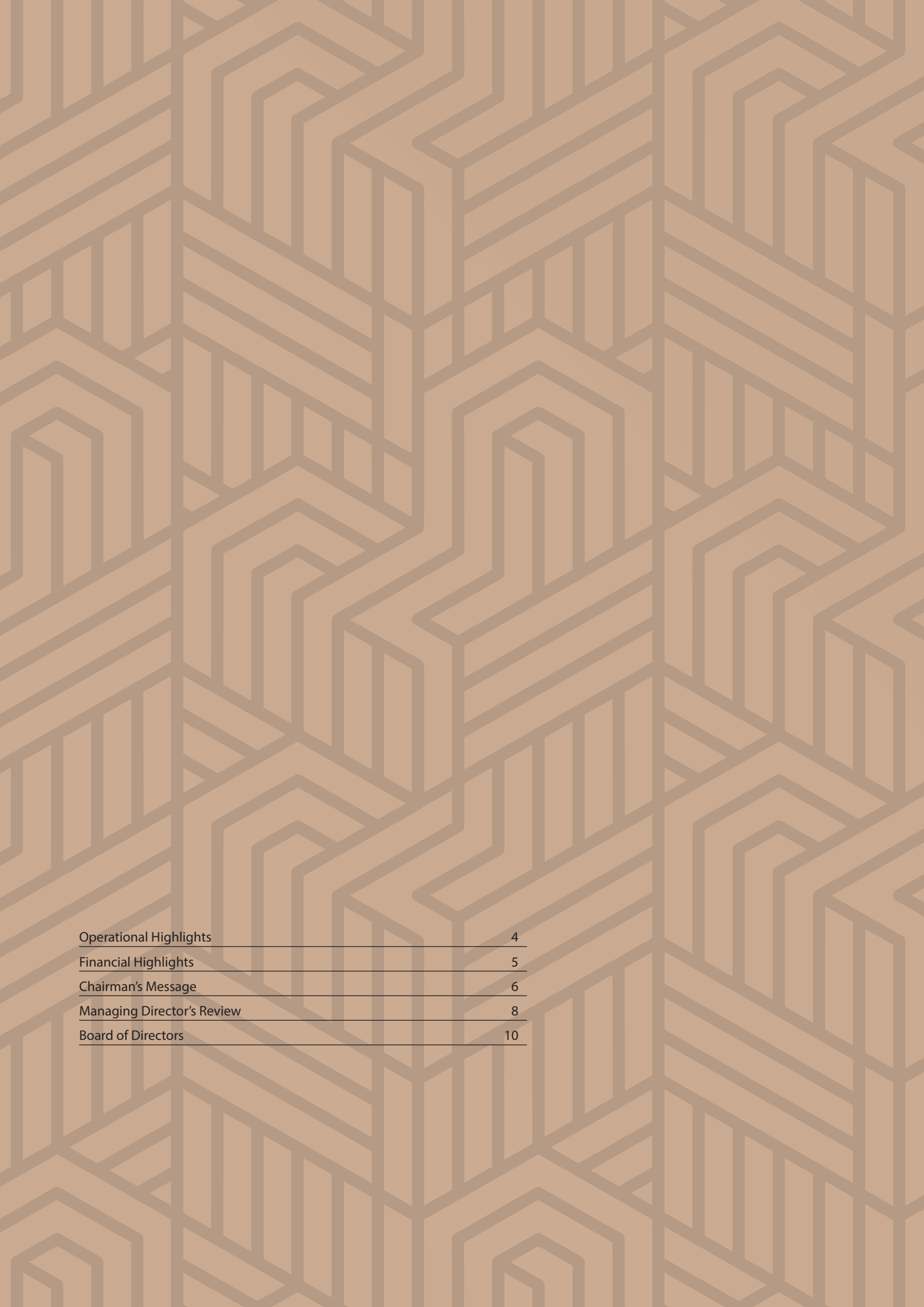
“At Lanka Ceramic, we work towards creating a positive social and environmental impact through every milestone we reach. We believe that our main responsibility is to leave our successor generation a meaningful future. Our best achievement is when our belief is put into action.”

“We evaluate our performance and the success of our strategy and business model by utilising Key Performance Indicators. We have chosen to measure these Key Performance Indicators because we believe they best demonstrate how we are driving the business and creating value for our stakeholders”



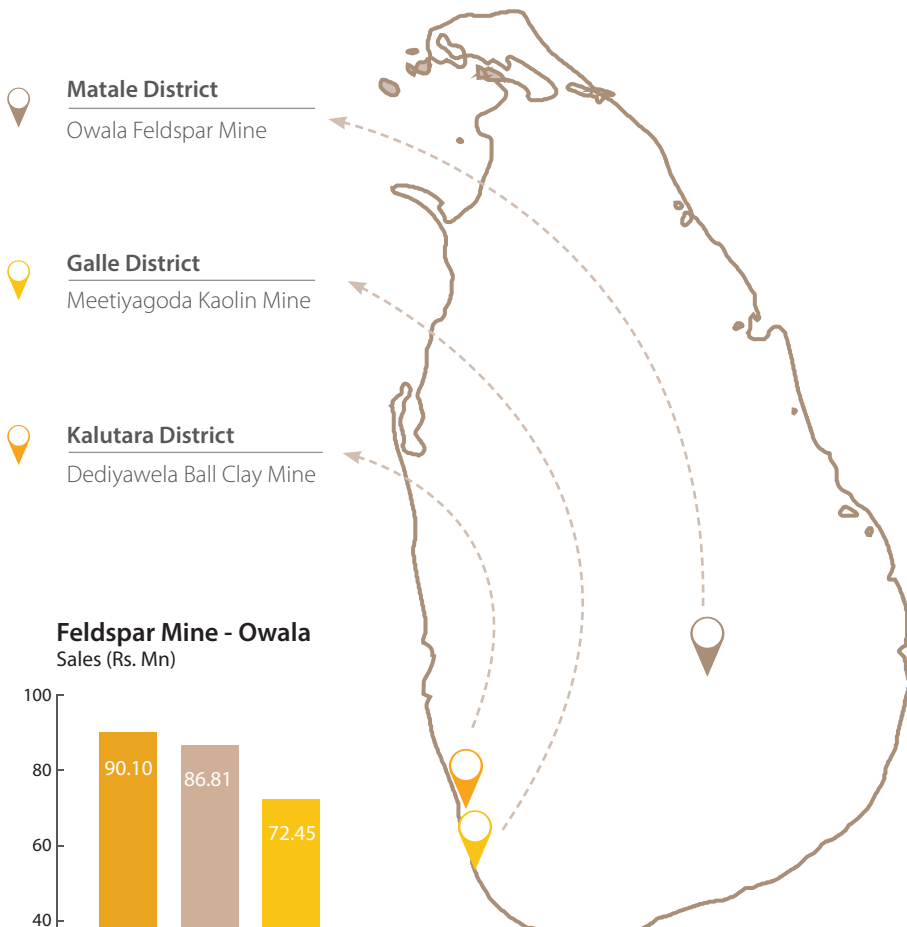


OVERVIEW

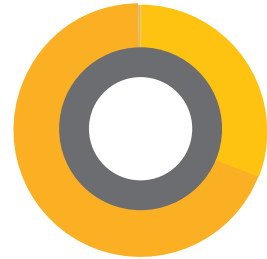


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OPERATIONAL HIGHLIGHTS

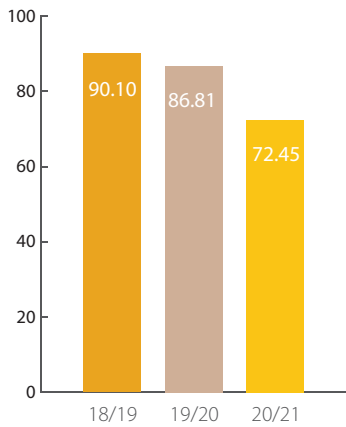


Mined Output Analysis (MT)

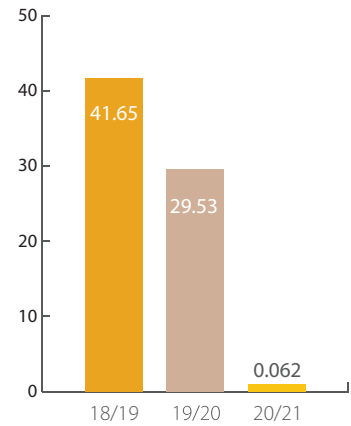


Kaolin	8,560
Feldspar	19,047
Ball Clay	16

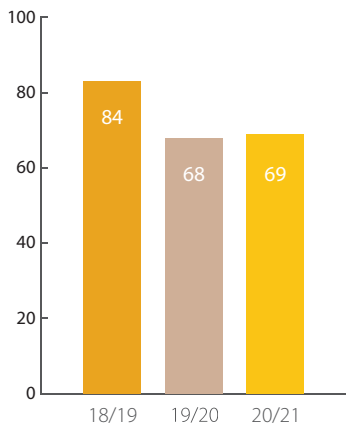
Feldspar Mine - Owala
Sales (Rs. Mn)



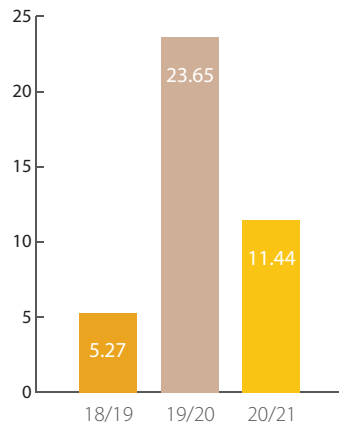
Ball Clay Mine - Dediyawela
Sales (Rs. Mn)



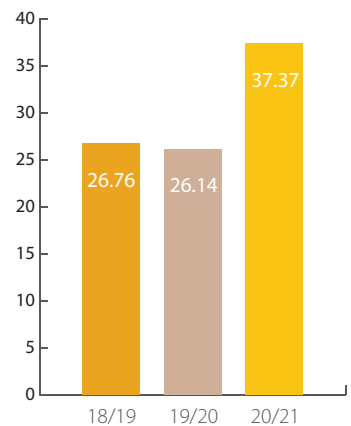
No. of Employees



Import Operation - Sanitaryware
Sales (Rs. Mn)



Kaolin Mine - Meetiyagoda
Sales (Rs. Mn)



FINANCIAL HIGHLIGHTS

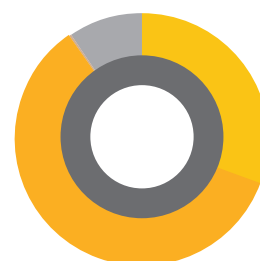
For the year ended 31st March Company at a Glance	Company		
	2020/21	2019/20	Change
	Rs.	Rs.	%
PROFITABILITY			
Revenue	121,329,735	166,131,623	-27%
Gross Profit	52,670,923	57,602,935	-9%
Profit Before Tax	75,907,045	28,256,132	169%
Profit After Tax	67,842,502	23,199,800	192%
FINANCIAL POSITION			
Investment Property	951,258,400	910,496,000	4%
Non-Current Assets	1,157,836,987	1,020,480,253	13%
Current Assets	124,081,158	139,400,186	-11%
Current Liabilities	53,908,697	64,341,376	-16%
KEY INDICATORS			
Dividend Pay-Out Ratio (%)	11.50	-	
Interest Cover (Times)	10.31	3.05	
Current Ratio	2.30:1	2.17:1	
Quick Asset Ratios	2.25:1	2.07:1	
Profit Before Tax to Revenue (%)	62.56	17.01	
SHARE PERFORMANCE			
No. of Shares	6,000,000	6,000,000	
Basic Earnings Per Share (Rs.)	11.31	3.87	
Dividend Per Share (Rs.)	1.30	-	
Market Price Per Share (Rs.)	110	77.10	



COMPANY PROFIT AFTER TAX

Rs **67.8Mn**

Composition of Income (Rs. Mn)



Kaolin	37.37
Feldspar	72.45
Ball Clay	0.06
Sanitaryware	11.44



COMPANY REVENUE

Rs **121.3Mn**

CHAIRMAN'S MESSAGE

“ Despite the challenges that prevailed during the period under review, our Company was able to persevere itself backed by its operational excellence and financial prudence. Over the last few years, Lanka Ceramic PLC has grown significantly as a result of its commitment to enhance shareholder wealth which reflects the enduring vision of the Company. ”

I consider it my privilege to welcome you to the 30th Annual General Meeting of Lanka Ceramic PLC and to place before you the annual report and audited financial statements for the financial year 2020/21. The downward global economic trend experienced in the preceding year worsened during the year under review as the outbreak of the COVID-19 global pandemic unleashed havoc. However, in this back drop your Company, Lanka Ceramic PLC recorded a profit after tax of Rs. 68Mn in the period under consideration.

ENVIRONMENTAL OUTLOOK

The mining sector was anticipating a year of growth during the financial year under review, particularly given the political stability that emerged following the presidential and thereafter the parliamentary elections. Regrettably, the COVID-19 pandemic generated a gamut of challenges which all institutions including your Company had to face. Thus, 2020/21 was, in essence, a difficult phase

not just for your Company but for the entire corporate eco-system, as the situation compelled us to re-shape our business processes as we focused on establishing an equilibrium vis-à-vis ensuring employee safety, while also delivering the services and operation required to sustain our businesses.

COMPANY OUTLOOK

Although the final position yet remains uncertain, all analysis predicts that COVID-19 will be the trigger to the deepest global recession in decades and will, in the near future, cause contractions across most emerging markets and developing economies. As estimated by the IMF's World Economic Outlook, global economic growth in 2020 fell to a negative 4.4% from +2.8% in 2019 and +3.5% in 2018. Thus, in many countries, the immediate priority is to alleviate human costs and attenuate the near-term economic losses. As reported by the Central Bank of Sri Lanka, GDP growth of the country plunged to a negative 3.6% in the year 2020 from +2.3% in 2019. Despite the challenges that prevailed during the period under review, our Company was able to persevere itself backed by its operational excellence and financial prudence. Over the last few years, Lanka Ceramic PLC has grown significantly as a result of its commitment to enhance shareholder wealth which reflects the enduring vision of the Company.

Revenue decreased by 27% from the previous year closing the year at Rs. 121Mn in comparison to Rs. 166Mn in the previous year. Revenue generated from the mining operations fell below expectation by Rs. 32Mn closing in comparison to the previous year's Rs. 142Mn. The Company's profit after tax increased by 192% to Rs. 68Mn in comparison to Rs.23Mn in the previous year. The Company share price stood at Rs. 110.00 as at 31st March 2021 as opposed to Rs. 77.10 which was the closing figure as of 31st March 2020. We at Lanka Ceramic value our shareholders and trust they have placed in us, in order to remunerate them for these values which they have placed in us the Company has declared an interim dividend of Rs.1.30 per share and recommended a final dividend of Rs.0.90 per share subject to shareholders approval at the Annual General Meeting.

A new ball clay deposit was identified and acquired by six Group Companies including the newly formed fully owned subsidiary; LC Plantation Projects Ltd of Lanka Ceramic PLC with equal investment totalling to Rs.340Mn in Akuressa.

This land which boasts a sizable ball clay deposit expanding across 292 acres will not only create a positive for the Company but further strength the supply chain of the Group, and secure part of the requirement of this vital raw material to produce tiles and sanitaryware. Many of the Group Companies, use this raw material in their main production lines, hence this strategic investment will provide a holistic boost to the entire Group while creating a positive impact on the Groups bottom-line.

OUTLOOKING BEYOND

The true economic effect of COVID-19 is yet ambiguous, particularly with regard to the mining sector in general, and all auxiliary services which go along with it, including government departments which issue licences and permits and several other service departments to remain in force. At Lanka Ceramic PLC, we continue to actively engage in our operations in order to ensure the uninterrupted operation of the business and the Group. The economic growth in the year 2021, and perhaps even in 2022, will depend on the evolution of the pandemic in Sri Lanka and the rest of the world. The future outlook for the mining industry will also be determined by the same.

Given this stark scenario, we need to seek opportunities with renewed vigour to drive growth. Our core businesses will continue to expand during the year. The import ban which was implemented during the initial stages of the COVID-19 pandemic continued to hamper trading operations of sanitaryware throughout the year which is the Company's fledgling business, the Company is hopeful of business growth in this sector with the lifting of the restrictions. The acquisition

of 292 acres of ball clay land in Akuressa is yet another expansion project which the Group engaged in. Lanka Ceramic PLC will undertake to mine the ball clay and create a steady supply to Group Companies. The Company is also looking into diversifying into other mineral mining areas which would improve the organic growth of the Company.

Acknowledgement

I am truly grateful to my Board of Directors for their timely and judicious counsel in navigating this year of extraordinary uncertainties and the Managing Director and the Corporate Management for their unwavering dedication towards meeting our goals.

Team Lanka Ceramic deserves praise for their efforts in 2020/21, without which we could not have made it through the year successfully. As always, I am grateful to our shareholders for their understanding and continued confidence in us. Thank you to each of our stakeholders and partners in this journey and confidence which they have placed in us.



A.M. Weerasinghe

Chairman

31st May 2021

MANAGING DIRECTOR'S REVIEW

“The Company's strong footing in the industry over the decades enabled it to remain resilient despite several challenges faced by the industry as well as the Company. The many improvements which were brought about throughout the years reaped rich benefits and were the contributors to the Company's positive outcome.”

As we embark on a new year 2021/22, we are at a juncture to look back and reflect upon the year 2020/21, possibly the most tumultuous year of our lifetime which re-shaped the socio economic landscape dramatically elevating uncertainties and risks at every level both locally and globally.

While the business of Lanka Ceramic remains a “hands-on” operation, many obstacles were seen in this business environment, however these obstacles did not hinder the positive outcome of the Company in the year under review. The financial year commenced with the first quarter reeling from the impacts of the COVID-19 pandemic, however the dark clouds seemed to disappear during the latter part of the second quarter, opening new positive in the third quarter.

The local economy took a major hit after 19 years of positive growth contracting by 3.6% in 2020. Interest Rates continued to decrease while Inflation remained volatile for the year. The Sri Lanka Rupee also depreciated by 3.8 % against the US Dollar during 2020. The period 2019/20 posed many challenges which trickled into 2020/21.

REACHING HEIGHTS

The ceramic industry in Sri Lanka has a heritage which spans over number of decades. Lanka Ceramic PLC has been part of this rich heritage and grown over the years to become a formidable player in this industry. Being part of a diversified Group further helps the Company to not only solidify its position, but also grow its business, while looking at new avenues to further growth. The Company's strong footing in the industry over the decades enabled it to remain resilient despite several challenges faced by the industry as well as the Company. The many improvements which were brought about throughout the years reaped rich benefits and were the contributors to the Company's positive outcome. The Company profit after tax increased by 192% to Rs.68Mn compared to the last year of Rs.23Mn. The share price as at 31st March 2021 was Rs. 110.00. This is a clear indication of the Company's robust position. Net Asset Value per share moved up from Rs.140.48 to Rs.161.68, while the gearing ratio improved from 10% to 9% with the decrease of borrowings. The investments made by the Company throughout the year were financed through internally generated funds, which portrays the capabilities of the management team and their vision for the Company.

The import ban which was imposed due to the growing balance of payment deficit hampered the trading operations of the Company, mainly affecting the importation of sanitaryware and related items during the year. However, this ban was lifted on 16th March 2021 and the Company is looking forward to thrive on this business.

With many government establishments being closed down or operational with restricted access during most part of the year the Company faced several challenges in obtaining the necessary mining licences in due course. This had a major impact on the Dediawala ball clay mine. With expansion operations on the cards the delay in obtaining the necessary licences resulted in a 'non-operational' stance, ending the year with no contribution to the Company's bottom line.

The Meetiyagoda Kaolin mine which underwent operational change in the previous year from mining and refining Kaolin to the singular operation of mining Kaolin, was the second biggest contributor to the Company's bottom line, bringing in a total revenue of Rs. 37Mn for the year under review. Also, during the year the Company has acquired a 13-acre land for soil extraction in the near proximity to Meetiyagoda mine. This will be utilized for the rehabilitation of mining lands which will further strength the mining operation and compliance with government regulations, while the tile sales outlet also located at the same premises too showed a positive increase in sales.

The Owala Feldspar mine deposit is the largest in the Country and has tremendous expansion possibilities. With an implementation of a sorting plant on the cards for the next year, this operation will further contribute to increasing profits of this mine, while also reducing labour required in carrying out the same operation manually which is the current state.

During the year under review Lanka Ceramic PLC through its newly formed subsidiary; LC Plantation Projects Ltd along with another five subsidiary Companies of Rocell Group invested equally on CP Holding (Pvt) Ltd who owns a 292-acre plot of land with ball clay deposits in Akuressa. Thus, further establishing the Company's operational stability. Lanka Ceramic PLC will undertake the mining operations of this expanse of land while the Group Companies; Royal Ceramics Lanka PLC and Lanka Tiles PLC will use the clay mined from this land for their productions. In this manner the group will create a cohesive business environment, ensuring that all the companies reap the benefits.

GOVERNANCE, RISK AND COMPLIANCE

Lanka Ceramic PLC manages its business operations in accordance with appropriate standards for good corporate governance, risk and compliance. The Board is committed to enhancing stakeholder value whilst ensuring that proper internal control systems are in place by complying with generally accepted practices as well as specific requirements outlined in the Code of Best Practices on Corporate Governance, issued by the Institute of Chartered Accountants of Sri Lanka, on matters relating to the financial aspect of corporate governance as a useful guideline.

