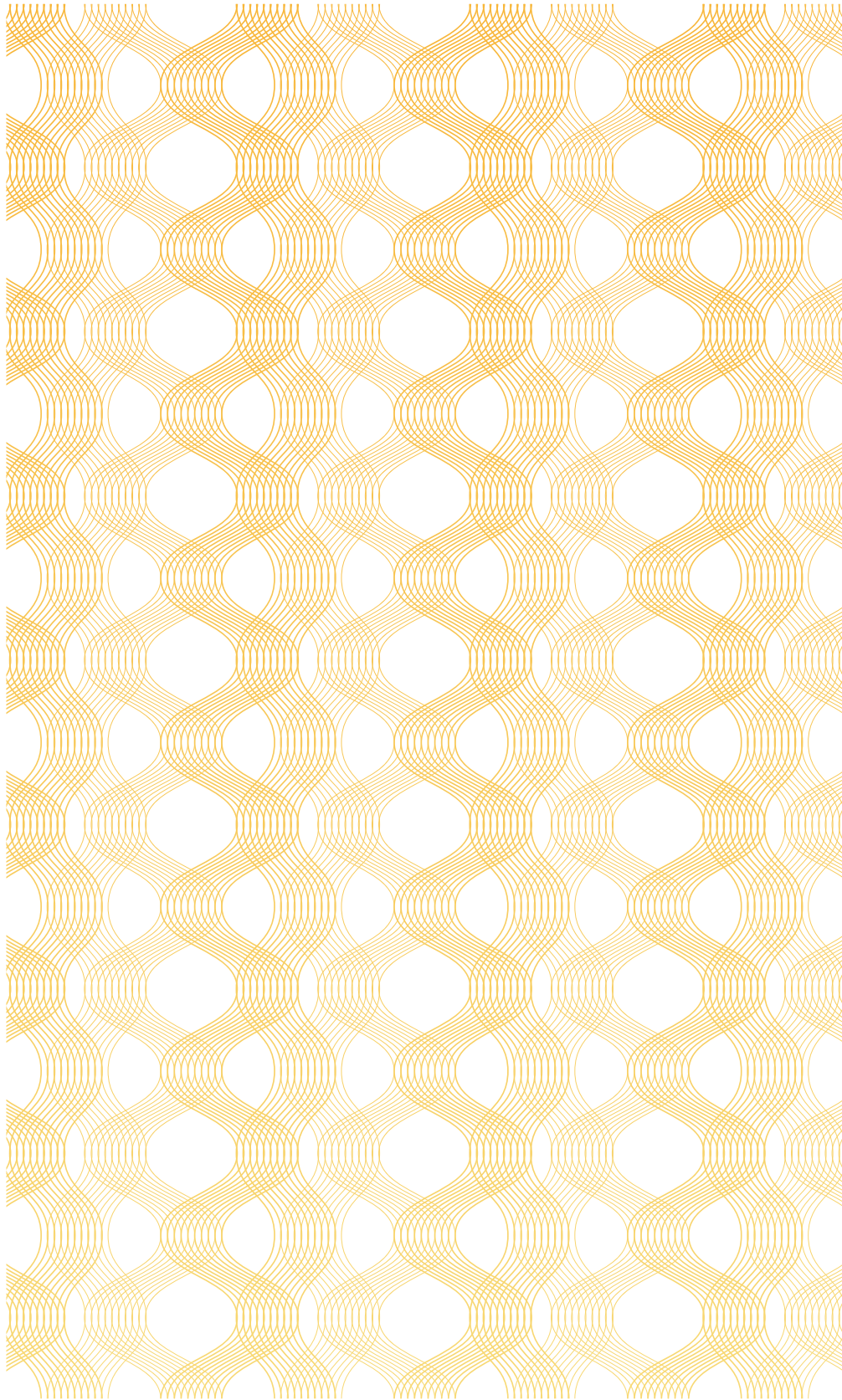


ANNUAL REPORT 2021/22



LANKA CERAMIC PLC

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CORPORATE GOVERNANCE

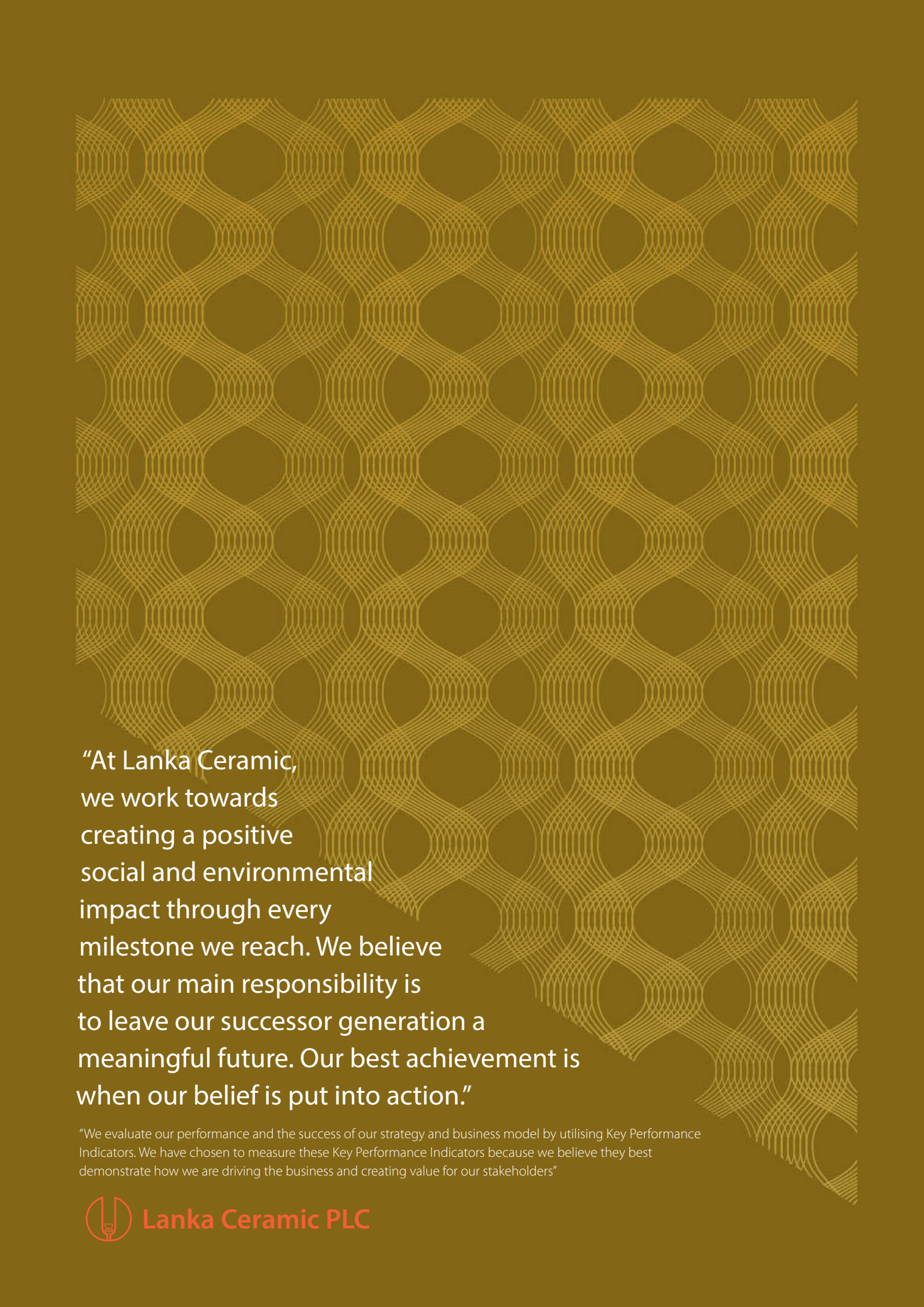