The Corporate Management has been delegated the authority to formulate strategies, seek approval for such strategies and implement them within the policy framework established by the Board.

The Audit Committee and the Related Party Transactions Review Committee attend to all governance and risk related issues which arise. These strategically formed committees play a key role in ensuring the transparency of transactions during the period under review.

LOOKING BEYOND

The outlook which was extremely uncertain at the beginning of 2020/21 has improved as lockdown measures were eased gradually. The Company's mining facilities have commenced operations although productivity is below optimal levels due to social distancing and other safety measure implemented at all premises. While there are significant downside risks and a forecast of subdued economic activity and consumer purchasing power, we are geared up to redouble our efforts.

While the sanitaryware business is likely to face challenges in their operations post lifting the import ban; increased import taxes, intense competition in the market place and further depreciation of exchange rate remains concerns. The main operation of the business which is the mining of raw materials likely to make an upward trend due to an increased demand of raw materials in the local market as a ripple effect of the import ban imposed on tiles.

In order to ensure that we maintain profitability we have implemented necessary risk management mechanisms, while initiating several measures to control cost, preserve liquidity and curtail losses and consolidate our position in a recalibrated to a post COVID epoch of business. These measures will include the recommencement of sanitaryware imports post lifting of the import ban, resuming mining in newly purchased land in Dediawela and the commencement of ball clay mining in the newly acquired premises in Akuressa.

CREATING A NEW PARADIGM

We will continue to explore new markets and new market opportunities, while diversifying and upgrading our portfolios to rebalance product and market risks. Increasing supply by purchasing of the lands and obtaining mining licences will be paramount as currently Lanka Ceramic PLC is not capable to meet Group's demand.

As we face an increasingly unpredictable future with economic instability due to the prevailing COVID-19 pandemic, the Company builds resilience and capabilities to maintain a sustainable growth trajectory.

I would like to extend my sincere thanks to the Chairman and the Board for their guidance and confidence in me throughout the year. A special note of appreciation to our shareholders, for their continuous trust and confidence placed in Lanka Ceramic PLC. A special thank you to our most valued asset - our employees for being positive change agents. I also thank our suppliers, financial institutions and other stakeholders that directly and indirectly engaged with the Company as we continue to progress further – together.



J.A.P.M. Jayasekera
Managing Director

31st May 2021

BOARD OF DIRECTORS

MR. A.M. WEERASINGHE

Chairman

Founder of Royal Ceramics Lanka PLC in 1990. A Gem Merchant by profession. Mr. Weerasinghe has been in the business field for more than 37 years involved in Real Estate, Construction, Transportation and Hospital Industry and has been a Landed Proprietor. In addition to the above, he is the Chairman of Singhe Hospitals PLC, Weerasinghe Property Development (Pvt) Ltd., Trade Huts (Pvt) Ltd. and Weerasinghe Gems (Pvt) Ltd and the Deputy Chairman of Royal Ceramics Lanka PLC, Lanka Tiles PLC, and Lanka Walltiles PLC. He also serves as a Director of Swisstek (Ceylon) PLC and Swisstek Aluminium Limited.

He is a Director of Lanka Tiles PLC, HNB Assurance PLC, Softlogic Holdings PLC, Odel PLC, Lanka Walltiles PLC, ACL Cables PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium (Pvt) Ltd.

He has also served as a Senior Lecturer in the Medical Faculty for many years in the past. Currently he serves as a Council Member of the University of Colombo.

Dr.Selliah also serves on the following Board Sub Committees of some of the companies listed above as a member or Chairman: Human Resource and Remuneration Committee, Related party Transaction Committee, Audit Committee, Investment Committee and Strategic Planning Committee.

MR. J.A.P.M. JAYASEKERA

Managing Director

Mr. Mahendra Jayasekera is the Managing Director of Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium Ltd. He is also a Director of HNB Assurance PLC, Uni Dil Packaging Limited and Uni Dil Packaging Solutions Limited.

Mr. Jayasekera holds a BSc Special (Hons) degree in Business Administration from the University of Sri Jayewardenepura and is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

MR. THARANA THORADENIYA

Director

Mr. Thoradeniya has over two decades of senior management experience in multi- industry scenarios. He is the Group Director Marketing and Business Development of Royal Ceramics Lanka PLC. He sits on the Boards of several public quoted and privately held companies, including Lanka Ceramics PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Hayleys Fibre PLC, Delmege Ltd, Vallibel Plantation Management Ltd, Dipped Products (Thailand) Ltd, Unidil Packaging (Pvt) Ltd, Fentons Ltd and Swisstek Aluminium Ltd, among others. He has been credited as a proven business innovator across industries. A marketer by profession, he was in the pioneering batch of Chartered Marketers of the Chartered Institute of Marketing (UK).

DR. SIVAKUMAR SELLIAH (MBBS, M.PHIL)

Director

Dr. Selliah holds an MBBS Degree and a Master's Degree (M Phil), and has over two decades of experience in diverse fields including Manufacturing, Healthcare, Insurance, Logistics and Packaging, Renewable Power, Plantation, Retail etc.

Dr. Selliah is currently the Deputy Chairman of Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Central Hospitals Private Ltd.

Dr. Selliah is the Chairman of JAT Holdings Ltd., Vydexa (Lanka) Power Corporation (Pvt) Ltd. and Cleanco Lanka (Pvt) Ltd. Dr. Selliah is also the Deputy Chairman of Evoke International Ltd.

MR. K.D.G. GUNARATNE

Director

Mr. Gunaratne presently serves as Chairman of Lanka Hotels and Residencies (Pvt) Ltd (Sheraton Colombo), Board Member of Swisstek (Ceylon) PLC, Regnis Lanka PLC, Singer Industries (Ceylon) PLC, Dipped Products PLC, Lanka Walltiles PLC, Lanka Tiles PLC and Hayleys PLC.

Previously he has served as Vice Chairman of National Water Supply and Drainage Board.

MS. A.M.L. PAGE

Director

Ms. Anjalie Page holds a BSc (Hons) Psychology (First Class) Degree from the University of Nottingham, United Kingdom and a MSc in Economics, Finance and Management (Distinction) from the University of Bristol, United Kingdom.

Ms. Page has been employed at several institutions in Sri Lanka and overseas.

MR. J.D. NIHAL KEKULAWALA

Director

Mr. Kekulawala has held senior positions in the Hatton National Bank PLC including Chief Financial Officer, Senior Deputy General Manager Strategy and Compliance. He worked as the lead consultant responsible for commencing commercial banking operations in the Solomon Islands and also functioned as the inaugural CEO of the Bank.

Mr. Nihal Kekulawala is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Chartered Institute of Bankers in England. He holds a MBA from the University of Manchester.

MR. D.J. SILVA

Director

Mr. Dulanjana Silva is a graduate in Computer Science and Engineering and holds qualifications from the National University of Singapore and the University of Sunderland, UK. Having begun his career at the Port of Singapore Authority, he has experience in planning, developing, deploying, and supporting a wide range of IT solutions. At present, he is the Chief Operating Officer at Arimac Lanka (Pvt) Ltd and also serves as a Director at Delmege Forsyth Group and Rocell Bathware Ltd.

MR. S.M. LIYANAGE

Director


Mr. Liyanage is a respected professional with over 8 years experience and a record for exceptional performance. He has demonstrated transformational leadership in business transformation for the companies under the Vallibel One PLC Group.

He has a degree in Bachelor of Science in Industrial Management and Statistics from the Wayamba University of Sri Lanka and Master of Business Administration from University of Kelaniya. He holds a Diploma in Information Technology from University of Colombo.

He currently serves as an Assistant General Manager Continuous Improvement and Research at Vallibel One PLC, where he is responsible for business strategic planning, supply chain development, developing new business and coordinating manufacturing excellence projects at the Vallibel Group of Companies.

He was certified as a Lean Six Sigma Black Belt and has trained as a Lean Six Sigma Master Black Belt. He was also declared as a certified TPM practitioner and has a publication on the topic of Lean Six Sigma 4.0 at the OELSS conference in Colombo.

Mr. Liyanage is a Member of the Alumni Association of SSMI Asia and Global. He has participated in International Business and Management at MSU, Malaysia.



MANAGEMENT
DISCUSSION
AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

“The strategic interchange of operations on the Meetiyagoda mine from mining and refining to the singular operation of mining proved to be a good and timely change. Despite pandemic conditions and closures Meetiyagoda was able to record a sale of approximately Rs. 37Mn which is the highest in the last three years.”

ECONOMIC ENVIRONMENT

Amid the COVID-19 pandemic, Sri Lanka's economy contracted by 3.6 percent in 2020, the worst growth performance on record, as is the case in many countries fighting the pandemic.

The government took proactive measures to moderate the effect of the pandemic. Regardless of restricted financial space, resources were designated (roughly 0.7 percent of GDP). It was a year in which we saw the increase in public expenditure however on the flip side of the coin, public income was at a low; these yet again being the effects of the COVID-19 pandemic. Headline inflation which is measured year-on-year (Y-O-Y) change in the National Consumer Price Index (NCPI), increased to 5.1 per cent in March 2021. Meanwhile, the unemployment rate rose above 5 percent for the first time since 2009, with a decline in the labour force participation rate, in the wake of uncertainties surrounding the pandemic. Reflecting the combined effect of the contraction in Gross Domestic Product (GDP) at current market prices and the depreciation of the Sri Lankan rupee against the US dollar,

GDP per capita declined to US dollars 3,682 at the end of 2020 from US dollars 3,852 in the previous year. The Sri Lankan rupee depreciated by average of 3.8% during 2020 compared to 10% last year. Predictions state that the Sri Lanka's economic growth will rise to 4.1% in 2021 and moderate to 3.6% in 2022. However, with COVID-19 pandemic yet throttling the economy, it will be a wait and see.

The real estate and construction sectors were severely hit by the Pandemic. The performance of this sector declined by 13% during 2020 with many obstacles in their path way, such as the sourcing of raw materials, the breakdown in transportation systems and restrictions relating to accommodation of site works coming into play. Even though the demand for tiles in the local market contracted significantly the supply of tiles too contracted due to import ban imposed on tiles. In the wake of growing demand for local tiles in the Country, all tile manufactures were running their plants at full capacity which in turn favorably impacted mining industry.

ABOUT LANKA CERAMIC PLC

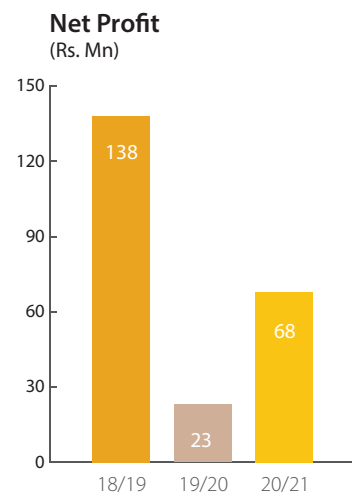
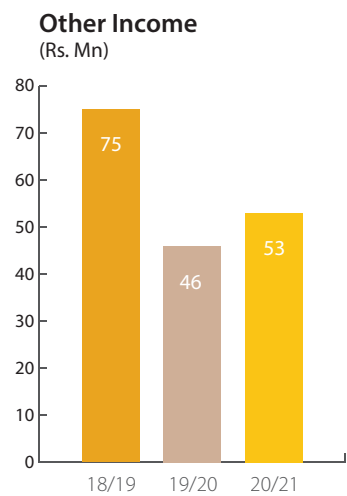
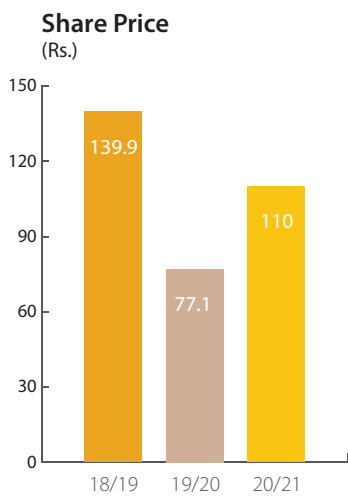
Lanka Ceramic PLC which has dotted the Sri Lankan landscape for the past seven decades, has been a front runner in supplying vital raw materials to the Ceramic Industry. The Company currently owns three mining operations which are located in Meetiyagoda, Owala and Dediawela from which Kaolin, Feldspar and ball clay are mined. Being part of a large conglomerate, Lanka Ceramic PLC's parent entity is Royal Ceramics Lanka PLC while the ultimate parent entity is Vallibel One PLC. As a standalone entity, mining remains the core business and the main revenue generator. The Company operates as the mining arm of the group and partially satisfies the raw material requirement of the two largest tile manufacturers in Sri Lanka. In addition to these the Company owns and manages investment property which significantly contributes to the Company's profitability and operates a Lanka Tile showroom as a franchise partnership.

FINANCIAL REVIEW

The multiplicity of the group's operations has enabled the Company to build a strong foundation for sustainability during the grey years.

Revenue

Revenue decreased by 27% from the previous year closing the year at Rs. 121Mn in comparison to Rs. 166Mn in the previous year. Revenue generated from the mining operations in the current year is Rs. 110Mn in comparison to last year's Rs.142Mn. This indicated an unexpected decrease of Rs. 32Mn in comparison to the previous year's Rs.142Mn as a result of the COVID-19 pandemic which took a direct toll on the mining operations in the first quarter of the year



Cost of Sales

The Company Cost of Sales decreased by 37% to Rs. 69Mn in 2020/21 compared to Rs.109Mn during the last year. This is mainly driven by the drop in revenue by 27%. Several cost saving initiatives were implemented during the year to control the increase in cost and maintain it at the current level.

Gross Profit and Margin

The Company Gross Profit declined only by 9% to Rs. 53Mn despite the 27% decrease in the revenue. This was mainly due to decrease in cost of production which outweighed the drop in revenue and the price increase in Feldspar and Kaolin which took place in November 2020. The increase in these two raw materials which are necessitates in the ceramic production bore a significant impact on the bottom line of the Company and going forward, could be attributed as a key in increasing the Company's profit.

Operating Costs and Earnings Before Interest and Tax

Operating costs of the Company amounted to Rs. 63Mn, a 0.34% decrease from the last year. Although administration cost increased during the year by 5%, the impact was subdued due to the decrease in distribution cost by 23% which was in line with the decrease in revenue.

Finance cost decreased by 41% from Rs. 14Mn to Rs. 8Mn as the Company borrowings and cost of funds decreased.

Other incomes of the Company increased to Rs. 53Mn during the year from Rs. 46Mn in the previous financial year with a 15% increase. Increase in the commission income, quartz sales and Rs. 03Mn land disposal profit earned during the current year were

the main reasons behind this. In addition to this the Company has earned Rs.1Mn as interest income in the current year which is a new addition compared to the previous year.

The Rs. 2Mn fair value gain recognised from the investment property in the last financial year increased to Rs. 41Mn in the year under review due to property values somewhat being recovered from the impact of the pandemic situation prevailed in the Country.

Given this scenario profit before tax of the Company amplified to Rs. 76Mn compared to Rs. 28Mn last year recording an increase of 169%.

Taxation

Income tax expenditure increased to Rs. 8Mn compared to Rs. 5Mn in the previous financial year due to changes in deferred taxation provision despite the reduction of corporate income tax rate from 28% to 24% during the year. This is mainly due to the deferred tax liability arising from the revaluation gains from the investment property and the land and buildings. However, the Company does not have any income tax liability to be paid due to the utilisation of brought forward tax losses.

Profit After Tax

The Company profit after tax increased by 192% to Rs. 68Mn compared to the last year of Rs. 23Mn. Revaluation gains from the investment property, increasing other income and decrease in operational cost were the main contributors to this.

Dividends

The Company has declared an interim dividend of Rs.1.30 per share and proposed a final dividend of Rs.0.90 per share subject to shareholders approval at the annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure

The Company spent Rs. 37Mn to acquire property, plant and equipment out of which Rs. 34Mn to purchase a land to be used to fulfill soil requirement to refill mined lands and Rs. 3Mn to upgrade the building and purchase of equipment. In the last financial year spent only Rs. 0.8Mn as economic conditions of the country did not encourage capital expenditure.

Other Financial Review

The share price as at 31st March 2020 was Rs. 77.10 and ended as at 31st March 2021 at Rs. 110.00. Earnings per share stood at Rs. 11.31 in the financial year 2020/21 and Rs. 3.87 in the financial year 2019/20. The Net Asset Value per share moved up from Rs. 140.48 to Rs. 161.68. The gearing ratio improved from 10% to 9% with the decrease of borrowings.

OPERATIONAL REVIEW

The year under review saw the Company facing many challenges. It is rare to have single black swan event impact operations in one year but in Sri Lanka we experienced two major black swan events marking the beginning and end of the previous year and beginning the current year causing a negative outlook. Consequently, days of lost productivity and sales were among the highest recorded in over a decade exacerbated by weak economic conditions and several provinces going into a status of lockdown for several months. Reduced productivity and geopolitical tensions continued to weaken global trade and economic growth in 2020 resulting in a moderation of the outlook for 2021 which was curtailed by the second wave of the COVID-19 pandemic. Regulatory restrictions were further enhanced due to the closure of government authorities' offices and restricted access to these institutions.

These restrictions had an adverse effect on the Dediawala ball clay operation, bring it to a halt during the year under review.

The strategic interchange of operations on the Meetiyagoda mine from mining and refining to the singular operation of mining proved to be a good and timely change. Despite pandemic conditions and closures Meetiyagoda was able to record a sale of approximately Rs. 37Mn which is the highest in the last three years. However, the anticipated targets were not achieved. This operation sprouts a large potential for the Company which will have a positive impact on its bottom line.

The Company's importation and trading operation was drastically hampered during the year under review due to the government ban imposed on importation with the intention of controlling the exchange rate which was depreciating at an alarming rate; thus, generating only a sales volume of approximately Rs. 11Mn during the year,

“As a people centric operation, human capital plays a crucial role to our success. Hence, our investments in human capital are focused mainly on having the right people, with the right skill set, at the right time.”

Owala Mine is one of the largest Feldspar deposits in Sri Lanka. Feldspar is one of the main raw materials used in the ceramic and glass industry. While the Company was looking to further enhance the mine's license to A-grade status, this was unable to be carried out during the year under review. More of the production from the mine dropped during the first quarter of the year due to restriction imposed pertaining to the pandemic; closing the year with a sale of approximately Rs. 72Mn.

The introduction of an automated sorting plant at Owala is on the cards for the next year, which we hope will further increase the capacity and quality of Feldspar produced in this mine.

The franchise operation in Meetiyagoda also contributed positively to the Company's bottom line. The Company has taken a strategic decision to divest lands that do not meet its feasibility standards. Although the Company would have held on to such lands in the past, it is becoming increasingly difficult to manage such lands due to illegal encroachments.

During the year under review Lanka Ceramic through its newly formed subsidiary; LC Plantation Projects Ltd along with another five subsidiary companies of Rocell Group invested equally on CP Holding (Pvt) Ltd who owns a 292-acre plot of land with ball clay deposit in Matara. Thus, further establishing the Company's operational stability.

HUMAN CAPITAL

As a people-centric operation, human capital plays a crucial role to our success. Hence, our investments in human capital are focused mainly on having the right people, with the right skill set, at the right time. Diversity brings innovative ideas, perspectives and experiences in a welcoming environment where everyone has the opportunity to fully participate. We consider it is vital to respect the individuality of every person working with us and to embrace the opportunities that diversity in the workplace brings. Diversity and an inclusive workplace are critical to our Company and we are taking extensive measures to ensure that the attitudes of openness and inclusivity are embedded at every level. The Company's training and development programs are key policy components of talent retention and ensuring a sustainable competitive advantage. Our approach covers a range of skills with a wide range of resources and programs established for learning and development purposes. In order to uplift our team and create a congenial environment.

The following competitive tools have been implemented to increase productivity of employees; these include:

- ★ 100% evaluation of the employee performance.
- ★ Implementation of Strategic Policies & Procedures to improve the employee productivity.
- ★ Focus on Career Development of the workforce.
- ★ Continuously review the employee health & safety.

WORKPLACE HEALTH AND SAFETY

The Company has a comprehensive Health and Safety policy ensuring a hazard free environment to all employees. Following the outbreak of COVID-19 we further strengthened safety mechanisms, improving hygiene practices, raising employee awareness, and facilitating remote working arrangements for office-based employees.

During the year the following initiatives were carried out in accordance with occupational health and safety requirements along with adequate medical and insurance coverage;

1. Supply of personal protective equipment to prevent the hazards in the work place.
2. Risk assessments carried out in order to ensure the compliance of the Government Rules and Regulations related to the health and safety were in place.
3. Safety committee meetings are organised involving employees and line managers in order to ensure the safety of the employees to be maintained at all times.

EMPLOYEE EVENTS

While focusing on workplace benefits, the Company also organised social events for small groups of employees to facilitate networking and relationship building outside the work environment.

These included an annual trip for executives, and non-executives in the factory and head office. Various other religious activities were also carried out in order to develop the 'spiritual' aspect of all the employees. In order to safeguard the employees during the pandemic, sanitisation materials along with other resources which were needed in curbing the spreading of COVID-19 were provided while strictly adhering to all the rules and regulations imposed by the Government and health authorities.

TALENT DEVELOPMENT

We continue to invest in developing employees across all sectors, categories, and locations. Our learning comprises of on-the-Job training also featuring cross – functional and cross – sectoral exposures, coaching and mentoring relationships as well as structured training programmes. The training catalogue, developed in line with the Group's training framework and consisting of a number of programs, was utilised as a framework to roll out training programs within the year based on the needs identified and thus ensuring the learning culture was consistently and continuously maintained across the Company and during the year main focus was given for online training due to social distancing.

DIVERSITY AND GENDER PARITY

The Company is committed to building diverse talent pools and continues to refine its HR policies and practices to ensure that all employees are treated fairly and equitably in a conducive environment. The policy framework supporting diversity and gender parity includes equal opportunity, anti-sexual harassment, and a dedicated grievance handling mechanism for harassment related grievances.

WAY FORWARD

We entered 2020/21 with several uncertainties, particularly the outbreak of COVID-19 and its impact on production, trade and business confidence. However, the year did turn out some strategic initiatives, especially in the line of acquisitions which will reap positive benefits for the Company and the group. We will continue to strive towards our goals while making competent decisions where necessary in order to ensure that the business runs profitably.



CORPORATE
GOVERNANCE

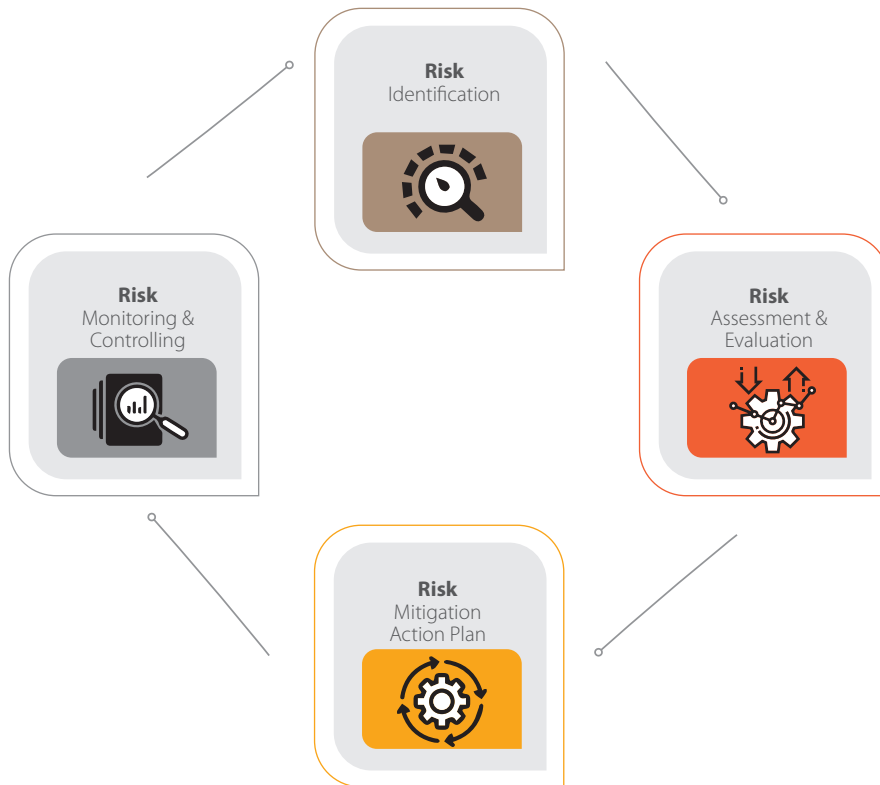


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RISK MANAGEMENT

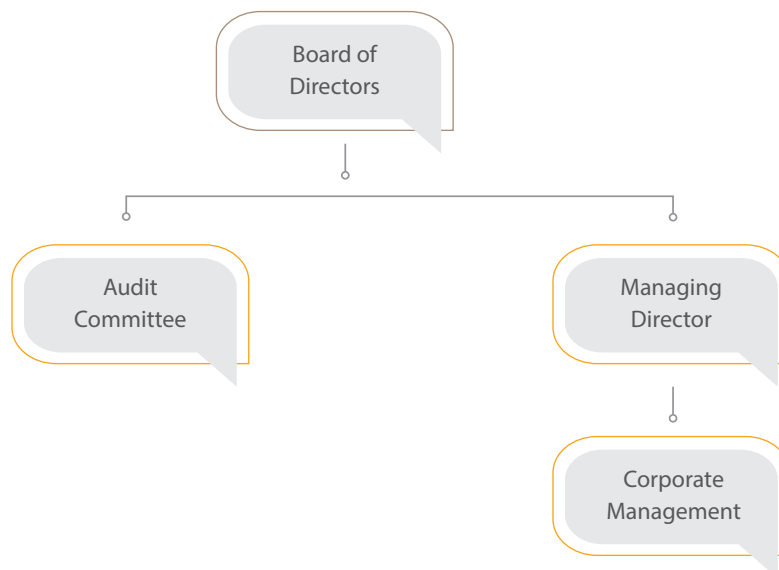
INTRODUCTION

Risk management is a critical requirement for any Company operating in a rapidly-changing competitive business environment. We recognise the importance of risk management and the process of risk management is developed to ensure that key risks are proactively identified and managed effectively with a view to protecting the shareholder value, thereby reducing and eliminating risks.



RISK GOVERNANCE

The Board is responsible for risk management of the Company and Audit Committee review the risk in more detail. Corporate management is responsible for the identification of the emerging risk and communicating to the Managing Director to develop appropriate mitigating action plans. Managing Director communicates the material risks to the board where necessary. The Board also monitors the risk landscape and provide necessary guidelines to manage the risk effectively.



RISK ENVIRONMENT

We have identified a range of risks relevant to the environment in which the industry operates and undertook a comprehensive assessment of all that needs to be actively managed in order to safeguard the interest of the stakeholders.

Financial year 2020/21 was in fact a challenging year with severe risks throughout the year with the outbreak of COVID-19 pandemic in March 2020. Subsequent to the third wave which heightened in late April 2021, the Company has complied with all the directives issued by the Government of Sri Lanka to safeguard the health of our employees, customers, suppliers and all other stakeholders. The Company has provided protective equipment and regular health checks are carried out to ensure the hygiene and well-being of all the employees. The impact of this pandemic is uncertain and necessary risk management mechanisms have been implemented by the Company while initiating several measures to control cost, preserve liquidity and curtail losses if any.

The Board together with the management is committed to withstand the negative effects and short/long - term uncertainties this pandemic has created and confident that the Company is in the possession of required resources and capabilities to achieve this as handled during the past first and second waves of the prevailing COVID-19 pandemic.

We continue to adopt a holistic approach in managing risk and developed relevant risk management measures.

PRINCIPAL RISKS IN 2020/21

KEY RISKS	IMPACT	RISK INDICATORS	MITIGATING FACTORS
Political and Policy Uncertainty	Changing laws could be detrimental to the Company's capacity to conclude important transactions, enforce contractual agreements or implement specific strategies and activities. The Company is exposed to high political and regulatory risk as formulation of new laws and amendments to the existing laws and regulations are possibly unfavorable to the Company's competitive position and its capacity to efficiently conduct business.	<p>Introduction and implementation of new government policies affecting mining operations</p> <p>Extended and rigid approval process to obtain mining licenses</p> <p>Additional approvals from Agrarian development department and archaeology department.</p>	<p>Lanka Ceramic PLC is a member of Ceramic and Glass Council, Employer's Federation and Ceylon Chamber of Commerce</p> <p>Maintaining a close relationship with government and public institutes</p> <p>Assist government institutions in formulation of new laws and regulations</p> <p>Working closely with Geological Survey and Mines Bureau while complying with all their regulations.</p>
Subdued Economic Growth	Subdued economic growth will result in reducing customer demand for constructions which lead to low demand for tiles which will eventually reduce demand for raw materials.	<p>Weakening economy</p> <p>Decreased purchasing power</p> <p>Lower demand from large scale tile manufacturers</p> <p>Loss of small-scale customers</p>	<p>Explore opportunities to enter in to new export markets</p> <p>Attempts to diversify the existing product portfolio</p> <p>Initiatives like supplying raw kaolin to reduce operational costs and price of the product</p>

RISK MANAGEMENT

KEY RISKS	IMPACT	RISK INDICATORS	MITIGATING FACTORS
Shortage of Non-Renewable Mineral Resources	Declining commercially exploitable reserves of ball clay, kaolin, feldspar, and quartz is a major issue experienced by the industry which has led to reduce production capacities and rising cost of production.	<p>Lack of proper assessment of the mineral resources in Sri Lanka</p> <p>Difficulties in locating commercially exploitable mineral resources</p> <p>Lands with deposits already occupied for residential, cultivation purposes</p>	<p>Carrying out systematic and organised geological survey activities in collaboration with Geological survey and Mines Bureau of Sri Lanka</p> <p>Initiating planned exploitation programs to conserve these valuable raw materials</p> <p>Purchasing of lands with substantial mineral deposits</p> <p>Incorporating process efficiencies to utilise all the available resources to the highest extent possible by minimising the waste</p>
Restrictions on License to Operate	License to operate has evolved beyond the narrow focus on social and environmental issues. There are now increasing expectations of true shared value outcomes from mining projects. Any irregularity can impact the ability to access capital or even result in a total loss of license.	<p>Increased Government regulations and supervision</p> <p>An increase in societal participation</p> <p>The rise of minority voices</p> <p>A rise in litigation: There will be more litigation, especially for past damages</p>	<p>Compliance with all the Government rules and regulations</p> <p>Empower the business to make decisions that consider more than just financial returns and using tools to better value the broader returns</p> <p>Make social development decisions that deliver lasting outcomes</p> <p>Improve the collaboration with the society and branding of the sector</p>
Occupational Health and Safety	The mining is a high health risk occupation. Occupational health and safety management is essential to reduce work-related fatalities and increase the Company's efficiency.	<p>Higher susceptibility to work place injuries.</p> <p>Very fine mineral dust particles from blasting and drilling may lead to diseases</p>	<p>Supply of personal protective equipment to prevent the hazards in the work place</p> <p>Compliance of the Government Rules and Regulation related to the workplace health and safety</p> <p>Conducting regular safety committee meetings to raise awareness</p> <p>Carrying out training and development programs and regular supervision</p>

KEY RISKS	IMPACT	RISK INDICATORS	MITIGATING FACTORS
Climate Change	Unprecedented weather patterns causing disruptions to the operations.	Extremely serious changes are taking place in climatic factors due to climate change During the last few years, Sri Lanka has witnessed a number of extreme rainfall events	Water drainage systems are developed and maintained at the mining sites Compliance with environmental standards Safe disposal of water Maintains adequate buffer stock
Reputation Risk	Current and prospective impact on earnings and enterprise value arising from negative stakeholder opinion.	Non-compliance to regulations, standards and certification could impair the Company's reputation Highly active social and electronic media	Maintained stringent compliance to minimise environmental damages and rules and regulations of Central Environmental Authority Actively engage with government bodies, regulators and industry associations. Environmental policies were up to date
Market Risk	Demand on the supply of the ceramic raw materials fluctuated due to the adverse impact arising in the industry.	There are few established rivals and a couple of new entrance in the ceramic raw materials industry. Importation of raw materials at lower cost	Being a member of the largest ceramic manufacturing conglomerate, the Company has successfully overcome the challenges it faced in respect of market share The Company regularly monitors customer requirements and takes appropriate steps to meet their requirements The Company being the pioneer in the industry always maintains a very healthy business relationship with all major ceramic manufacturing Companies

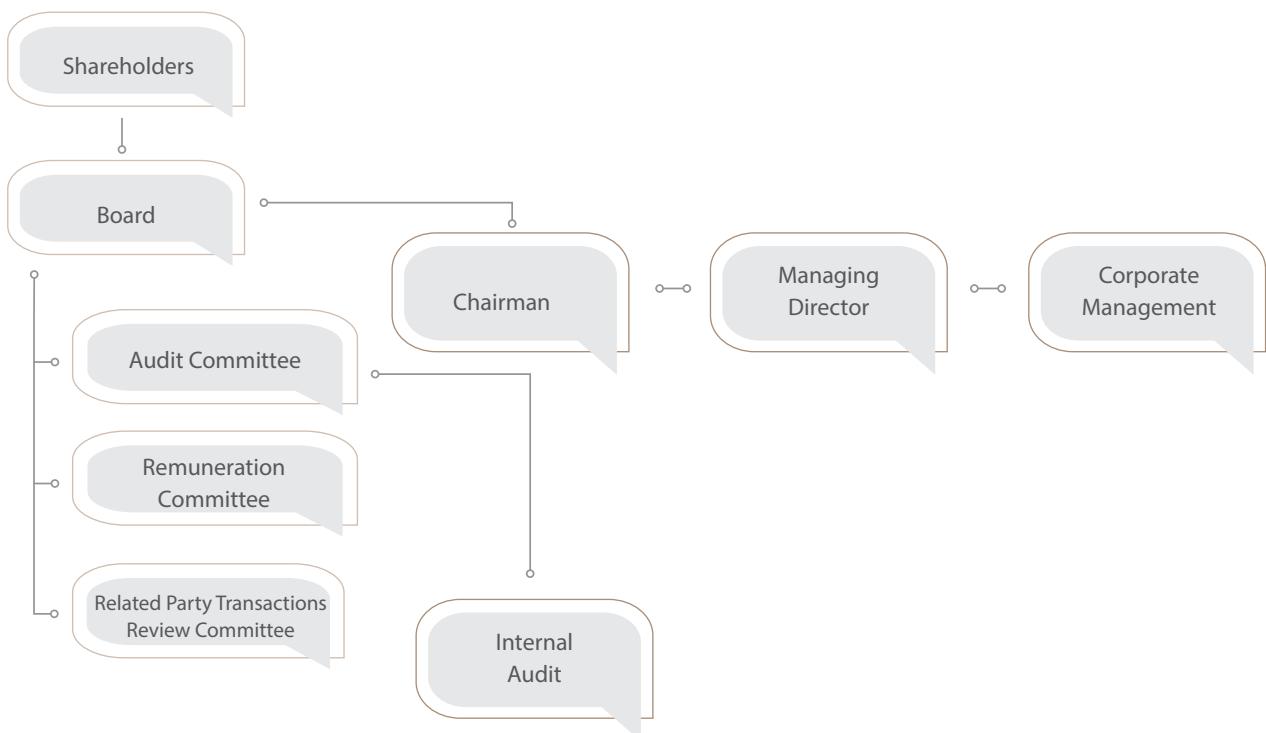
RISK MANAGEMENT

KEY RISKS	IMPACT	RISK INDICATORS	MITIGATING FACTORS
Financial Risk	Higher borrowing costs, lower investment yields or decreased asset values that result in financial risks. Movements in prices, rates, indices and such affect the value of the Company's financial assets and stock price, which may additionally impact its costs of capital and its ability to raise capital.	Exposure to lower returns or the necessity to borrow due to shortfalls in cash or expected cash flows or variances in timing or significant movements in interest rates expose the firm to a number of negative factors	<p>Credit limits and given credit is reviewed through a detailed approval process reducing risk of debt and monthly overdue debtors are reported to the Board for necessary action</p> <p>Both floating and fixed rate debt are maintained and structured using loans, share capital and internal fund management to reduce borrowings</p> <p>Having conducted internal audit processes regularly, the Company monitors the compliance of best financial practices and statutory regulations to detect any deviations</p>
Compliance Risk	Risk on going concern as well as the reduction in profitability due to legal/consultancy fees incurred	Frequent changes in law or regulatory requirements applicable to the Company under any circumstances	<p>Conducting periodical assessments on the extent of compliance with the statutory requirements</p> <p>Strictly following the expert advice on issues related to income and other taxation</p> <p>The Management team continuously reviews changes in regulations and takes necessary action to ensure that the Company is in compliance with the regulatory requirements</p>
Transaction Risk	The cost of foreign obligations could rise as a result of a weaker domestic currency.	Fluctuation of the spot exchange rate due to the results arising out of the imports and exports exposure in the country	<p>Negotiated with suppliers on pricing and trading terms.</p> <p>Involved in a variety of hedging strategies through various Money Market and Capital Market Instruments.</p>
Procurement Risk	Degrading quality standards of materials purchased affecting the underline operating margin of the Company adversely	Material/Services price variations and their unavailability will adversely affect the progress of the business	<p>Entering into contracts for sanitaryware purchases</p> <p>Establishing relationships with several sanitaryware suppliers to reduce over-dependency on a single supplier</p>

CORPORATE GOVERNANCE

Lanka Ceramic PLC, manages its affairs in accordance with appropriate standards for good corporate governance, risk and compliance. The Board is committed to enhancing stakeholder value whilst ensuring that proper internal control systems are in place by complying with generally accepted practices as well as specific requirements under the rules set out in as the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka. Lanka Ceramic's governance guidelines provide Directors and the Management with a road map of their respective responsibilities. These guidelines, which will be updated periodically, detail clearly those matters requiring Board and Committee approval, advice or review.

CORPORATE GOVERNANCE STRUCTURE



In our governance framework, we have identified the importance of providing the Board information which is comprehensible, relevant, reliable and timely. Critical information needs to be presented in such a way that it cannot be ignored.

Strategies are subjected to a comprehensive annual review by the Board and are discussed further as necessary during the year. The Corporate Management has been delegated authority to formulate strategies, seek approval for such strategies and implement them within the policy framework established by the Board. The achievement of targets through implementation of strategies formulated, current performance and the short-term outlook are reviewed at Board meetings which are held every other month.

The Board, comprising of professional and experienced business leaders of high repute, who are entrusted with the responsibility for providing strategic direction to the Company in an honest, fair, diligent and ethical manner.

The Board, which is elected by the shareholders, is the ultimate decision-making body of the Company, except with respect to matters reserved to shareholders. The primary function of the Board is to exercise its collective business judgment to act in what it reasonably believes to be in the best interests of the Company and its shareholders. In exercising its business judgment, the Board acts as an advisor and counsellor to the senior management and defines and enforces standards of accountability – all with a view to enabling senior management to execute their responsibilities fully and in the interests of shareholders.

CORPORATE GOVERNANCE

BOARD STRUCTURE

The Board comprises nine members, eight of whom including the Chairman are Non-Executive Directors. The Board has determined that five of such Non-Executive Directors are independent as per the Listing Rules of the Colombo Stock Exchange. There is a balance of Executive and Non-Executive Directors to ensure that the decisions taken by the Board are in the best interest of the Company and its shareholders. The Non-Executive Directors do not have any business interest that could materially interfere with the exercise of their independent judgment. Each Non-Executive Director has submitted a declaration of his independence or non-independence as required under the Listing Rules of the Colombo Stock Exchange.

LEADERSHIP	ACCOUNTABILITY
The Board	Board's Responsibility
↓	↓
The Board collectively provides effective leadership and oversight to ensure that the Company grows sustainable in the long term in order to meet the interests of shareholders and all other stakeholders.	The Board is responsible for providing leadership, oversight, control, development and long-term success of the Company. It is also responsible for instilling the appropriate culture, values and behavior at all levels of operation.
Our Governance Structure establishes the fundamental relationships between the Board, its Sub Committees, Management, shareholders and other stakeholders.	In carrying out its duties, the Board is governed by the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the listing rules issued by the Colombo Stock Exchange.

MEETINGS AND ATTENDANCE

Meetings for the year end 31.03.2021 and the attendance at the same given below.

NAME	DIRECTORSHIP STATUS	BOARD MEETINGS	AUDIT COMMITTEE	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE
Mr. A.M. Weerasinghe	Chairman - Non-Executive	6	N/A	N/A
Mr. J.A.P.M. Jayasekera	Managing Director - Executive	6	N/A	N/A
Mr. T.G. Thoradeniya	Non-Executive	3	N/A	N/A
Dr. S. Selliah	Independent - Non-Executive	6	N/A	4
Ms. A.M.L. Page	Independent - Non-Executive	6	4	4
Mr. K.D.G. Gunaratne	Independent - Non-Executive	3	3	3
Mr. D.J. Silva	Independent - Non-Executive	4	N/A	N/A
Mr. J.D.N. Kekulawala	Independent - Non-Executive	6	4	N/A
Mr. S.M. Liyanage	Non-Executive	5	N/A	N/A
Total No. of Meetings		6	4	4

CHAIRMAN & MANAGING DIRECTOR

The roles of Chairman and Managing Director are separated and the Managing Director is appointed by the Board. He is responsible for implementing strategic plans of the Company and driving performance within a defined framework and is a member of the Board. The Board receives compliance statements from the Managing Director confirming compliance with regulatory requirements.

APPOINTMENT AND RE-ELECTION

As per the Articles of Association one-third of the Directors for the time being retire from office and offer themselves for re-election each year by the shareholders.

BOARD COMMITTEES

The Board has appointed three committees, namely an Audit Committee, a Related Party Transactions Review Committee and a Remuneration Committee to assist the Board. Their composition and roles are summarised below.

AUDIT COMMITTEE

The Audit Committee is responsible for monitoring the integrity of financial statements of the Company by ensuring compliance with relevant financial reporting regulations and requirements. The Audit committee also oversees the relationship between the Company and the Auditor and reviews the Company's financial reporting system.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee was appointed by the Board for the purpose of conducting an independent review, approval and oversight of all related party transactions of the Company and to ensure that the Company complies with the rules set out in the code.

REMUNERATION COMMITTEE

The Remuneration Committee decides on the remuneration of Executive Directors and sets guidelines for the remuneration of the Management staff within the Group.