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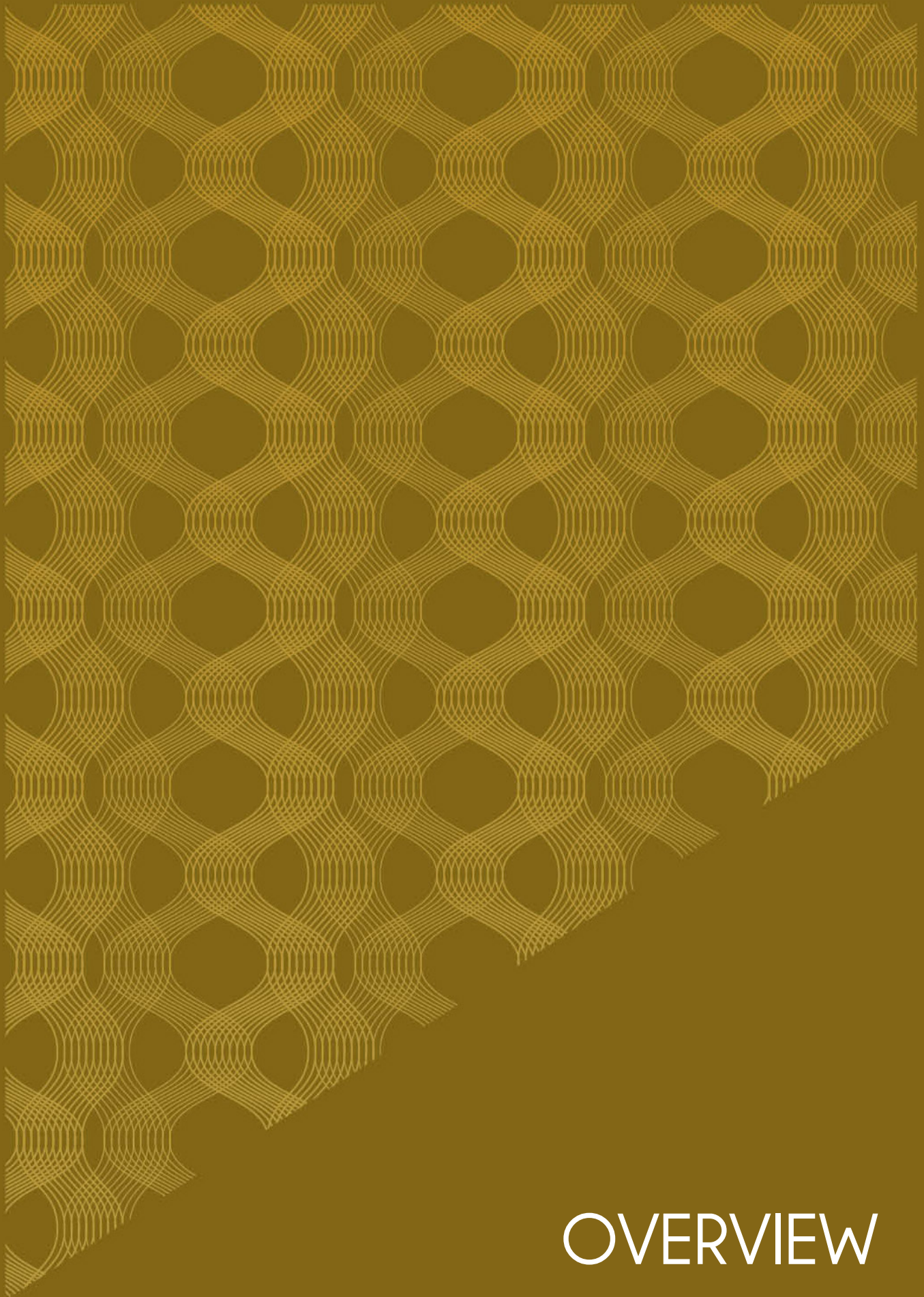
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“At Lanka Ceramic,
we work towards
creating a positive
social and environmental
impact through every
milestone we reach. We believe
that our main responsibility is
to leave our successor generation a
meaningful future. Our best achievement is
when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