THE COMPOSITION AND ROLE OF EACH COMMITTEE IS SUMMARISED BELOW:

BOARD COMMITTEE & COMPOSITION	MANDATE	FURTHER INFORMATION
Audit Committee		
Comprises of three Independent Non-Executive Directors Mr. J.D.N. Kekulawala – Chairman Ms. A.M.L. Page Mr. K.D.G. Gunaratne	Monitor and supervise Management's financial reporting process in-ensuring: * The integrity of financial statements in accordance with Sri Lanka Financial Reporting Standards. * The compliance with legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements. * The External Auditor's independence and performance. * Review of the adequacy and effectiveness of the Company's Internal Control and Risk Management systems, over the financial reporting process.	Refer page 43 for the Audit Committee Report

CORPORATE GOVERNANCE

BOARD COMMITTEE & COMPOSITION	MANDATE	FURTHER INFORMATION
Remuneration Committee		
<p>Comprises of three Independent Directors of the parent Company</p> <p>Mr. S.H. Amarasekera – Chairman Mr. R.N. Asiriwatham Mr. L.N. De S. Wijeratne</p>	<p>The Committee focuses on and is responsible for ensuring that the total remuneration package is competitive to attract the best talent for the benefit of the Company.</p> <p>Recommend the remuneration payable to the Executive Directors and Senior Management.</p>	<p>Refer page 44 for the Remuneration Committee Report</p>
Related Party Transactions Review Committee		
<p>Comprises of three Independent Non-Executive Directors</p> <p>Dr. S. Selliah – Chairman Ms. A.M.L. Page Mr. K.D.G. Gunaratne</p>	<p>To ensure on behalf of the Board, that all Related Party Transactions of Lanka Ceramic PLC are consistent with the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.</p> <ul style="list-style-type: none"> ★ Ensure that the Company complies with the rules set out in the Listing rules. ★ Subject to the exceptions given under the Listing rules, review in advance all proposed related party transactions. ★ Perform other activities related to the Charter as requested by the Board. ★ Have meetings every fiscal quarter and report to the Board on the Committee's activities. ★ Share information with the Audit Committee as necessary and as appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions. ★ Review the Charter and Policy at least annually recommend amendments to the Charter and Policy to the Board as and when determined to be appropriate by the Committee. 	<p>Refer page 45 for Related Party Transactions Review Committee Report</p>

SHAREHOLDERS

Directors are appointed by shareholders and are accountable to them for performance in line with the Companies Act. The Board recommends suitable candidates for appointment as Directors to shareholders. Appointment of auditors is also facilitated by the Board together with the Audit Committee who evaluate the competence, independence and objectivity of the auditors. The Chairman of the Audit Committee, Remuneration Committee and the Related Party Transactions Review Committee and the Auditors attend the Annual General Meetings to respond to queries that may be raised by the shareholders.

Shareholders are informed about the performance of the Company through press releases, quarterly financial statements and notices to the Colombo Stock Exchange in accordance with the continuing listing requirement.

RELATIONSHIP WITH SHAREHOLDERS

Shareholders are provided with the Annual Report, which the Company considers as its principal communication with them and other stakeholders. The Company provides to the Colombo Stock Exchange for public release, Interim Financial Statements prepared on a quarterly basis as soon as the figures are approved by the Directors and within the period stipulated by the Listing Rules.

The shareholders have the opportunity of meeting the Board and forwarding their questions at the Annual General Meeting (AGM). The Board believes the AGM as a means of continuing effective dialogue with shareholders. The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as the other matters which are important to them. However, this does not limit the shareholders' communication with the Board, and they are free to communicate anytime with the Managing Director, the Company Secretary or any of the Senior Managers depending on the matter to be addressed.

CONTINUOUS IMPROVEMENT

Continuous improvement remains the cornerstone of our Governance Framework. It is how we keep abreast of the best practices and ensure that our policies and practices are constantly evolving in tandem with the growing needs of our business and those of our stakeholders. The objectives of this framework are stated herein:

CORPORATE GOVERNANCE

COMPLIANCE

The Company's status of compliance in accordance with the CSE Listing Rules – Section 7-10 and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017, is given below;

REFERENCE TO ICASL CODE	CORPORATE GOVERNANCE PRINCIPLE	HOW WE COMPLY	COMPLIANCE STATUS
DIRECTORS			
A.1	The Board		
A.1.1	Board Meetings	The Board met six times during the year under review.	☑
A.1.2	Role of the Board	<p>The Board is responsible for,</p> <p>a.) The formulation and implementation of a sound business strategy.</p> <p>b.) Monitoring compliance of governance, laws and regulations.</p> <p>c.) Overseeing systems of internal control and risk management.</p> <p>d.) Approving annual budgets and strategic plans.</p> <p>e.) Appointing and reviewing the performance of the Managing Director.</p> <p>f.) Approving any change in the Company's business portfolio and sanction of major investments and disinvestment in accordance with set parameters.</p> <p>g.) Ensuring that effective remuneration and required recognition policies are in place to assist employees in giving their best.</p> <p>h.) Submitting themselves for re-election at regular intervals and at least once in every three years.</p>	☑
A.1.3	Compliance with laws and access to independent professional advice	The Board ensured in the year under review that the Company adhered to all applicable laws, rules and regulations. If needed Directors can obtain independent professional advise at the Company's expense where it is considered necessary.	☑
A.1.4	Access to advice from the Company Secretary	The services and advice of the Company Secretary Messrs. P W Corporate Secretarial (Pvt) Ltd, is available to Directors as necessary. The Company Secretary keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant individually as Directors and collectively to the Board.	☑
A.1.5	Independent judgment of the Directors	The Board members are required to divulge all functions with the Company, refrain from matters of self-interest and to bring independent judgment to the decision-making process.	☑
A.1.6	Dedicating adequate time and effort	Board members attend all Board meetings in person and need to be prepared to engage in decision making matters which may entail an adequate amount of time and effort spent.	☑
A.1.7	Calls for resolutions	Resolutions are passed for all Board approvals and minutes are kept.	☑

REFERENCE TO ICASL CODE	CORPORATE GOVERNANCE PRINCIPLE	HOW WE COMPLY	COMPLIANCE STATUS
A.1.8	Appropriate training for Directors	All Directors have considerable experience in managing companies in the ceramic industry. Relevant training opportunities are made available to all Directors.	<input checked="" type="checkbox"/>
A.2	Segregation of Roles of Chairman & CEO	Please refer Chairman and Managing Director's Message on pages 6 to 9.	<input checked="" type="checkbox"/>
A.3	Chairman's role	Ensure good corporate governance and facilitate effective discharge of Board functions. The Chairman is responsible for the efficient conduct of Board meetings. The Chairman maintains close contact with all Directors and holds informal meetings with Non-Executive Directors whenever necessary.	<input checked="" type="checkbox"/>
A.4	Financial Acumen	Availability of sufficient financial acumen and knowledge. The Board includes Directors who possess the necessary knowledge and competence to offer the Board guidance on financial matters. The Managing Director is a Chartered Accountant.	<input checked="" type="checkbox"/>
A.5	Board Balance	The Board should have an adequate number of Directors with balance of Executive and Non-Executive Directors of sufficient calibre along with Independent Directors.	<input checked="" type="checkbox"/>
A.5.1/ A.5.2/A.5.3 & A.5.5	Presence of Non-Executive Directors Independence of Non-Executive Directors	<p>The Board comprises nine members, eight of whom including the Chairman are Non-Executive Directors. The Board has determined that five of such Non-Executive Directors are independent as per the listing Rules of the Colombo Stock Exchange.</p> <p>Directors' status during the financial year was as follows:</p> <p>Mr. A.M. Weerasinghe (Chairman) - Non-Executive Mr. J.A.P.M. Jayasekera - (Managing Director) - Executive Mr. T.G. Thoradeniya - Non-Executive Mr. D.J. Silva - Non-Executive - Independent Dr. S. Selliah - Non-Executive - Independent Mr. K.D.G. Gunaratne- Non-Executive - Independent Ms. A.M.L. Page - Non-Executive- Independent Mr. J.D.N. Kekulawala - Non-Executive - Independent Mr. S.M. Liyanage - Non-Executive</p> <p>Mr. D.J. Silva is a Director of Rocell Bathware Ltd. However, after taking into consideration the fact that he is not actively involved in the management of this Company the Board is of the view that his independence is not compromised. Ms. A.M.L. Page holds the power of Attorney for Mr. A.A. Page (the holder of 12.5% of the shares of the Company) together with two other family members. Notwithstanding the section 7.10.4 of the Listing Rules, the Board has determined that the independence of Ms. A.M.L. Page is not compromised. Accordingly, the Board has determined that Dr. S. Selliah, Mr. K.D.G. Gunaratne, Ms. A.M.L. Page, Mr. D.J. Silva and Mr. J.D.N. Kekulawala are 'Independent Directors' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.</p>	<input checked="" type="checkbox"/>

CORPORATE GOVERNANCE

REFERENCE TO ICASL CODE	CORPORATE GOVERNANCE PRINCIPLE	HOW WE COMPLY	COMPLIANCE STATUS
A.6	Supply of Information		
A.6.1	Obligation of the Management to provide appropriate and timely information	Relevant information and agenda to be circulated in a timely manner to the Board.	<input checked="" type="checkbox"/>
A.6.2	Board papers to be provided 7 days prior to Board Meeting	Board papers are circulated a week prior to the Board meetings with an adequate briefing on relevant information.	<input checked="" type="checkbox"/>
A.7	Appointments to the Board		
A.7.1 / A.7.2 / A.7.3 / 7.10.3 (d)	Nomination Committee and the assessment of composition of the Board and disclosure of appointment of a new Director	The appointment to the Board is undertaken by the Nomination Committee of Vallibel One PLC, taking into consideration the Board composition required and the strategic input required. All Board appointments are informed to the CSE as per the existing regulations.	<input checked="" type="checkbox"/>
A.8	Re-election		
A.8.1 / A.8.2	Re-election of Directors at regular intervals	As per the Articles of Association one-third of the Directors for the time being retire from office and offer themselves for re-election each year by the shareholders.	<input checked="" type="checkbox"/>
A.9	Appraisal of Board Performance		
A.9.1/A.9.2/ A.9.3/A.9.4	Appraisals of the Board and the sub committees	Board should periodically appraise its own performance in order to ensure that responsibilities are carried out in accordance to the relevant statutes. The Board regularly evaluates its performance based on achievement of results, implementation of strategy, risk management, internal controls, compliance with laws and stakeholder requirements.	<input checked="" type="checkbox"/>
A.10	Disclosure of Information in Respect of Directors		
A.10.1	Profiles of the Board of Directors and other related information	The names of the Directors of the Board and their profiles are given on pages 10 to 11.	<input checked="" type="checkbox"/>
A.11	Appraisal of the Chief Executive Officer		
A.11.1/A.11.2	Setting of the annual targets and the appraisal of the CEO	The Managing Director is evaluated each year as per the yearly targets that have been agreed with the annual budget.	<input checked="" type="checkbox"/>

REFERENCE TO ICASL CODE	CORPORATE GOVERNANCE PRINCIPLE	HOW WE COMPLY	COMPLIANCE STATUS
B. DIRECTORS' REMUNERATION			
B.1	Remuneration Procedure		
B.1.1	Remuneration Procedure	The Board has implemented a formal and transparent procedure for developing policies on remuneration by setting up a Remuneration Committee. The Remuneration Committee assists the Board in matters relating to compensation of the Company's Directors, Executive Officers and such other employees as determined by the Committee.	<input checked="" type="checkbox"/>
B.2	The Level and Make-up of Remuneration		
B.2.1/B.2.2/ B.2.3/B.2.4	The level and makeup of the remuneration of Directors and comparison of remuneration with other companies	Remuneration levels have been designed to attract, retain and motivate Directors and Senior Management required to run the Company successfully, while remaining within the industry's remuneration standards.	<input checked="" type="checkbox"/>
B.3	Disclosure of Remuneration		
B.3.1	Disclosure of Remuneration	Details of the Remuneration Committee and the Statement of Remuneration Policy are provided in the Annual Report. The aggregate remuneration paid to Executive and Non-Executive Directors is disclosed on page 84 of this Report.	<input checked="" type="checkbox"/>
C. RELATIONS WITH SHAREHOLDERS			
C.1	Constructive use of AGM and Conduct of Meeting		
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	The Board should use the Annual General Meeting to communicate with shareholders and encourage their participation. The active participation of shareholders at the AGM is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders of Lanka Ceramic PLC.	<input checked="" type="checkbox"/>
C.2	Communications with Shareholders		
C.2.1 to C.2.7	Communications with shareholders	The Board has implemented an effective communication with the shareholders. Policies and processes to receive and respond to matters are in place and the Company Secretary is the contact person to communicate with shareholders officially.	<input checked="" type="checkbox"/>
C.3	Major & Material Transactions		
C.3.1 & C.3.2	Disclosure of Major Transactions	The transactions during the year under review, which fall within the definition of major transactions in terms of the Companies Act are adequately and properly disclosed.	<input checked="" type="checkbox"/>

CORPORATE GOVERNANCE

REFERENCE TO ICASL CODE	CORPORATE GOVERNANCE PRINCIPLE	HOW WE COMPLY	COMPLIANCE STATUS
D. ACCOUNTABILITY & AUDIT			
D.1.1	Financial Reporting	Refer Independent auditors reports' on pages 48 to 50 in the Annual Report.	<input checked="" type="checkbox"/>
D.2	Risk Management & Internal Control	The Board has taken necessary steps to ensure the integrity of the Company's accounting, financial reporting and internal control systems and also review and monitor on a periodic basis.	<input checked="" type="checkbox"/>
D.3	Audit Committee	The Audit Committee Report on page 43 of the report addresses this section in full.	<input checked="" type="checkbox"/>
D.3.1	Audit Committee Report	The Audit Committee Report on page 43 of the report addresses this section in full.	<input checked="" type="checkbox"/>
D.4	Related Party Transactions Review Committee		
D.4.1/D.4.2/ D.4.3 9.3.2	Related Party Transactions Review Committee	The details are given in the Related Party Transactions Review Committee Report on page 45 of this report.	<input checked="" type="checkbox"/>
D.5	Code of Business Conduct and Ethics		
D.5.1	Board declaration for compliance with Code	The Code of Best Practices issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission is adopted by the Directors, who then ensure that the Company and the employees behave ethically.	<input checked="" type="checkbox"/>
D.6	Corporate Governance Disclosures	The Corporate Governance Report on pages 25 to 36 comply with this requirement.	<input checked="" type="checkbox"/>
E. SHAREHOLDERS			
E.1	Institutional Investors	All Institutional shareholders are encouraged to participate and their views are communicated to all concerned parties.	<input checked="" type="checkbox"/>
E.2	Evaluations of Governance Disclosure	This Report contains the Company's Corporate Governance process and structure for investor's attention.	<input checked="" type="checkbox"/>
E.3	Investing/Divesting Decision	The Annual Report contains sufficient information to make an informed decision. The report is hosted on the Colombo Stock Exchange website along with the quarterly reports to facilitate investors and shareholders to make informed decisions.	<input checked="" type="checkbox"/>
E.4	Shareholder Voting	All shareholders are encouraged to participate at the Annual General Meeting/Extraordinary General Meeting and cast their votes. AGMs are noticed in advance as per the Companies Act and held in an accessible area to ensure shareholders can participate effectively.	<input checked="" type="checkbox"/>

COMPLIANCE WITH THE CONTINUING LISTING RULES ON CORPORATE GOVERNANCE OF THE CSE

The extent of adherence to corporate governance rules under Section 7.10 of Continuous Listing requirements of the Colombo Stock Exchange is given below,

REFERENCE TO CSE LISTING RULES	CORPORATE GOVERNANCE PRINCIPLE	HOW WE COMPLY	COMPLIANCE STATUS
7.10.1 Non -Executive Directors	The Board of Directors should include at least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one-third of the total number of Directors, whichever is higher.	Lanka Ceramic PLC has eight Non-Executive Directors out of nine as given in terms A.5 in the CA Sri Lanka adherence table, which is above the minimum requirement.	<input checked="" type="checkbox"/>
7.10.2. Independent Directors	The Board of Directors should include two or one-third of Non-Executive Directors appointed to the Board of Directors, whichever is higher, shall be independent.	The Company has five independent Directors out of nine as given in item A.5 in CA Sri Lanka adherence table, which is above the minimum level.	<input checked="" type="checkbox"/>
7.10.3 Disclosure Relating to Directors	The Board shall make a determination annually as to the independence or non-independence of each Director based on such declaration and other information available to the Board and shall set out in the Annual Report the names of Directors determined to be independent.	The Board has determined the independence of each Independent Director and set out and declared the independence in the Annual Report. Please refer Note 7. 10. 4 below.	<input checked="" type="checkbox"/>
7.10.4 Criteria for Defining Independence	The Colombo Stock Exchange identified criteria of independence should be met by the Independent Directors of the Company.	All Independent Directors meet this criteria.	<input checked="" type="checkbox"/>
7.10.5	Remuneration Committee		
a. Composition of Remuneration Committee	The Remuneration Committee shall comprise of at least two Directors in which a majority shall be independent.	As per the Remuneration Committee report given on page 44 the Remuneration Committee comprises three Independent Non- Executive Directors of the Parent Company, Royal Ceramics Lanka PLC.	<input checked="" type="checkbox"/>
b. Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer of the listed entity to the Board of the listed Entity among other defined functions.	As per the Remuneration Committee report given on page 44 the Remuneration Committee recommends the remuneration of the Senior Management of the Company to the Board.	<input checked="" type="checkbox"/>

CORPORATE GOVERNANCE

REFERENCE TO CSE LISTING RULES	CORPORATE GOVERNANCE PRINCIPLE	HOW WE COMPLY	COMPLIANCE STATUS
c. Disclosure in the Annual report	The Annual Report should set out the names of Directors in comprising the Remuneration Committee and contain a statement of the Remuneration Policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.	The Remuneration Committee report given on page 44 sets out the names of the Directors in the Remuneration Committee and aggregate remuneration paid to all Directors is given on page 84 in Note 27.2.	<input checked="" type="checkbox"/>
7.10.6	Audit Committee		
a. Composition of Audit Committee	The audit committee shall comprise of at least two Non-Executive Directors a majority of whom shall be independent.	The Audit Committee consists of three Independent Non-Executive Directors.	<input checked="" type="checkbox"/>
b. Functions of Audit Committee	Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements of a listed entity, in accordance with Sri Lanka Accounting Standards.	The Audit Committee Report given on page 43 of the Annual Report explains the functions of the Audit Committee which has executed the above function.	<input checked="" type="checkbox"/>
c. Disclosure in the Annual Report relating to Audit committee	The names of the Directors comprising the Audit Committee should be disclosed.	The Audit Committee report in page 43 has addressed this requirement.	<input checked="" type="checkbox"/>

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of Lanka Ceramic PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company and the Group for the year ended 31st March 2021.

GENERAL

Lanka Ceramic PLC is a public limited liability Company which was incorporated under the Companies Act No. 17 of 1982 on 19th January 1990 and re-registered as per the Companies Act, No.7 of 2007 on 5th June 2008 with PQ 157 as the new number assigned to the Company.

Both the registered office of the Company and its Head Office are situated at No. 23, Narahenpita Road, Nawala.

PRINCIPAL ACTIVITIES OF THE COMPANY AND REVIEW OF PERFORMANCE DURING THE YEAR

The main activities of the Company during the year ended 31st March 2021 were mining, processing and sales of raw materials and allied products to ceramic industry, holding investments, managing investment property, importing and selling of sanitaryware products and operating a Lanka Tile showroom as a franchise partnership.

This Report together with the Financial Statements, reflect the state of affairs of the Company.

FINANCIAL STATEMENTS

The complete Financial Statements of the Company and Consolidated Financial Statements of the Company and its subsidiary, duly signed by two Directors on behalf of the Board are given on pages 51 to 87.

AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company and its subsidiary is given on pages 48 to 50.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given on pages 55 to 66 Except as stated in Note 2.1.4 to the Financial Statements there were no significant changes to the accounting policies used by the Company during the year under review vis-à-vis those used in the previous year.

DIRECTORS

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 10 to 11.

EXECUTIVE DIRECTORS

Mr. J.A.P.M. Jayasekera - Managing Director

NON - EXECUTIVE DIRECTORS

Mr. A.M. Weerasinghe - Chairman

Mr. T.G. Thoradeniya - Director

Mr. S.M. Liyanage - Director

INDEPENDENT NON - EXECUTIVE DIRECTORS

Dr. S. Selliah - Director

Mr. K.D.G. Gunaratne - Director

Ms. A.M.L. Page - Director

Mr. D.J. Silva - Director

Mr. J.D.N. Kekulawala - Director

Mr. J. D. N. Kekulawala and Mr. D. J. Silva retire by rotation at the conclusion of the Annual General Meeting in terms of Articles 102 and 103 of the Articles of Association and being eligible are recommended by the Directors for re-election.

DIRECTORS OF THE SUBSIDIARY COMPANY

LC Plantation Projects Ltd - Mr. A.M. Weerasinghe

- Mr. J.A.P.M. Jayasekera

INTERESTS REGISTER

The Company maintains an Interests Register in terms of the Companies Act, No. 7 of 2007, which is deemed to form part and parcel of this Annual Report and available for inspection upon request.

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interests Register in due compliance with the applicable rules and regulations of the relevant regulatory authorities.

The relevant interests of Directors in the shares of the Company as at 31st March 2021 as recorded in the Interests Register are given in this Report under Directors' shareholding.

DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed under Key Management Personnel compensation in Note 27.2 to the Financial Statements on page 84.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions referred to in Note 27 to the Financial Statements, the Company did not carry out any transaction with any of the Directors. The Company carried out transactions during the year in the ordinary course of its business at commercial rates with the related entities of directors as described in Annexure [A] on page 41. Directors have no direct or indirect interest in any contract or proposed contract with the Company.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the Company and the Group to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 42.

AUDITORS

Messrs. Ernst & Young, Chartered Accountants served as the Auditors during the year under review and also provided non audit services. They do not have any interest in the Company other than that of Auditor and provider of other non audit services.

A total amount of Rs. 628,100/- is payable by the Company to the Auditors for the year under review comprising Rs. 402,000/- as audit fees and Rs. 226,100/- for non-audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 17th May 2021 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

INDEPENDENCE OF AUDITORS

Based on the declaration provided by Messrs. Ernst & Young, Chartered Accountants and to the extent that the Directors are aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company, which in the opinion of the Board, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka as at the reporting date.

STATED CAPITAL

The Stated Capital of the Company is Rs. 300Mn.

The number of shares issued by the Company stood at 6,000,000 fully paid ordinary shares as at 31st March 2021. There were no changes in the Stated Capital of the Company during the year.

DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31st March 2021 and 31st March 2020 are as follows.

	Shareholding as at 31.03.2021	Shareholding as at 31.03.2020
Mr. A.M. Weerasinghe	-	-
Mr. J.A.P.M. Jayasekera	20	20
Mr. T.G. Thoradeniya	-	-
Dr. S. Selliah	-	-
Mr. K.D.G. Gunaratne	-	-
Ms. A.M.L. Page	-	-
Mr. D.J. Silva	-	-
Mr. J.D.N. Kekulawala	-	-
Mr. S.M. Liyanage	-	-

Royal Ceramics Lanka PLC is the major shareholder of the Company holding 4,413,390 shares constituting 73.557% of the shares representing the stated capital of the Company. Mr. A.M. Weerasinghe, Mr. T.G. Thoradeniya and Mr. S.M. Liyanage are Directors of Royal Ceramics Lanka PLC.

SHAREHOLDERS

There were 1,662 shareholders registered as at 31st March 2021 (1,550 shareholders as at 31st March 2020). The details of distribution are given on page 90 of this Report.

MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 88 and from pages 90 to 91 under share Information and the Company Ten Year Summary.

EMPLOYMENT POLICY

The Company's employment policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of gender, race or religion.

As at 31st March 2021 69 persons were in employment (68 persons as at 31st March 2020).

RESERVES

The reserves of the Company with the movements during the year are given in Note 11 to the Financial Statements on page 74.

LAND HOLDINGS

The Company's land holdings referred to in Notes 3 and 5 of the Financial Statements comprise of the following:

Location	No. of Buildings	Land Extent	Fair Value as at 31.03.2021
Rs.'000			
Land at Owala	4	26A-3R-05.50P	24,136
Land at Meetiyagoda	8	58A-0R-08.69P	87,399
Land at Dediawala	-	38A-3R-25.44P	35,216
	12	123A-2R-00.00P	146,751

Location	No. of Buildings	Land Extent	Fair Value as at 31.03.2021
Rs.'000			
Land at Kollupitiya	1	0A-1R-1.12P	822,400

PROPERTY, PLANT & EQUIPMENT

Details and movements of Property, Plant and Equipment are given under Note 3 to the Financial Statements on pages 67 to 69.

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2021 are given in Note 7 to the Financial Statements on page 71.

DONATIONS

The Company made donations amounting to Rs. 100,000/- in total, during the year under review.

DIVIDENDS

The Company declared an interim dividend of Rs. 1.30 per share for the financial year ending 31st March 2021. The said dividend was paid on 04th March 2021.

A final dividend of Cents 90 per share was recommended by the Board and will be paid following the Annual General Meeting, subject to being approved by the shareholders.

RISK MANAGEMENT

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee.

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 20 to 24.

STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or, where relevant provided for, except for certain assessments where appeals have been lodged.

CONTINGENT LIABILITIES

As disclosed in Note 28 to the Financial Statements on page 85, there were no material contingent liabilities as at the reporting date.

EVENTS OCCURRING AFTER THE REPORTING DATE

As disclosed in Note 29 to the Financial Statements on page 85 there are no material events as at the date of the Auditor's Report which require adjustment to, or disclosure in the Financial Statements.

CORPORATE GOVERNANCE

The Board of Directors confirm that the Company is compliant with section 7.10 of the Listing Rules of the Colombo Stock Exchange.

An Audit Committee, Remuneration Committee and a Related Party Transactions Review Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows.

AUDIT COMMITTEE

Mr. J.D.N. Kekulawala - Chairman
Mr. K.D.G. Gunaratne
Ms. A.M.L. Page

REMUNERATION COMMITTEE

The remuneration committee of the Parent Company, Royal Ceramics Lanka PLC acts as the Remuneration Committee of the Company and the names of the members are as follows

Mr. S.H. Amarasekera - Chairman
Mr. R.N. Asiriwatham
Ms. L.N. De S. Wijeyeratne

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Dr. S. Selliah - Chairman

Mr. K.D.G. Gunaratne

Ms. A.M.L. Page

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2021.

The corporate governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, Management and Employees.

The Corporate Governance Statement on pages 25 to 36 explains the measures adopted by the Company during the year.

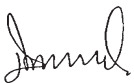
ANNUAL GENERAL MEETING

The Notice of the Thirtieth (30th) Annual General Meeting appears on page 92.

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



A.M. Weerasinghe
Chairman



J.A.P.M. Jayasekera
Managing Director



P W Corporate Secretarial (Pvt) Ltd
Secretaries

31st May 2021

ANNEXURE A- RELATED PARTY TRANSACTIONS

Related Party Transactions

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of Related Party Transactions entered into during the Financial Year Rs.	Terms and Conditions of Related Party Transactions
Lanka Tiles PLC	Affiliated Company	Sale of raw materials	78,474,254	Based on commercial rates
		Receiving of commission income	5,029,662	Based on commercial rates
		Reimbursement of expenses	1,398,123	Actual expense incurred
			84,902,039	
Lanka Walltiles PLC	Affiliated Company	Sale of raw materials	12,533,779	Based on commercial rates
		Receiving of commission income	1,049,585	Based on commercial rates
		Sale of finished goods	12,360,378	Based on commercial rates
		Reimbursement of expenses	838,868	Actual expense incurred
			26,782,610	
Royal Ceramics Lanka PLC	Parent Company	Sale of raw materials	11,307,327	Based on commercial rates
		Reimbursement of expenses	3,060,978	Actual expense incurred
		Dividend Payment	5,737,407	Interim dividend of Rs.1.30 per share
			20,105,712	
Rocell Bathware Ltd	Affiliated Company	Sale of raw materials	6,226,975	Based on commercial rates
			6,226,975	
Swisstek (Ceylon) PLC	Affiliated Company	Sale of raw materials	176,750	Based on commercial rates
			176,750	
Swisstek Aluminium Ltd	Affiliated Company	Payment of rent expenses	2,003,148	Based on commercial rates
			2,003,148	
Horana Plantation PLC	Affiliated Company	Purchase of goods	40,950	Based on commercial rates
			40,950	
LC Plantation Projects Ltd.	Subsidiary Company	Investment	10	Issue of one share at Rs.10/-
		Fund Transfers	51,979,833	Facilitating the total investment of Rs.56,666,760/- in CP Holding (Pvt) Ltd.
		Reimbursable Expenses	1,775,706	Preliminary expenses incurred in CP Holding (Pvt) Ltd.
			53,755,549	

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the Financial Statements of the Company and the Group are set out in the following statement. The responsibility of the Auditors, in relation to the Financial Statements, prepared in accordance with the provision of the Companies Act No. 07 of 2007, is set out in the Independent Auditors' Report appearing on pages 48 to 50.

The Companies Act No. 07 of 2007 stipulates that Directors are responsible for the preparation of Financial Statements for each financial year and place before a general meeting Financial Statements, comprising Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows which presents a true and fair view of the state of affairs of the Company as at the end of the financial year and which comply with the requirements of the above Act.

The Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards. In preparing the Financial Statements appropriate accounting policies have been selected and applied consistently, whilst reasonable and prudent judgments and estimates have been made.

As per Section 148 of the Act, the Directors are required to maintain sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to ensure that the Financial Statements presented comply with the requirements of the Companies Act.

The Directors are also responsible for devising proper internal controls for safeguarding the assets of the Company against unauthorised use or disposition and prevention and detection of fraud and for reliability of financial information used within the business or publication.

The Directors continue to adopt the going concern basis in preparing Financial Statements and after making inquiries and following a review of the Company's budget for the financial year 2021/22 including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

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

By order of the Board of
Lanka Ceramic PLC



P W Corporate Secretarial (Pvt) Ltd.
Secretaries

Colombo
31st May 2021

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is appointed by the Board of Directors of the Company and reports directly to the Board.

The Audit Committee of Lanka Ceramic PLC consisted of three Independent Non-Executive Directors during the financial year:

- ★ **Mr. J.D.N. Kekulawala** - *Chairman*
(Independent Non-Executive Director)
- ★ **Mr. K.D.G. Gunaratne** - *Member*
(Independent Non-Executive Director)
- ★ **Ms. A.M.L. Page** - *Member*
(Independent Non-Executive Director)

The composition of the members of the Audit Committee satisfies the criteria as specified in the standards on Corporate Governance for Listed Companies.

PW Corporate Secretarial (Pvt) Ltd., the Company Secretary, functions as the Secretary to the Committee.

ROLE OF THE AUDIT COMMITTEE

The Audit Committee is empowered to examine all matters pertaining to the financial affairs of the Company and assists the Board of Directors in effectively discharging their duties. The Audit Committee examines the preparation, presentation and adequacy of disclosure with the Sri Lanka Accounting Standards (SLFRS/ LKAS) and whether the financial reporting requirements are in accordance with the Companies Act No.07 of 2007 and other relevant financial reporting related regulations and requirements.

The Audit Committee reviewed and approved the annual and interim financial statements prior to the final approval by the Board. In all instances, the Audit Committee obtained relevant declarations from the Managing Director and Company Secretary stating that the respective financial statements are in conformity with the applicable Accounting Standards, Company Law and other statutes including Corporate Governance Rules and that the presentation of such Financial Statements are consistent with those of the previous quarterly statements of year as the case may be and further states any departures from financial reporting statutory requirements and group policies (if any).

This Audit Committee also reviewed the adequacy and proper continuous functioning of the internal control procedures of the Company to obtain reasonable assurances that the financial statements of the Company accurately reflect the state of affairs of the Company and the results for the period to which it relates. An independent internal audit is carried out as and when required, Internal Audit Reports are reviewed and discussed with management with a view to further strengthening the internal control environment within the Company. The Audit Committee also assessed major business and control risks of the Company.

MEETINGS

The Audit Committee meetings were held quarterly during the year. Audit Committee Meeting attendance of the members is as follows:

Mr. J.D.N. Kekulawala	(4/4)
Mr. K.D.G. Gunaratne	(3/4)
Ms. A.M.L. Page	(4/4)

The Managing Director and Group Financial Controller also attended the meeting by the invitation of the Audit Committee. The Company Secretary functions as the Secretary to the Committee. Representatives of the External Auditors also attended Audit Committee meetings by invitation.

EXTERNAL AUDIT

The Audit Committee, having assessed the independence and performance of the External Auditors Messrs. Ernst & Young Chartered Accountants, recommended to the Board of Directors that they be re-appointed as Auditors of the Company for the year ending 31st March 2021, subject to the approval by the shareholders at the Annual General Meeting. The Committee reviewed the Management Letter arising from the audit of Annual Statements together with the management response.



Mr. J.D.N. Kekulawala
Chairman - Audit Committee

31st May 2021

REMUNERATION COMMITTEE REPORT

The Board of Directors resolved to appoint the Remuneration Committee of the Parent Company, Royal Ceramics Lanka PLC, to act as the Remuneration Committee of the Company. The said Committee, comprises of the following Non-Executive Independent Directors.

- ★ Mr. S.H. Amarasekera - *Chairman*
- ★ Mr. R.N. Asiriwatham - *Member*
- ★ Mr. L.N. De S. Wijeyeratne - *Member*

POLICY

The remuneration policy of the Company endeavors to attract, motivate, and retain quality management in a competitive environment with the relevant expertise necessary to achieve the objectives of the Company. The Committee focuses on and is responsible for ensuring that the total package is competitive to attract the best talent for the benefit of the Company. The remuneration framework of the Company for the Non-Executive Chairman, Managing Director and Corporate Management is designed to create and enhance value to all stakeholders of the Company and to ensure alignment qua the short and long term interests of the Company and its Executives and in designing competitive compensation packages, the Committee consciously balances the short-term performance with medium to long-term goals of the Company.

SCOPE

The Committee reviews all significant changes in the Corporate sector in determining salary structures and terms and conditions relating to staff at senior Executive level. In this decision making process, necessary information, and recommendations are obtained from the Managing Director. The Committee deliberates and recommends to the Board of Directors the remuneration packages and annual increments and bonuses of the Managing Director, members of the Corporate Management and senior

Executive staff and lays down guidelines for the compensation structure for all Executive staff and overviews the implementation thereof. The Managing Director who is responsible for the overall management of the Company attends all meetings by invitation and participates in the deliberations except when his own performance and compensation package is discussed.

FEES

All Non-Executive Directors receive a fee for attendance at Board Meetings and serving on sub-committees. They do not receive any performance or incentive payments. The total remuneration to Directors is shown in Note 27.2 on page 84.

MEETINGS

The Committee met once during the financial year under review.

A report of the decisions approved and recommended to the Board by the Committee has been approved by the Board of Directors.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview.



Mr. S.H. Amarasekera
Chairman - Remuneration Committee

31st May 2021

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee (RPTRC) of the Company was formed by the Board in January 2016 in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules facilitating independent review, approval and oversight of Related Party Transactions of the Company.

PURPOSE OF THE COMMITTEE

The purpose of the RPTRC of LCPLC is to conduct an independent review approval and oversight of all related party transactions of LCPLC and to ensure that the Company complies with the rules set out in the Code. The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions, and to prevent Directors, key management personnel or substantial shareholders from taking advantage of their positions. To exercise this purpose the Committee has adopted the Related Party Transaction Policy which contains the Company's Policy governing the review, approval and oversight of related party transactions.

COMPOSITION OF THE COMMITTEE

As at the date of this report, the Committee of LCPLC consists of three (03) Directors. The members of the Committee during the year were:

- ★ **Dr. S. Selliah** - *Chairman*
(Independent Non-Executive Director)
- ★ **Ms. A.M.L. Page** - *Member*
(Independent Non - Executive Director)
- ★ **Mr. K.D.G. Gunaratne** - *Member*
(Independent Non - Executive Director)

PW Corporate Secretarial (Pvt) Ltd., the Company Secretary, functions as the Secretary to the Committee. The Managing Director and Group Financial Controller attend the meetings by invitation.

MEETINGS

Meetings were held quarterly during the year under review. The minutes of the Committee meeting were tabled at the Board meeting, for the review of the Board. The Related Party Transactions Review Committee meeting attendance of the members is as follows:

Dr. S. Selliah	(4/4)
Ms. A.M.L. Page	(4/4)
Mr. K.D.G. Gunaratne	(3/4)

PROCEDURES FOR REPORTING RPT'S

The Managing Director is responsible for reporting to the Committee, for its review and approval of the information set out under Rule 30 of the Code at the minimum, in respect of each related party transaction proposed to be entered into other than the exceptions given in Rule 27 of the code. Moreover, on a quarterly basis, the Managing Director is required to report to the Committee on the approved related party transactions actually entered into by the Company.

The Committee has approved the Related Party Transactions Declaration Form required to be filled by the Directors and Key Management Personnel of the Company. The Company uses this form to capture the related party transactions at the end of every quarter.

REVIEW OF RELATED PARTY TRANSACTIONS

The Committee reviewed all related party transactions of the Company for the four quarters of the financial year 2020/21. It was observed that related party transactions entered during the year were of a recurrent, trading nature and were necessary for the day-to-day operations of the Company.

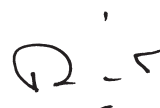
In relation to the non-recurrent related party transactions entered during the year the Company has complied with the requirements stipulated by the Securities and Exchange Commission of Sri Lanka.

The Committee has communicated the comments/observations in relation to related party transactions to the Board of Directors.

In the opinion of the Committee, the terms of these transactions were not more favorable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 27 to the Financial Statements, on page 84 of this Annual Report.

DECLARATION

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on pages 37 to 41 of this Annual Report.



Dr. S. Selliah

Chairman - Related Party Transactions Review Committee

31st May 2021



FINANCIAL
INFORMATION

FINANCIAL CALENDAR

Interim Dividend 2020/21	04th March 2021
1st Quarter 2020/21 Interim Financial Report (Unaudited)	10th August 2020
2nd Quarter 2020/21 Interim Financial Report (Unaudited)	04th November 2020
3rd Quarter 2020/21 Interim Financial Report (Unaudited)	05th February 2021
4th Quarter 2020/21 Interim Financial Report (Unaudited)	17th May 2021
Annual Report 2020/21	31st May 2021
30th Annual General Meeting	30th June 2021

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INDEPENDENT AUDITOR'S REPORT



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Chartered Accountants
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TO THE SHAREHOLDERS OF LANKA CERAMIC PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Lanka Ceramic PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the

Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
<p>Measurement of the carrying values of Land and Buildings</p> <p>Included within Property, Plant and Equipment and Investment Property are Land and Buildings carried at fair value. As of reporting date, such land and buildings within Property, Plant and Equipment and Investment Property amounted to Rs. 189 Mn and Rs. 951 Mn respectively. The fair values of such land and buildings were determined using independent external valuer engaged by the Group.</p> <p>Fair valuation of Land and Buildings was a key audit matter due to:</p> <ul style="list-style-type: none"> The degree of significant assumptions, judgements and estimation uncertainties associated with such fair valuations which included consideration of the impacts of COVID-19. The fair valuation this year contains higher estimation uncertainties as there were fewer market transactions (as a consequence of the prevailing pandemic), which are ordinarily a strong source of evidence regarding fair value. 	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> We evaluated the competence, capability and objectivity of the external valuer engaged by the Group; We read the external valuer's report and understood the key assumptions, judgments and estimates made and the approach taken by the valuer in determining the valuation; We engaged our internal specialised resources to assist us in assessing the appropriateness of the valuation techniques used and the reasonableness of the significant assumptions, judgements and estimates such as per perch price of Land and per square foot value of Buildings used by the valuer; We discussed with the external valuer and those charged with governance, the external valuer's assumptions, judgments and estimates used by the external valuer and compared the same with relevant published data; and

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principals: G B Goudian ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Key Audit Matter	How our audit addressed the key audit matter
<p>Key areas of significant assumptions, judgments, and estimates included the estimate of per perch value of land and per square foot value of buildings.</p> <p>Recoverability of deferred tax assets</p> <p>The Group has recognised a deferred tax asset of Rs. 92 Million on temporary differences existing as of reporting date. Such balance includes a deferred tax asset of Rs. 83 Million recognised on accumulated carried forward tax losses amounting to Rs. 346 Million.</p> <p>The recoverability of the deferred tax asset recognised on such available tax losses was a key audit matter due to;</p> <ul style="list-style-type: none"> ★ The degree of significant underlying management judgements and assumptions coupled with inherent estimation uncertainties that arise when assessing the future taxable profits required to realise the underlying deferred tax asset. <p>Key areas of significant judgments, estimates and assumptions included revenue growth rate and gross margin.</p>	<ul style="list-style-type: none"> ★ We assessed the adequacy of the disclosures made in Notes 3(d) and 5.1 in the financial statements. <p>Our audit procedures included the following;</p> <p>We gained an understanding of how Management has forecasted its future taxable profits which included consideration of the impacts of the continuing COVID-19 pandemic on the operations of the Group</p> <ul style="list-style-type: none"> ★ We engaged our internal specialized resources to assist us in: <ul style="list-style-type: none"> - assessing the reasonableness of significant judgements and assumptions used such as revenue growth rate and gross margin; and - evaluating the sensitivity of the forecast taxable profits, by considering possible changes in key assumptions ★ We assessed the adequacy of the disclosures made in Notes 13 in the financial statements.

Other information included in the 2021 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT

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

We also:

- * Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- * Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- * Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- * Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2471.

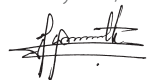


31st May 2021
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Company		Group	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	3	204,959,551	99,958,950	204,959,551	99,958,950
Leasehold rights over mining lands	4	1,619,026	1,619,026	1,619,026	1,619,026
Investment property	5	951,258,400	910,496,000	951,258,400	910,496,000
Right-of-use assets	6	-	8,406,277	-	8,406,277
Other Equity Investments	7.2	-	-	56,666,760	-
Investment in Subsidiary	7.1	10	-	-	-
		1,157,836,987	1,020,480,253	1,214,503,737	1,020,480,253
Current assets					
Inventories	8	2,897,706	6,368,905	2,897,706	6,368,905
Trade and other receivables	9	118,005,889	126,097,717	64,270,359	126,097,717
Cash and cash equivalents	25	3,177,563	6,933,564	3,177,563	6,933,564
		124,081,158	139,400,186	70,345,628	139,400,186
Total assets		1,281,918,145	1,159,880,439	1,284,849,365	1,159,880,439
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	10.1	300,000,000	300,000,000	300,000,000	300,000,000
Reserves	11	285,087,460	216,767,690	285,087,460	216,767,690
Retained earnings		385,001,515	326,116,292	385,001,515	326,116,292
Total equity		970,088,975	842,883,982	970,088,975	842,883,982
Non-current liabilities					
Interest bearing liabilities	12	61,078,600	70,920,606	61,078,600	70,920,606
Deferred tax liabilities	13	173,001,530	159,577,660	173,001,530	159,577,660
Retirement benefit liability	14	8,840,343	7,156,815	8,840,343	7,156,815
Other non-current liabilities	15	15,000,000	15,000,000	15,000,000	15,000,000
		257,920,473	252,655,081	257,920,473	252,655,081
Current liabilities					
Trade and other payables	16	22,615,097	38,654,852	25,546,317	38,654,852
Interest bearing liabilities	12	31,293,600	25,686,524	31,293,600	25,686,524
		53,908,697	64,341,376	56,839,917	64,341,376
Total equity and liabilities		1,281,918,145	1,159,880,439	1,284,849,365	1,159,880,439

I certify that, these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



B.G.W. Sarathchandra

Group Finance Controller

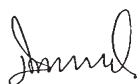
The Board of Directors is responsible for these financial statements.

Signed for and on behalf of the Board,



A.M. Weerasinghe

Chairman



J.A.P.M. Jayasekera

Managing Director

The accounting policies and notes on pages 55 to 87 form an integral part of the financial statements.

31st May 2021

Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March	Note	Company/Group	
		2021	2020
		Rs.	Rs.
Revenue	17	121,329,735	166,131,623
Cost of sales		(68,658,812)	(108,528,688)
Gross profit		52,670,923	57,602,935
Fair value gain on investment property	5	40,762,400	2,050,000
Other income	18	52,553,034	45,503,942
Distribution costs		(8,886,042)	(11,470,038)
Administrative expenses		(54,043,070)	(51,673,500)
Finance cost	19	(8,149,876)	(13,757,207)
Finance income	20	999,676	-
Profit before tax	21	75,907,045	28,256,132
Income tax expense	22.1	(8,064,543)	(5,056,332)
Profit for the year		67,842,502	23,199,800
Other comprehensive income			
Actuarial gain/(loss) on retirement benefit liability	14	(1,541,752)	1,643,972
Revaluation gain/(loss) on lands and buildings	3	74,063,571	-
Deferred tax on components of other comprehensive income	13.2	(5,359,328)	(460,000)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):		67,162,491	1,183,972
Total comprehensive income for the year		135,004,993	24,383,772
Earnings per share - from continuing operations	23.1	11.31	3.87
Dividend per share	24	1.30	-

The accounting policies and notes on pages 55 to 87 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March	Company/Group			Total
	Stated capital	Revaluation reserve	Retained earnings/(loss)	
	Rs.	Rs.	Rs.	
Balance as at 01 April 2019	300,000,000	216,767,690	301,732,520	818,500,210
				-
Profit for the year	-	-	23,199,800	23,199,800
Other comprehensive income	-	-	1,183,972	1,183,972
Total comprehensive income	-	-	24,383,772	24,383,772
Balance as at 31 March 2020	300,000,000	216,767,690	326,116,292	842,883,982
Transfer from revaluation reserve on disposal of land	-	(14,453)	14,453	-
Profit for the year	-	-	67,842,502	67,842,502
Other comprehensive income	-	68,334,223	(1,171,732)	67,162,491
Total comprehensive income	-	68,334,223	66,670,770	135,004,993
Dividends	-	-	(7,800,000)	(7,800,000)
Balance as at 31 March 2021	300,000,000	285,087,460	385,001,515	970,088,975

The accounting policies and notes on pages 55 to 87 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the Year ended 31 March	Note	Company/Group	
		2021	2020
		Rs.	Rs.
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES			
Profit before income tax from/(used in) continuing operations		75,907,045	28,256,132
Adjustments for			-
Depreciation	3	9,557,286	11,526,357
Amortisation of leasehold right over land	4	-	2,619,433
Amortisation of Right-of-use assets	6	2,941,806	2,941,806
Variable lease over mining land	21	-	2,992,344
(Profit)/ loss on sale of property, plant and equipment	18	(3,074,023)	331,301
Finance costs	19	8,149,876	13,757,207
Finance Income	20	(999,676)	-
Write off of property, plant and equipment		1,323,410	-
Provision for retirement benefit obligations	14	1,670,682	1,755,840
Provision for obsolete and slow moving inventory	8	2,262,719	-
Revaluation gain on investment property	5	(40,762,400)	(2,050,500)
Operating profit before working capital changes		56,976,725	62,130,420
Working capital adjustments			
(Increase)/ decrease in inventories		1,208,753	(645,291)
(Increase)/ decrease in trade and other receivables		8,091,828	(31,674,048)
Increase /(decrease) in trade and other payables		(16,039,756)	10,768,786
Cash generated from operations		50,237,550	40,579,867
Finance costs paid	19	(8,149,876)	(13,757,207)
Retirement benefit plan costs paid	14	(1,528,906)	(3,290,008)
Net cash flows from operating activities		40,558,768	23,532,652
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	3	(36,509,707)	(757,480)
Proceeds from sale of property, plant and equipment		3,230,200	468,695
Investment in subsidiary	7.1	(10)	-
Finance Income	20	999,676	-
Net cash flows used in investing activities		(32,279,841)	(288,785)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from Interest bearing borrowings	12.1	9,500,000	-
Repayment of interest bearing borrowings	12.1	(13,008,406)	(24,960,000)
Repayment of lease	12.2	(726,524)	(3,342,485)
Variable lease payment over mining land		-	(2,808,380)
Dividends paid	24	(7,800,000)	-
Net cash flows used in financing activities		(12,034,930)	(31,110,865)
Net (Increase)/decrease in cash and cash equivalents		(3,756,001)	(7,866,998)
Cash and cash equivalents at the beginning of the year	25	6,933,564	14,800,562
Cash and cash equivalents at the end of the year	25	3,177,563	6,933,564

The accounting policies and notes on pages 55 to 87 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Lanka Ceramic PLC ("Company") is a limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is located at No. 23, Narahenpita Road, Nawala.

1.2 Principal activities and nature of operations

During the year the principal activities of the Group were as follows:

Lanka Ceramic PLC

During the year, principal activities of the Company were to provide raw materials to ceramic industry, managing investment property, importing and selling of sanitaryware and operating a Lanka Tiles showroom as a franchise partnership.

LC Plantation Projects Limited

The principal activity of the Company is holding investment. However, no operations were commenced during the year since the Company was formed on 05th March 2021.

1.3 Parent enterprise and ultimate parent enterprise

The Company's parent entity is Royal Ceramics Lanka PLC and the Company's ultimate parent undertaking and controlling party is Vallibel One PLC. The Group's ultimate controlling party is Mr. K.D.D. Perera.

1.4 Date of authorisation for issue

The Financial Statement of Lanka Ceramic PLC for year ended 31 March 2021 was authorised for issue in accordance with a resolution of the Board of Directors dated 31st May 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company and Group have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter "SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka.

2.1.1 Basis of measurement

The financial statements of the Company and Group have been prepared on a historical cost basis, other than for following assets measured at fair value;

1. Lands and Buildings
2. Investment property

The Consolidated Financial Statements are presented in Sri Lanka Rupees (Rs.), except when otherwise indicated. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

2.1.2 Statement of compliance

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards ("SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka.

The preparation and presentation of these financial statements is in compliance with the requirements of the Companies Act No.07 of 2007.

2.1.3 Going concern

The Board together with the management is committed to withstand the negative effects and short-term uncertainty that has been created by the COVID-19 pandemic and confident that Group is in the possession of required resources and capabilities to achieve this. The Board together with the management is closely monitoring and taking the necessary steps and precautions to manage and minimise the potential downside risks to the operation due to the COVID-19 pandemic. Accordingly, the board of directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading.

2.1.4 Changes in accounting policies and disclosure

New and amended standards and interpretations

The Group applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 01st April 2020.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

a) Amendments to SLFRS 3: Definition of a Business

The amendment to SLFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and

NOTES TO THE FINANCIAL STATEMENTS

processes needed to create outputs. These amendments had no impact on the financial statements of the Group but may impact future periods should the Group enter into any business combinations.

b) **Amendments to LKAS 1 and LKAS 8 Definition of Material**

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the financial statements of, nor is there expected to be any future impact to, the Group.

c) **Amendments to references to the conceptual framework in SLFRS standards**

Revisions to the Conceptual Framework were made because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

These amendments had no impact on the financial statements of the Group.

2.1.5 **Comparative information**

The accounting policies have been consistently applied by the Group and they are consistent with those used in the previous years. Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation.

2.1.6 **Basis of Consolidation**

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiary as at 31 March 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- ★ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- ★ Exposure, or rights, to variable returns from its involvement with the investee
- ★ The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control to support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ★ The contractual arrangement with the other vote holders of the investee
- ★ Rights arising from other contractual arrangements
- ★ The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The consolidated financial statements of the Group include the fully owned subsidiary of LC Plantation Projects Limited which was incorporated in Sri Lanka in 2021.

2.2 Significant Accounting Judgments, Estimates and Assumptions

2.2.1 Judgements

In the process of applying the Group accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements.

a) Useful life-time of the property, plant and equipment

The Group reviews the useful lives and methods of depreciation of assets at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainties.

2.2.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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. The respective carrying amounts of assets and liabilities are given in related notes to the financial statements.

a) Defined benefit plans

The cost of defined benefit plan- gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Retirement benefit liability of the Group is disclosed in Note 14 together with assumptions used in the valuations and the sensitivities thereof.

b) Fair value of freehold lands and buildings (Property, Plant and Equipment)

The Group measures freehold land and buildings at fair value with changes in fair value being recognised in other comprehensive income. Lands and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Fair value related disclosures for assets measured at fair value are summarized in the Note 3 to the financial statements.

c) Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent it is probable that future taxable profits will be available against which such tax losses can be set off. Judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with the future tax-planning strategies.

d) Fair Value of investment property

The Group carries its Investment Properties at fair value, with changes in fair values being recognised in the Statement of profit or loss. The Group engaged an independent valuer to determine the fair value as at 31 March 2021. The valuation of investment property, management require to make significant estimates such as current market price per perch, market rent per similar properties and yield rate which are based on current and future market or economic conditions.

Fair value related disclosures for assets measured at fair value are summarised in the Note 5 to the financial statements.

e) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities disclosed in the financial statements cannot be derived from active markets, they are determined using a significant variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and inputs such as discount rates. The valuation of financial instruments is described in more detail in Note 12.4.

NOTES TO THE FINANCIAL STATEMENTS

2.3 Summary of Significant Accounting Policies

2.3.1 Foreign currency translation

The financial statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.3.2 Fair value measurement

Fair value related disclosures for assets measured at fair value or assets and liabilities that are not measured at fair value, for which fair values are disclosed, are summarised in the Note 3 (d), Note 12.4 and Note 5.1 to the financial statements.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorized within the fair value hierarchy, described as follows,

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.3 Taxation

Current taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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 relevant tax legislations. Current income tax relating to items recognised directly in equity statement is recognised in equity and not in the statement of total comprehensive income.

Deferred taxation

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

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and the carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity statement is recognised in equity statement and not in the statement of total comprehensive income.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authorities in which case the sales tax is recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of other receivables and other payables in the Statement of Financial Position.

2.3.4 Borrowing costs

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

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in statement of comprehensive income using the effective interest method.

The amounts of borrowing cost which are eligible for capitalization are determined in accordance with LKAS 23- "Borrowing Costs".

2.3.5 Inventories

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

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae:-

Finished goods and work-in-progress

At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity, but excluding borrowing cost on first-in-first-out basis.

Spares and Consumables

At actual cost on first-in-first-out basis.

2.3.6 Financial instruments

Financial assets

Initial recognition and measurement

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement

The Group classifies all of its financial assets in the measurement category of financial assets at amortized cost and Financial assets designated at fair value through OCI (equity instruments).

a) Financial assets at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

The Group's financial assets at amortized cost includes trade and other receivables and cash and cash equivalents.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- ★ The rights to receive cash flows from the asset have expired
- ★ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full.

b) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group elected to classify irrevocably its non-listed equity investments under this category.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of SLFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings. Accordingly, Group financial liabilities have been classified as loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification:

Financial liabilities at amortised cost (Loans and borrowings)

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs those

are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.3.7 Property, plant and equipment

Property, plant and equipment is stated at cost or valuation, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. When each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

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

Depreciation except mining land is calculated on a straight-line basis over the useful life of the assets and depreciation of mining land is calculated based unit of production. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Capital expenditure incurred in relation to fixed assets which are not completed as at the reporting date are shown as capital work-in-progress and is stated at cost. On completion, the related assets are transferred to property, plant and equipment. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Freehold and mining land and buildings are measured at fair value less accumulated depreciation on buildings. Valuations are performed every 3-5 years (or frequently enough) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation surplus in equity.

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However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

2.3.8 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group considered whether;

- ★ The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- ★ The Group has right to obtain substantially all of the economic benefits of asset throughout the period of use; and
- ★ The Group has right to direct the use of the asset. The Group has this right when it has decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;
- ★ The Group has right to operate the asset; or
- ★ The Group designated the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or charged, on or after 1 April 2019.

a) Group as the Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment and are in the range of 4 to 20 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.3.12 Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to

future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. (refer Note 6).

b) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

c) Group as the Lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset is classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease added to the carrying amount of the leased asset and recognised over the lease term on the same basis rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.3.9 Investment properties

Properties held for capital appreciation and properties held to earn rental income have been classified as Investment Property. Investment Property is recognised if it is probable that future economic benefits that are associated with the Investment Property will flow to the Group and cost of the Investment Property can be reliably measured.

Initial measurement

An Investment Property is measured initially at its cost. The cost of a purchased Investment Property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment is its cost at the date when the construction or development is complete.

Subsequent measurement

The Group applies the Fair Value Model for Investment Properties in accordance with Sri Lanka Accounting Standard 40 (LKAS 40), - "Investment Property". Accordingly, land and buildings classified as Investment Properties are stated at Fair Value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of comprehensive income in the period of derecognition. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change.

2.3.10 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of total comprehensive income net of any reimbursement.

2.3.11 Retirement benefit obligations

a) Defined benefit plan – gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

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All assumptions are reviewed at each reporting date. Interest expense and the current service cost related to the liability is recognised in profit or loss and actuarial gain or loss is recognised in other comprehensive income.

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2021.

Funding arrangements

The Gratuity liability is not externally funded.

b) Defined contribution plans- employees' provident fund and employees' trust fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. These are recognised as an expense in the statement of income as incurred.

The Group contributes 12%/15% and 3% of gross emoluments of the employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.3.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount an asset is considered impaired and is written down to its recoverable amount.

2.3.13 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of the statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

2.3.14 Investments In subsidiaries

Investments in subsidiaries in the separate Financial Statements have been accounted for at cost, net of any impairment losses which are charged to the Statement of Comprehensive Income of the Company. Income from these investments is recognised only to the extent of dividend received.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amounts are recognised as income or expense.

2.3.15 Revenue recognition

Revenue from contracts with customers

The Group extracts and provide raw materials to ceramic within the geographic regions of Sri Lanka. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group is the principal in its revenue arrangements, as it typically controls the goods before transferring them to the customer.

Revenue from sale of raw materials is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods which include one performance obligation.

Following accounting policies in the context of below income sources have consistently applied in all the periods.

Interest

For all financial instruments measured at amortized cost and interest bearing financial assets, 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 statement of total comprehensive income.

Dividends

Dividend income is recognised when the shareholders' right to receive payment is established.

Rental income

Rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease.

Other income

Other income is recognised on an accrual basis.

Gains and Losses

Net gains and losses of a revenue nature on the disposal of property, plant & equipment and other non-current assets including investments have been accounted for in the statement of total comprehensive income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of re-valued property, amount remaining in revaluation reserve relating to that asset is transferred directly to retained earnings. Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.4 Effect of Sri Lanka Accounting Standards Issued but not yet effective:

The new and amended standards that are issued, but not yet effective to the date of issuance of these financial statements are disclosed below. None of the new or amended pronouncements are expected to have a material impact on the consolidated financial statements of the Group in the foreseeable future. The Group intends to adopt these amended standards, if applicable, when they become effective.

a) Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021.

b) Amendments to SLFRS 16 - COVID-19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 01 June 2020.

c) Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

NOTES TO THE FINANCIAL STATEMENTS

d) **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16**

In March 2021, the ICASL adopted amendments to LKAS16- Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

e) **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37**

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

f) **Amendments to LKAS 1: Classification of Liabilities as Current or Non-current**

In March 2021, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- ★ What is meant by a right to defer settlement
- ★ That a right to defer must exist at the end of the reporting period
- ★ That classification is unaffected by the likelihood that an entity will exercise its deferral right
- ★ That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.

3. PROPERTY, PLANT & EQUIPMENT - COMPANY/GROUP

	Balance as at 01.04.2020	Additions	Write off/ Disposals/ Transfers	Revaluation	Balance as at 31.03.2021
	Rs.	Rs.	Rs.	Rs.	Rs.

a)	Gross carrying amounts					
	At cost					
	Plant and machinery	62,923,459	128,357	9,429,488	-	72,481,304
	Tools, implements, furniture & fittings and electrical appliances and computer software	10,374,800	966,500	-	-	11,341,300
	Transport & communication equipment	12,831,595	-	4,530,000	-	17,361,595
		86,129,854	1,094,857	13,959,488	-	101,184,199
	At valuation					
	Freehold and mining lands	59,823,434	34,046,750	(4,851,368)	57,731,834	146,750,650
	Buildings	34,642,064	1,368,100	(10,428,351)	16,331,737	41,913,550
		94,465,498	35,414,850	(15,279,719)	74,063,571	188,664,200
	Total	180,595,352	36,509,707	(1,320,231)	74,063,571	289,848,399

	Balance as at 01.04.2020	Charge for the year	Write off/ Disposals/ Transfers	Revaluation	Balance as at 31.03.2021
	Rs.	Rs.	Rs.	Rs.	Rs.

b)	Depreciation					
	At cost					
	Plant and machinery	49,158,010	4,885,235	5,846,941	-	59,890,187
	Tools, implements, furniture & fittings and electrical appliances and computer software	7,991,618	1,253,831	-	-	9,245,448
	Transport & communication equipment	10,910,528	871,179	3,971,507	-	15,753,214
		68,060,156	7,010,245	9,818,448	-	84,888,849
	At valuation					
	Freehold and mining lands	4,522,400	172,536	(285,698)	(4,409,238)	-
	Buildings	8,053,846	2,374,505	(10,428,351)	-	-
		12,576,246	2,547,041	(10,714,049)	(4,409,238)	-
	Total	80,636,402	9,557,286	(895,601)	(4,409,238)	84,888,849

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT & EQUIPMENT - COMPANY/GROUP CONTD.

	2021	2020
A at 31 March	Rs.	Rs.

c) Net book value of assets

At cost		
Plant and machinery	12,591,117	13,765,448
Tools, implements, furniture & fittings and electrical appliances and computer software	2,095,852	2,383,182
Transport & communication equipment	1,608,382	1,921,068
At valuation		
Freehold and mining lands	146,750,650	55,301,034
Buildings	41,913,550	26,588,218
Net assets value	204,959,551	99,958,950

d) Fair value measurement disclosure related to properties are carried at valuation are as follows;

Location	Extent	Valuer	Valuation date	Valuation details	Significant unobservable input : price per perch/ acre/range	Fair value measurement using significant unobservable inputs (Level 3)	Fair value measurement using significant unobservable inputs (Level 3)
						2021	2020
						Rs.	Rs.
Mining Land at Owala	25A-2R-3.5P	Mr. A.A.M. Fathihu	31 March 2021	Market based evidence	Rs. 100,000/- to Rs. 1,000,000/- per acre	22,873,500	4,809,000
Land situated at Owala	1A-1R-02.0P	Mr. A.A.M. Fathihu	31 March 2021	Market based evidence	Rs. 1,000,000/- per acre	1,262,500	500,000
Factory, office building & other infrastructure at Owala mine	10,535 Sq.ft	Mr. A.A.M. Fathihu	31 March 2021	Depreciated Cost method	Rs. 150/- to Rs. 2,500/- per sq.ft	9,075,600	5,157,000
Mining Land at Meetiyagoda	43A-3R-24.43P	Mr. A.A.M. Fathihu	31 March 2021	Market based evidence	Rs. 100,000/- to Rs. 2,600,000/- per acre	51,183,900	17,050,571
Mining Land at Dediawala	38A-3R-25.44P	Mr. A.A.M. Fathihu	31 March 2021	Market based evidence	Rs. 500,000/- to Rs. 1,500,000/- per acre	35,216,000	7,779,000
Land situated at Meetiyagoda	14A-0R-24.26P	Mr. A.A.M. Fathihu	31 March 2021	Market based evidence	Rs. 100,000/- to Rs. 3,500,000/- per acre	36,214,750	12,931,250
Factory building & office building at Meetiyagoda mine	42,189sq. ft	Mr. A.A.M. Fathihu	31 March 2021	Depreciated cost method	Rs. 275/- to Rs. 2,500/- per sq.ft	32,837,950	13,556,800

e) The useful lives of the assets are estimated as follows ;

	Company/Group	
	2021	2020
	No. of Years	No. of Years
Mining Land	Units of production basis	Units of production basis
Buildings on free hold land and roadway	25,40 & 50	25,40 & 50
Plant and machinery	3 to 10	3 to 10
Tools, implements, furniture & fittings and electrical appliances and computer software	2,4,5 & 10	2,4,5 & 10
Transport and communication equipment	3, 4 & 5	3, 4 & 5

f) The carrying amount of revalued assets of the Company/Group would have been included in the Financial Statement had the assets being carried at cost less depreciation as follows,

	Company/Group			
	Cost 2021	Accumulated depreciation 2021	Net carrying amount 2021	Net carrying amount 2020
	Rs.	Rs.	Rs.	Rs.
Freehold and clay mining lands	38,400,750	4,354,000	34,046,750	4,354,000
Freehold building	35,835,718	28,058,850	7,776,868	7,243,618
	74,236,468	32,412,850	41,823,618	7,243,618

g) During the financial year, the Company/Group acquired property, plant and equipment to the aggregate value of Rs. 36,509,707/- (2019/20 - Rs. 757,480/-). Cash payments amounting to Rs. 36,509,707/- (2019/20 - Rs. 757,480) were made during the year for purchase of Property, Plant and Equipment.

h) Fixed assets include fully depreciated assets and the cost of which at the reporting date amounted to Rs. 55,209,902/- (2019/2020 - Rs. 40,488,439/-) respectively.

4. LEASEHOLD RIGHT OVER MINING LANDS

	Company/Group	
	2021	2020
	Rs.	Rs.
Cost		
At the beginning of the year	15,800,000	15,800,000
At the end of the year	15,800,000	15,800,000
Accumulated Depreciation / Amortisation		
At the beginning of the year	14,180,974	11,561,541
Charge for the year	-	2,619,433
At the end of the year	14,180,974	14,180,974
Written down value	1,619,026	1,619,026

** The Company/Group also pay monthly payments based on quantity of clay extracted from these lease hold lands.

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT PROPERTY - COMPANY/GROUP

	2021	2020
	Rs.	Rs.
At the beginning of the year	910,496,000	908,446,000
Change in Fair Value	40,762,400	2,050,000
Balance at the end of the year	951,258,400	910,496,000

As at 31 March 2021, the investment property includes land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03 (1R - 1.12 P).

5.1 Fair value of investment property

The fair value of freehold land and buildings were determined by A.A.M. Fathihu a chartered independent valuer (Valuation report dated 31 March 2021). The basis of valuation is the Depreciated Replacement Cost Method using the depreciated value of buildings and Current Open Market Value of land.

	Fair value measurement using Market based direct comparison approach (Level 3)	Fair Value measurement using significant unobservable inputs (Level 3)
	2021	2020
	Rs.	Rs.
Date of valuation	31 March 2021	31 March 2020
Land	822,400,000	781,280,000
Building	128,858,400	129,216,000
Significant unobservable input :		
Price per perch	20,000,000	19,000,000
Price per square foot	Rs. 11,000/- 'Rs. 8,000/-	Rs. 7,600/- 'Rs. 10,450/-

Significant increases/ (decrease) in estimated price per perch/ price per square foot in isolation would result in a significantly higher/ (lower) fair value.

5.2 Rental Income earned from Investment Property by the Company/Group amounted Rs. 36.75 Mn. (2019/2020 - Rs. 36.75 Mn). Direct operating expenses incurred by the Group amounted to Rs. 1.64 Mn.(2019 - Rs. 1.58Mn.).

5.3 Rental income receivable under the operating lease agreement of investment property as follows;

	Rental income receivable					
	< 1 year	1 - 2 Year	2 - 3 Year	3 - 4 Year	4 - 5 Year	Over 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2020-21	36,750,000	36,750,000	36,750,000	-	-	-
2019-20	36,750,000	36,750,000	36,750,000	36,750,000	-	-

6. RIGHT- OF -USE ASSETS

	Company/Group		
	Plant and machinery	Transport & communication equipment	Total
	Rs.	Rs.	Rs.
Cost			
Balance as at 1 April 2020	15,486,607	4,530,000	20,016,607
Transfer to Property, Plant & Equipment	(15,486,607)	(4,530,000)	(20,016,607)
Balance as at 31 March 2021	-	-	-
Accumulated Amortisation			
Balance as at 1 April 2020	8,544,824	3,065,507	11,610,330
Charge for the year	2,035,806	906,000	2,941,806
Transfer to Property, Plant & Equipment	(10,580,629)	(3,971,507)	(14,552,136)
Balance as at 31 March 2021	-	-	-
Net book value as at 31 March 2020	6,941,783	1,464,493	8,406,277
Net book value as at 31 March 2021	-	-	-

The carrying amounts of lease liabilities presented under Note 12, Interest Bearing Liabilities.

7. INVESTMENT IN SUBSIDIARY AND OTHER EQUITY INVESTMENT

7.1 Investment in Subsidiary

	Company			
	Holding		Cost	
	2021	2020	2021	2020
	%	%	Rs.	Rs.
LC Plantation Projects Limited	100	-	10	-

7.2 Other Equity Investment

	Group			
	Holding		Cost	
	2021	2020	2021	2020
	%	%	Rs.	Rs.
CP Holding (Private) Limited	16.67	-	56,666,760	-

NOTES TO THE FINANCIAL STATEMENTS

8. INVENTORIES

	Company/Group	
	2021	2020
	Rs.	Rs.
Finished goods	121,539	137,260
Goods in transit	71,426	575,881
Consumables and spares	5,486,860	6,175,164
Allowances for obsolete and slow moving inventory	(2,782,118)	(519,399)
Total	2,897,706	6,368,905

9. TRADE AND OTHER RECEIVABLES

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Trade debtors - Related parties (9.1)	25,754,046	73,777,345	25,754,046	73,777,345
- Other	4,513,539	5,443,536	4,513,539	5,443,536
	30,267,585	79,220,881	30,267,585	79,220,881
Other Receivables	46,660,926	55,810,374	46,660,936	55,810,374
Other debtors - Related parties (9.1)	53,735,539	-	-	-
Less: Allowances for doubtful debts*	(26,200,000)	(26,200,000)	(26,200,000)	(26,200,000)
	104,464,051	108,831,255	50,728,521	108,831,255
Advance and prepayments	5,831,597	8,492,449	5,831,597	8,492,449
Other Statutory Receivables	7,710,241	8,774,013	7,710,241	8,774,013
Total	118,005,889	126,097,717	64,270,359	126,097,717

* Lanka Ceramic PLC when formed in 1990 took over the business and assets and liabilities, except for one division of Ceylon Ceramic Corporation. The division not taken over, continues to operate under the Corporation and a sum of approximately Rs. 26.2 Mn reflected as due from the Corporation at the time of the take over of business is still outstanding in the books of the Company and fully impaired as at 31 March 2021.

9.1 Amounts due from related parties

		Company		Group	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.
Trade					
Lanka Tiles PLC	Affiliated company	17,431,266	52,919,189	17,431,266	52,919,189
Lanka Walltiles PLC	Affiliated company	4,105,365	17,308,630	4,105,365	17,308,630
Rocell Bathware Ltd	Affiliated company	1,950,933	1,582,357	1,950,933	1,582,357
Royal Ceramics Lanka PLC	Parent company	2,201,752	1,857,453	2,201,752	1,857,453
Swisstek (Ceylon) PLC	Affiliated company	64,729	109,715	64,729	109,715
		25,754,046	73,777,345	25,754,046	73,777,345
Other					
LC Plantation Projects Limited	Subsidiary company	53,735,539	-	-	-
		79,489,585	73,777,345	25,754,046	73,777,345

9.2 As at 31 March, the ageing analysis of trade receivables are as follows:

Company/Group	Neither past due nor impaired	Past due but no impaired			Impaired	Total
		< 3 Months	3- 12 Months	> 1 Year		
		Rs.	Rs.	Rs.		
2020-21	834,873	20,884,045	932,956	7,615,712	-	30,267,585
2019-20	717,493	57,982,015	12,803,632	7,717,741	-	79,220,881

10. STATED CAPITAL

10.1 Issued & fully paid

	Company	
	2021	2020
	Rs.	Rs.
Balance at the beginning of the year	300,000,000	300,000,000
Balance at the end of the year	300,000,000	300,000,000

10.2 Issued & fully paid

	Company	
	2021	2020
	No.	No.
No. of Shares		
Balance at the beginning of the year	6,000,000	6,000,000
Balance at the end of the year	6,000,000	6,000,000

NOTES TO THE FINANCIAL STATEMENTS

- 10.3** The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company. All shares rank equally with regard to the Company's residual assets.

11. RESERVES

	Company/Group	
	2021	2020
	Rs.	Rs.
Revaluation reserve (11.1)	285,087,460	216,767,690
	285,087,460	216,767,690

11.1 Revaluation reserve

	Company/Group	
	2021	2020
	Rs.	Rs.
On: Property plant & equipment		
As at 01 April	216,767,690	216,767,690
Transfer from revaluation reserve on disposal of land	(14,453)	-
Revaluation of freehold land and building net of tax	68,334,223	-
As at 31 March	285,087,460	216,767,690

12. INTEREST BEARING LIABILITIES

	Company/Group	
	2021	2020
	Rs.	Rs.
Non current		
Long term loans (12.1)	61,078,600	70,920,606
	61,078,600	70,920,606
Current		
Long term loans (12.1)	31,293,600	24,960,000
Leases (12.2)	-	726,524
	31,293,600	25,686,524
Total	92,372,200	96,606,524

12.1. Long term loans

	Company/Group	
	2021	2020
	Rs.	Rs.
At the beginning the year	95,880,606	120,840,000
Loans obtained	9,500,000	-
Repayments	(13,008,406)	(24,959,394)
At the end of the year	92,372,200	95,880,606
Amount payable within one year	31,293,600	24,960,000
Amount payable after one year	61,078,600	70,920,606
	92,372,200	95,880,606

Debt moratorium has been obtained on the term loan of Hatton National Bank PLC (12.3) for the period from April 2020 to September 2020.

12.2 Leases

	Company/Group	
	2021	2020
	Rs.	Rs.
Gross liability	726,524	4,394,366
Repayments	(726,524)	(3,646,611)
Finance charges allocated to future period	-	(21,231)
Net liability	-	726,524
Amount payable within one year	-	726,524
Total	-	726,524

NOTES TO THE FINANCIAL STATEMENTS

12.3 Details of long term loans - Company/Group

Financial institution	Repayment terms	Principal	Interest rate per annum	Security	Balance as at 31.03.2021	Balance as at 31.03.2020
		Rs.			Rs.	Rs.
Hatton National Bank PLC	60 Monthly instalments	500,000,000	AWPLR plus margin	Mortgage for Rs. 500Mn over investment property of land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03 (1R - 1.12 P).	83,400,000	95,880,606
Hatton National Bank PLC (Saubagya COVID-19 Renaissance Facility relief package of CBSL)	18 monthly instalments with 6 months grace period	9,500,000	4%	Mortgage for Rs. 9.5Mn over investment property of land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03 (1R - 1.12 P).	8,972,200	-
					92,372,200	95,880,606

12.4 Fair value of financial assets and liabilities not carried at fair value

"Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities."

	Company				Group			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2021	2020	2021	2020	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets								
Trade and other receivables	104,464,051	108,831,255	104,464,051	108,831,255	50,728,521	108,831,255	50,728,521	108,831,255
Cash and cash equivalents	3,177,563	6,933,564	3,177,563	6,933,564	3,177,563	6,933,564	3,177,563	6,933,564
Total	107,641,614	115,764,819	107,641,614	115,764,819	53,906,084	115,764,819	53,906,084	115,764,819
Financial liabilities								
Trade and other payables	22,615,097	38,654,852	22,615,097	38,654,852	25,546,317	38,654,852	25,546,317	38,654,852
Interest bearing liabilities	92,372,200	96,607,130	92,372,200	96,607,130	92,372,200	96,607,130	92,372,200	96,607,130
Total	114,987,298	135,261,982	114,987,298	135,261,982	117,918,518	135,261,982	117,918,518	135,261,982

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. Interest-bearing loans and borrowings balances comprise floating rate instruments therefore fair value of the value due to banks approximate to the carrying value as at the reporting date.

Fair value of refundable deposits

The fair value of the refundable deposits (note 15) cannot be measured reliably due to the difficulty in determining the time of realization.

Fixed rate financial instruments

Fair Value of interest bearing borrowing at fixed interest rate is amounted to Rs. 8.04Mn as at reporting date. In fair valuing financial assets and financial liabilities with fixed rate, Average Weighted Primary Lending rate published by the CBSL were used.

13. DEFERRED TAX LIABILITIES

	Company/Group	
	2021	2020
	Rs.	Rs.
At the beginning of the year	159,577,660	154,061,328
Charge/(reversal) arising during the year		
- Arising on during the year movement	18,753,146	5,056,332
- Due to change in tax rate	(10,688,603)	-
Deferred tax release on components of other comprehensive income		
- Arising on during the year movement	17,467,647	460,000
- Due to change in tax rate	(12,108,320)	-
At the end of the year	173,001,530	159,577,660

13.1 Statement of financial position

Deferred tax liability

Capital allowances	4,057,499	6,852,889
Revaluation surplus	90,027,152	84,297,805
Investment property	171,176,257	188,292,162
	265,260,909	279,442,855
Deferred tax assets		
Retirement benefit liability	2,122,000	2,003,908
Carried forward tax losses	83,159,000	110,354,000
Provision for obsolete and slow moving, consumables and spares	690,378	171,287
Allowances for doubtful debts	6,288,000	7,336,000
	92,259,378	119,865,195
Net Deferred tax liability	173,001,530	159,577,660

13.2 Statement of Comprehensive Income

Deferred Tax Charge/(Reversal)

	Company/Group	
	2021	2020
	Rs.	Rs.
Retirement benefit liability	(370,020)	460,000
Revaluation surplus	5,729,348	-
Deferred tax release on components of other comprehensive income	5,359,328	460,000

Deferred tax has been computed at 24% (2020 - at 28%).

As per the transitional provisions of the Inland Revenue Act No. 24 of 2017, brought forward tax losses can be claimed against the taxable income for a period of six years with effective from 1 April 2018. The Company has a cumulative tax loss of Rs. 346,485,238/- (2020- Rs. 394,122,128/-) as at 31 March 2021 which can be carried forward up to the financial year of 2023/2024.

The deferred tax asset of Rs. 83,159,000/- (2020- Rs. 110,354,000/-) has been recognised as at 31 March 2021 based on its recoverability assessed by Management on the estimated future taxable profits within the ensuing 3 years.

The key assumptions used to determine the future taxable profits include revenue growth rates and gross margins. The basis used to determine the value assigned to the budgeted revenue growth rates and gross margins are the rates achieved in the year preceding the budgeted year adjusted for projected market conditions.

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity analysis-

Three years average annual revenue growth rate used in determining future taxable profit is 228% and If it is reduced by 50%, the deferred tax asset gets written-off by Rs. 23.1 Mn representing 28% of deferred tax asset as at the reporting date.

14. RETIREMENT BENEFIT LIABILITY

	Company/Group	
	2021	2020
	Rs.	Rs.
At the beginning of the year	7,156,815	10,334,955
Current service cost	955,001	619,000
Net interest on the net defined benefit liability (asset)	715,681	1,136,840
	1,670,682	1,755,840
Net actuarial (Gain)/loss for the year	1,541,752	(1,643,972)
Payments made during the year	(1,528,906)	(3,290,008)
	12,846	(4,933,980)
At the end of the year	8,840,343	7,156,815

14.1 In order to illustrate the significance of the salary escalation rates and discount rates assumed in this valuation a sensitivity analysis for all employees in Lanka Ceramic PLC is as follows;

	2021	2020
	Rs.	Rs.
Discount rate as at 31 March		
Effect on DBO due to decrease in the discount rate by 1%	562,110	296,187
Effect on DBO due to increase in the discount rate by 1%	(502,052)	(270,428)
Salary escalation rate as at 31 March		
Effect on DBO due to decrease in the salary escalation rate by 1%	(537,909)	(308,678)
Effect on DBO due to increase in the salary escalation rate by 1%	591,695	332,751

14.2 Distribution of present value of define benefit obligation

	Less than a year	Between 1-2 years	Between 2- 5 years	Over year 5	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
As at 31 March 2021	1,105,824	2,479,008	1,515,153	3,740,357	8,840,343
As at 31 March 2020	1,967,402	1,827,424	1,676,102	1,685,887	7,156,815
Weighted average duration of defined benefit obligation (Years)		6.39			

- 14.3 Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Lanka Ceramic PLC of the defined benefit plan gratuity as at 31 March 2021.

The principal assumptions used are as follows:

	Company/Group	
	2021	2020
	Rs.	Rs.
Discount rate (per annum)	7.5%	10%
Salary scale (per annum) - Executives	9%	8%
- Non executives	9%	8%
Staff turnover rate	7%	10%
Retirement age	55 Years	55 Years

15. OTHER NON-CURRENT LIABILITIES

	Company/Group	
	2021	2020
	Rs.	Rs.
Refundable deposit	15,000,000	15,000,000
Total	15,000,000	15,000,000

16. TRADE AND OTHER PAYABLES

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Trade creditors - Other	537,117	3,313,250	537,117	3,313,250
Other creditors - Related parties [16.1]	2,056,777	2,611,877	4,987,997	2,611,877
	2,593,894	5,925,127	5,525,114	5,925,127
Sundry creditors including accrued expenses	20,021,203	32,729,726	20,021,203	32,729,726
Total	22,615,097	38,654,852	25,546,317	38,654,852

16.1 Other creditors - Related parties

		Company		Group	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.
Company	Relationship				
Royal Ceramics Lanka PLC	Parent company	86,070	2,002,538	86,070	2,002,538
Swisstek Aluminium Limited	Affiliated company	1,647,601	286,233	1,647,601	286,233
Delmege Forsyth & Co. Ltd	Affiliated company	323,106	323,106	323,106	323,106
CP Holding (Private) Limited	Affiliated company	-	-	2,931,221	-
Total		2,056,777	2,611,877	4,987,997	2,611,877

NOTES TO THE FINANCIAL STATEMENTS

17. REVENUE

Revenue from contracts with customers

	Company/Group	
	2021	2020
	Rs.	Rs.
Types of goods		
Feldspar	72,451,965	86,805,924
Ball clay	61,582	29,533,255
Kaolin	37,371,394	26,143,815
Sanitaryware	11,444,795	23,648,630
Total revenue from contract with customers	121,329,735	166,131,623
Timing of revenue recognition		
Goods transferred at a point in time	121,329,735	166,131,623

18. OTHER INCOME

	Company/Group	
	2021	2020
	Rs.	Rs.
Rental income	36,750,000	36,750,000
Disposal gain on property, plant and equipment	3,074,023	-
Franchise commission income	5,628,933	3,900,963
Sundry income	7,100,078	4,852,979
Total	52,553,034	45,503,942

19. FINANCE COST

	Company/Group	
	2021	2020
	Rs.	Rs.
Interest expense on overdrafts	2,341	146,227
Interest expense on bank loans	8,126,272	13,306,854
Finance charges on lease liabilities	21,262	304,126
Total	8,149,876	13,757,207

20. FINANCE INCOME

	Company/Group	
	2021	2020
	Rs.	Rs.
Interest income	999,676	-
Total	999,676	-

21. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

Is stated after charging/(crediting)

	Company/Group	
	2021	2020
	Rs.	Rs.
Included in cost of sales		
Depreciation and amortisation	9,994,908	14,217,893
Defined benefit plan costs - gratuity	726,182	2,073,248
Defined contribution plan costs - EPF & ETF	1,233,932	1,211,283
Direct labour and other staff cost	21,862,008	21,215,605
Variable lease over mining land	-	2,992,344
Included in administration expenses		
Depreciation and amortisation	2,504,184	2,869,703
Defined benefit plan costs - gratuity	944,500	(316,925)
Defined contribution plan costs - EPF & ETF	1,798,394	1,724,028
Other staff cost	21,155,556	20,064,039
Auditors remuneration		
- Audit fees	402,000	370,206
- Non audit fees	226,100	186,424
Rent, rates and taxes	3,031,471	3,156,150
Staff compensation	165,000	4,685,708

22. INCOME TAX EXPENSES

22.1 The major components of income tax expense are as follows ;

Year ended 31 March	Company/Group	
	2021	2020
	Rs.	Rs.
a) Current income tax		
Current income tax charge	-	-
b) Deferred income tax		
Deferred taxation charge	8,064,543	5,056,332
Income tax charged reported in the income statement	8,064,543	5,056,332
Deferred tax expense reported in the OCI		
Actuarial gain/ (loss) on retirement benefit liability	(370,020)	460,000
Revaluation gain on lands and buildings	5,729,348	-
	13,423,871	5,516,332

NOTES TO THE FINANCIAL STATEMENTS

22.2 Reconciliation between current tax expense and the product of accounting profit.

Year ended 31 March	Company/Group	
	2021	2020
	Rs.	Rs.
Accounting profit before income tax from continuing operation	75,907,045	28,256,632
Income considered as separate source of income	(37,749,676)	(36,750,000)
Non deductible expenses	19,172,058	20,422,995
Deductible Items	(47,445,000)	(14,834,847)
Business income	9,884,427	(2,905,220)
Investment income	37,749,676	36,750,000
Taxable profit/loss	47,634,103	33,844,780
Tax losses utilised	(47,634,103)	(33,844,780)
Current income tax expense		
Taxation -24% (2020 - 28%)	-	-

22.3 Reconciliation between tax expense and the product of accounting profit

Year ended 31 March	Company/Group	
	2021	2020
	Rs.	Rs.
Adjusted accounting profit chargeable to income taxes	75,907,045	28,256,632
Tax effect on chargeable profits	18,217,691	7,911,857
Tax effect on non deductible expenses	345,905	110,222
Tax effect on deductions claimed	(5,139,725)	(2,505,747)
	13,423,871	5,516,332
Tax loss brought forward (Provisional)	394,122,128	407,414,145
Adjustments for prior years	(2,786)	20,552,763
Utilised during the Year	(47,634,103)	(33,844,780)
Tax loss carried forward (Provisional)	346,485,239	394,122,128
Deferred income tax		
Capital allowances	(2,797,000)	330,608
Retirement benefit liability	256,673	429,432
Carried forward tax losses	27,195,000	3,721,872
Provision for obsolete and slow moving, consumables and spares	(522,000)	-
Investment Property - Revaluation surplus	(17,115,743)	574,420
Allowances for doubtful debts	1,048,000	-
	8,064,543	5,056,332
Effective income tax rate	10.62%	17.89%

23. EARNINGS PER SHARE

23.1 Earnings per share - basic from continuing operations

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of Lanka Ceramic PLC by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding without a corresponding change in the resources such as a bonus issue.

The following reflects the income and share data used in the basic earnings per share computations.

	Company/Group	
	2021	2020
	Rs.	Rs.
Amounts used as the numerator:		
Profit attributable to equity holders for basic earnings per share	67,842,502	23,199,800

	Company/Group	
	2021	2020
	No	No
Number of ordinary shares used as the denominator:		
Weighted average number of ordinary shares in issue applicable to basic earnings per share (Note 10)	6,000,000	6,000,000

24. DIVIDEND PER SHARE

	Company/Group	
	2021	2020
	Rs.	Rs.
Interim dividends paid for 2020/21	7,800,000	
No. of shares	6,000,000	-
Dividend per share	1.30	-

25. CASH & CASH EQUIVALENT

	Company/Group	
	2021	2020
	Rs.	Rs.
Favourable cash and cash equivalents balance		
Cash and bank balances	3,177,563	6,933,564
Total cash and cash equivalents for the purpose of cash flow statement	3,177,563	6,933,564

NOTES TO THE FINANCIAL STATEMENTS

26. ASSETS PLEDGED

Other than the assets acquired on lease (note 4) and the details of assets pledged stated in note 12.3 no other assets have been pledged as a security as at the reporting date.

27. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

27.1 Transactions with the Related Entities

Nature of transaction	Company				Group			
	Parent		Group Companies		Parent		Group Companies	
	2021	2020	2021	2020	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sale of goods	11,307,327	66,000	109,772,135	178,091,882	11,307,327	66,000	109,772,135	178,091,882
Commission income	-	-	6,079,248	4,435,600	-	-	6,079,248	4,435,600
Purchase of goods / services	-	-	2,043,098	2,659,026	-	-	2,043,098	2,659,026
Reimbursement of expense net of fund transfer	2,812,803	(2,030,516)	(164,901,710)	(160,782,910)	2,812,803	(2,030,516)	(164,901,710)	(160,782,910)
Investment in subsidiary and other Equity Investment	-	-	10	-	-	-	56,666,760	-
Dividend paid	5,737,407	-	-	-	5,737,407	-	-	-
Fund Transfer	-	-	53,755,539	-	-	-	-	-
Included under;								
Due from related parties	2,201,752	1,857,453	77,287,833	71,919,892	2,201,752	1,857,453	23,552,294	71,919,892
Due to related parties	86,070	2,002,538	1,970,707	609,339	86,070	2,002,538	4,901,928	609,339

Transactions with Group Companies include Lanka Walltiles PLC, Lanka Tiles PLC, Rocell Bathware Limited, Lanka Tiles PLC, Swisstek (Ceylon) PLC, Swisstek Aluminium Limited and LC Plantation Projects Limited and CP Holding (Private) Limited.

The Company carried out above transactions under ordinary course of business at commercial rates. Fund transfer represents sales proceeds received by the Company from Group Companies and the Parent.

27.2 Transactions with key management personnel of the Company

The key management personnel of the Company/Group are the members of its Board of Directors and that of its parent.

Key management personnel Compensation	Company/Group	
	2021	2020
	Rs.	Rs.
Short term employment benefits	5,283,702	4,860,000
	5,283,702	4,860,000

28. COMMITMENTS AND CONTINGENCIES

28.1 Capital commitments

There were no significant capital commitments as at reporting date.

28.2 Contingencies

The Company has no contingencies as at the reporting date.

29. EVENTS OCCURRING AFTER THE REPORTING PERIOD

- ★ Subsequent to the 3rd wave of COVID-19 Pandemic which heightened in late April 2021, the Company has complied with all the directives issued by the Government of Sri Lanka to safeguard the health of our employees, customers, suppliers and all other stakeholders. The Company has provided protective equipment and regular health checks are carried out to ensure the hygiene and well-being of all the employees.

The impact of this pandemic is uncertain and necessary risk management mechanisms have been implemented by the Company while initiating several measures to control cost, preserve liquidity and curtail losses if any.

The board together with the management is committed to withstand the negative effects and short/long- term uncertainties this pandemic has created and confident that the Company is in the possession of required resources and capabilities to achieve this as handled during the past first and second waves of the prevailing COVID-19 pandemic.

- ★ A final dividend of Rs.0.90 per share was recommended by the Board and will be paid following the Annual General Meeting, subject to being approved by the shareholders.

Other than the above there have been no material events occurring after the reporting date that require adjustments or disclosure to these financial statements.

30. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the Company's financial risk management policies. The Board of Directors regularly reviews these risks and approves the risk management policies, which covers the management of these risks.

Market risk

Market risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of the changes in market prices.

(i) Cash flow interest rate risk – risk that future cash flows associated with a financial instrument will fluctuate.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings issued at variable rates. The Group manages its interest rate risk by actively monitoring the yield curve trend and interest rate movement for the various financial instruments.

The companies' borrowings comprise borrowings from financial institutions. The Group's interest rate risk objective is to manage an acceptable level of rate fluctuation on the interest expense. In order to achieve this objective, the Company targets floating borrowings based on assessment of its existing exposure and desirable interest rate profile. Subsequent to the COVID-19 pandemic Central Bank of Sri Lanka has encouraged banks and financial institutions to reduce lending rates through consecutive reductions in policy rates and monetary easing policies. The Group analyses its interest rate exposure on a dynamic basis.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT CONTD,

	Company/Group	
	Change in basis points	Change in profit before tax
Interest rate sensitivity		Rs.
2020-2021	100 (1%)	81,499
2019-2020	100 (1%)	137,572

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, as well as credit exposures to customers, including outstanding receivables. The utilisation of credit limits is regularly monitored.

The Group places its cash and cash equivalents with a number of creditworthy financial institutions. The Group's policy limits the concentration of financial exposure to any single financial institution. In order to minimise the impact of COVID-19 the Company is proactively engaged in minimising disputes and late collection risk. Further the receivable balances were reassessed to forecast the time of settlements. The maximum credit risk exposure of the financial assets of the Group is approximately the carrying amounts as at reporting date.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid funds to meet its financial obligations.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available. The Group obtained a loan (Rs.9.5Mn.) at concessionary rate (4%) under the Saubagya (Prosperity) loan scheme ('Saubagya COVID-19 Renaissance Facility') and obtained debt moratorium for the existing term loan during the year.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity categories based on the remaining period at the statement of financial position date to the contractual maturity date.

Company/Group	Less than 3 months	Between 3 months and 1 year	Between year 1 and year 2	Between year 2 and year 5	Over 5 years
At 31 March 2021	Rs.	Rs.	Rs.	Rs.	Rs.
Bank borrowings	9,361,578	27,320,427	30,985,805	35,184,723	Nil
Trade and other payables	21,077,097	Nil	Nil	Nil	Nil

Company/Group	Less than 3 months	Between 3 months and 1 year	Between year 1 and year 2	Between year 2 and year 5	Over 5 years
At 31 March 2020	Rs.	Rs.	Rs.	Rs.	Rs.
Bank borrowings	10,133,266	28,285,876	32,398,748	51,490,286	Nil
Trade and other payables	37,116,852	Nil	Nil	Nil	Nil

Capital management risk

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may or may not make dividend payments to shareholders, return capital to shareholders or issue new shares or other instruments.

The Group monitors capital on the basis of the gearing ratio, which is interest bearing borrowings divided by equity plus interest bearing borrowings.

The gearing ratio as at 31 March is as follows:

	Company/Group	
	2021	2020
	Rs.	Rs.
Borrowings	92,372,200	96,606,524
Total equity	970,088,975	842,882,990
Gearing ratio	9%	10%

COMPANY TEN YEAR SUMMARY

	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.' 000	Rs.'000	Rs.'000
Operating Results										
Revenue	121,330	166,132	163,772	178,932	282,830	236,534	163,271	184,878	158,324	242,472
Gross Profit	52,671	57,603	62,208	76,116	152,954	89,017	70,246	68,594	51,418	94,692
Fair value gain on investment property	40,762	2,052	80,845	121,600	178,750	-	-	-	-	-
Other Income	52,553	45,504	75,072	160,457	282,134	285,990	261,095	103,323	174,387	83,796
Administration Expenses	54,043	51,674	43,375	56,166	52,302	36,991	46,376	47,752	55,049	67,539
Selling & Distribution Expenses	8,886	11,470	8,232	14,153	30,022	7,766	1,430	1,659	1,979	11,521
Finance Cost	8,150	13,757	21,599	40,498	37,584	30,659	35,258	64,582	94,520	40,200
Profit before Tax	75,907	28,257	144,919	248,377	499,654	301,212	249,711	58,576	76,736	50,980
Profit after Tax	67,843	23,201	137,590	182,199	485,321	290,764	244,362	58,576	76,285	50,445
Total Comprehensive Income	135,005	24,385	136,972	97,192	485,241	309,532	243,897	57,676	80,980	93,807
Assets & Liabilities										
Non Current Assets	1,157,837	1,020,479	1,035,557	952,249	1,517,176	1,027,224	994,693	1,009,607	1,028,783	1,062,064
Current Assets	124,081	139,401	114,949	224,837	105,903	252,698	141,653	98,209	89,415	87,262
Total Assets	1,281,918	1,159,880	1,150,506	1,177,086	1,623,079	1,279,922	1,136,346	1,107,816	1,118,198	1,149,326
Current Liabilities	53,909	64,342	55,998	197,655	106,167	236,594	92,727	100,734	100,974	646,776
Non Current Liabilities	257,920	252,655	276,010	297,905	215,167	275,360	315,183	380,042	447,861	12,964
Retirement Benefit Obligation	8,840	7,157	10,335	9,996	9,399	8,850	7,521	6,942	8,771	8,818
Share Capital & Reserves										
Stated Capital	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Reserves	285,087	216,766	216,766	218,370	303,292	303,292	283,320	283,320	283,320	315,656
Accumulated Profit	385,002	326,117	301,732	163,156	698,453	164,676	145,116	43,719	(13,957)	(126,070)
Key Indicators										
Earnings per Share (Rs.)	11.31	3.87	22.93	11.34	16.18	9.69	8.15	1.95	2.54	1.68
Dividend per Share (Rs.)	1.30	-	-	-	8.00	9.00	4.75	-	1.10	1.50
Net Assets value per Share (Rs.)	161.68	140.48	136.42	113.59	43.39	25.60	24.28	20.90	18.98	16.32
Dividend yield (%)	1.18	-	-	-	6.96	6.92	4.07	-	1.69	2.11
Dividend payout Ratio (%)	11.50	-	-	-	49.45	92.86	58.32	-	43.26	89.21
Interest cover (times)	10.31	3.05	7.71	7.13	14.29	10.82	8.08	1.91	1.81	2.27
Current Ratio	2.30:1	2.17:1	2.05:1	1.14:1	1.00:1	1.07:1	1.53:1	0.97:1	0.89:1	0.13:1
Quick Asset Ratio	2.25:1	2.07:1	1.95:1	0.89:1	0.94:1	1.05:1	1.47:1	0.92:1	0.83:1	0.12:1
Profit Before Tax to Revenue (%)	62.56	17.01	88.49	138.81	176.66	127.34	152.94	31.68	48.47	21.03

GROUP VALUE ADDED STATEMENT

	2020/21			2019/20		
	Rs.	Rs.	%	Rs.	Rs.	%
Gross Turnover	131,036,114			189,243,986		
Finance & Other Income	94,315,110			47,553,942		
	225,351,225			236,797,927		
Less: Cost of Material & Services bought in	78,332,895			111,211,021		
	147,018,329			125,586,907		
Value Allocated to Employees						
Salaries & Wages and Other Benefits	47,720,573	32%		45,971,277	45,971,277	37%
To Government						
Income Tax	-			-		
VAT/NBT	11,963,566	11,963,566	8%	24,387,055	24,387,055	19%
To Providers of Capital						
Dividends	7,800,000			-		
Finance Cost	8,149,876	15,949,876	11%	13,757,207	13,757,207	11%
To Expansion and Growth						
Retained in Business	58,885,223			24,383,772		
Depreciation	12,499,091	71,384,315	49%	17,087,596	41,471,368	33%
		147,018,329	100%		125,586,907	100%

SHAREHOLDER AND INVESTOR INFORMATION

SHARE DISTRIBUTION AS AT 31ST MARCH 2021

From	To	No. of Holders	No. of Shares	%
1	1,000	1,500	270,393	4.50
1,001	10,000	145	281,227	4.69
10,001	100,000	15	284,990	4.75
100,001	1,000,000	1	750,000	12.50
Over 1,000,000		1	4,413,390	73.56
		1,662	6,000,000	100.00

Categories of Shareholders

Local Individuals	1,597	1,353,800	22.56
Local Institutions	60	4,644,563	77.41
Foreign Individuals	5	1,637	0.03
Foreign Institutions	-	-	-
	1,662	6,000,000	100.00

20 MAJOR SHAREHOLDERS OF THE COMPANY

Name	31.03.2021		31.03.2020	
	No. of Shares	%	No. of Shares	%
1 Royal Ceramics Lanka PLC	4,413,390	73.557	4,413,390	73.557
2 Mr. A.A. Page	750,000	12.500	750,000	12.500
3 CodeGen International (Pvt) Limited	39,473	0.658	39,473	0.658
4 Bimpuh Finance PLC	28,838	0.481	28,838	0.481
5 National Savings Bank	26,936	0.449	89,190	1.487
6 TRL Holdings (Pvt) Limited	21,328	0.355	21,328	0.355
7 Vyjayanthi & Company Limited	20,000	0.333	20,000	0.333
8 Mrs.A. Kailasapillai	19,693	0.328	19,693	0.328
9 Mr.R. Maheswaran	18,735	0.312	18,735	0.312
10 Navara Capital Limited	17,228	0.287	-	-
11 Miss.M.P. Radhakrishnan	15,135	0.252	15,135	0.252
12 Miss.A. Radhakrishnan	15,134	0.252	15,134	0.252
13 Arunodhaya Industries (Pvt) Limited	13,741	0.229	13,741	0.229
14 Arunodhaya (Pvt) Limited	13,741	0.229	13,741	0.229
15 Arunodhaya Investments(Pvt) Limited	13,741	0.229	13,741	0.229
16 Mr.P.K. Sambasivam	11,000	0.183	11,000	0.183
17 Mr.Z.G. Carimjee	10,267	0.171	10,267	0.171
18 Mr.U.C. Bandaranayake/Mrs. L. Bandaranayake	10,000	0.167	10,000	0.167
19 Mrs. A. Selliah	9,161	0.153	9,161	0.153
20 Miss. S. Subramaniam	6,413	0.107	6,413	0.107
Sub Total	5,473,954	91.232	5,518,980	91.983
Others	526,046	8.768	481,020	8.017
Issued Capital	6,000,000	100.000	6,000,000	100.000

DIRECTORS' SHAREHOLDING AS AT 31ST MARCH 2021

Name	No. of Shares	%
Mr. A.M. Weerasinghe	-	-
Mr. J.A.P.M. Jayasekera	20	-
Dr. S. Selliah	-	-
Mr. T.G. Thoradeniya	-	-
Mr. K.D.G. Gunaratne	-	-
Ms. A.M.L. Page	-	-
Mr. D.J. Silva	-	-
Mr. J.D.N. Kekulawala	-	-
Mr. S.M. Liyanage	-	-

SHARE PRICES

	As at 31/03/2021	As at 31/03/2020
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MARKET PRICE PER SHARE

Highest during the year	Rs. 239.75	Rs. 145.00
Lowest during the year	Rs. 78.00	Rs. 75.00
As at end of the year	Rs. 110.00	Rs. 77.10

PUBLIC HOLDING AS AT 31ST MARCH 2021

The Percentage of shares held by the public - 13.103%

No of shareholders representing the above percentage - 1,655

The float adjusted market capitalization as at 31st March 2021 - Rs. 86,482,660.00

The float adjusted market capitalization of the Company falls under option two of Rule 7.13.1 (b) of the listing rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirtieth (30th) Annual General Meeting of Lanka Ceramic PLC will be held by way of Electronic means on the 30th day of June 2021 at 11.30 a.m. centered at the Board Room of Royal Ceramics Lanka PLC, No.20, R A de Mel Mawatha, Colombo 03.

AGENDA

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st March 2021 and the Report of the Auditors thereon.
2. To approve the final dividend as recommended by the Directors.
3. To re-elect Mr. J.D.N. Kekulawala, who retires by rotation in terms of Articles 102 and 103 of the Articles of Association, as a Director of the Company.
4. To re-elect Mr. D.J. Silva, who retires in terms of Articles 102 and 103 of the Articles of Association, as a Director of the Company.
5. To re-appoint Messrs. Ernst & Young, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.
6. To authorise the Directors to determine payments for the year 2021/22 for charitable and other purposes as set out in the Companies Donations Act (Cap 147).

By Order of the Board

LANKA CERAMIC PLC



P W Corporate Secretarial (Pvt) Ltd

Director / Secretaries

At Colombo

31st May 2021

Notes:

1. A shareholder entitled to participate and vote at the above virtual meeting is entitled to appoint a Proxy to participate and vote in his/her place by completing the Form of Proxy enclosed herewith.
2. A Proxy need not be a shareholder of the Company.
3. Shareholders who are unable to participate in the above virtual meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to participate and vote on their behalf.
4. For more information on how to participate by virtual means in the above virtual meeting, please refer Guidelines and Registration Process enclosed herewith.

NOTES

FORM OF PROXY

*I/We.....of..... being a *Shareholder/Shareholders of Lanka Ceramic PLC,

do hereby appointof.....or failing him/her

- | | |
|-------------------------|---------------------------|
| Mr. A.M. Weerasinghe | of Colombo or failing him |
| Dr. S. Seliiah | of Colombo or failing him |
| Mr. J.A.P.M. Jayasekera | of Colombo or failing him |
| Mr. T.G. Thoradeniya | of Colombo or failing him |
| Mr. K.D.G. Gunaratne | of Colombo or failing him |
| Ms. A.M.L. Page | of Colombo or failing him |
| Mr. D.J. Silva | of Colombo or failing him |
| Mr. J.D.N. Kekulawala | of Colombo or failing him |
| Mr. S.M. Liyanage | |

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 30th June 2021 at 11.30 a.m. and any adjournment thereof and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To approve the final dividend as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect as a Director Mr. J.D.N. Kekulawala, who retires by rotation in terms of Article 102 and 103 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect as a Director Mr. D.J. Silva who retires by rotation in terms of Article 102 and 103 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-appoint Messrs. Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
4) To authorise the Directors to determine payments for the year 2021/22 for charitable and other purposes as set out in the Companies Donations Act (Cap 147).	<input type="checkbox"/>	<input type="checkbox"/>

Signed this..... day of Two Thousand and Twenty One

.....

Signature

- *Please delete the inappropriate words.
- Instructions as to completion are noted on the reverse thereof.

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The Proxy shall –
 - (a) In the case of an individual be signed by the shareholder or by his/her Attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - (b) In the case of a Company or Corporate/Statutory Body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the Company or Corporate/Statutory Body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).
3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.
4. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or must be emailed to cera.pwcs@gmail.com 48 hours before the time fixed for the meeting.

CORPORATE INFORMATION

NAME OF THE COMPANY

Lanka Ceramic PLC

LEGAL FORM

A Public Quoted Company Listed on the Colombo Stock Exchange with Limited Liability, Incorporated under the provision of Companies Act No 17 of 1982 and re-registered under the Companies Act No. 07 of 2007.

COMPANY REGISTRATION NUMBER

PQ 157

BOARD OF DIRECTORS

Mr. A.M. Weerasinghe – Chairman

Mr. J.A.P.M. Jayasekara – Managing Director

Dr. S. Selliah

Mr. T.G. Thoradeniya

Mr. K.D.G. Gunaratne

Ms. A.M.L. Page

Mr. D.J. Silva

Mr. J.D.N. Kekulawala

Mr. S.M. Liyanage

COMPANY SECRETARIES

P W Corporate Secretarial (Pvt) Ltd

3/17, Kynsey Road, Colombo 8

Tel: +94 114640360

REGISTERED OFFICE

No. 23, Narahenpita Road, Nawala

Telephone: +94 114504610, +94 114504612

Facsimile: +94 114504614

AUDITORS

Ernst & Young

Chartered Accountants

No. 201, De Seram Place Colombo 10.

BANKERS

Hatton National Bank PLC

People's Bank

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