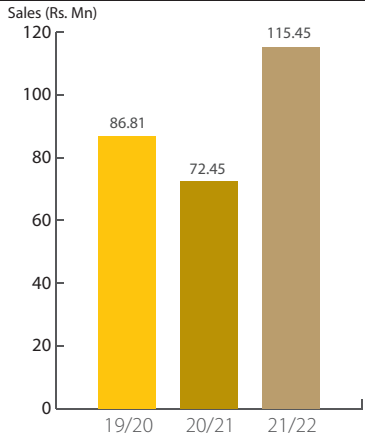
OVERVIEW



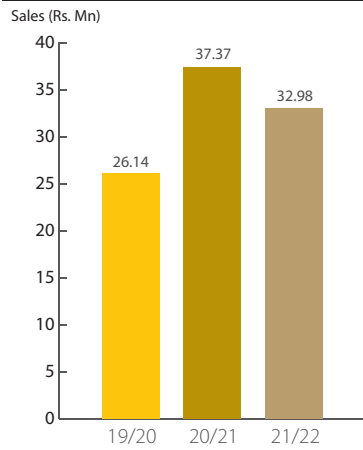
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OPERATIONAL HIGHLIGHTS

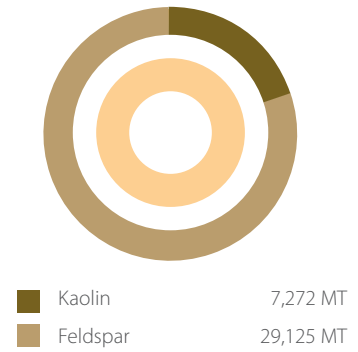
Feldspar Mine - Owala



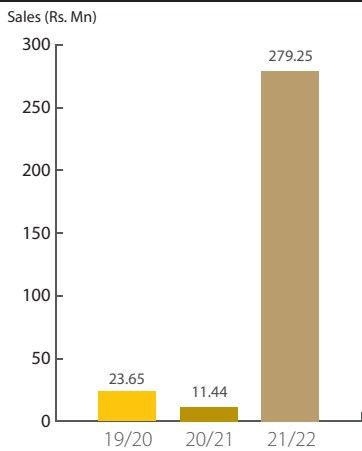
Kaolin Mine - Meetiyyagoda



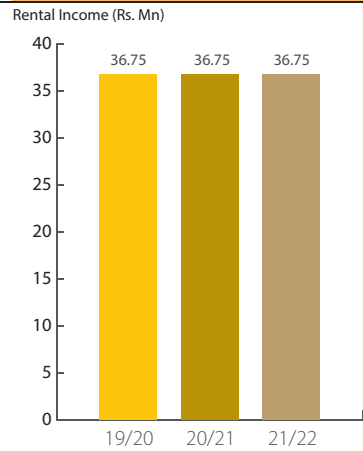
Mined Output Analysis



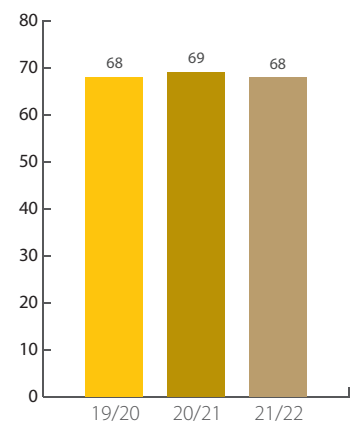
Import Operation - Sanitaryware



Investment Property



No. of Employees



Galle District

Meetiyyagoda Kaolin Mine



Matale District

Owala Feldspar Mine

FINANCIAL HIGHLIGHTS

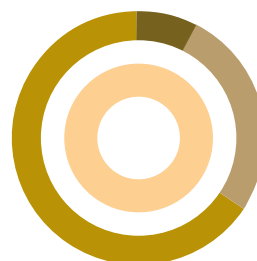
Group at a glance			
For the year ended 31st March	2021/22	2020/21	Change
	Rs.	Rs.	%
PROFITABILITY			
Revenue	427,689,347	121,329,735	253%
Gross Profit	121,461,519	52,670,923	131%
Profit Before Tax	121,816,753	75,907,045	60%
Profit After Tax	75,447,146	67,842,502	11%
As at 31st March			
FINANCIAL POSITION			
Investment Property	995,688,200	951,258,400	5%
Non-Current Assets	1,212,498,006	1,214,503,737	-0.16%
Current Assets	238,648,760	70,345,628	239%
Current Liabilities	131,860,327	56,839,917	132%
KEY INDICATORS			
Dividend Pay-Out Ratio (%)	20.68	19.45	
Interest Cover (Times)	21.27	10.31	
Current Ratio	1.81:1	1.24:1	
Quick Asset Ratio	1.78:1	1.19:1	
Profit Before Tax to Revenue (%)	28.48	62.56	
SHARE PERFORMANCE			
No. of Shares	6,000,000	6,000,000	
Basic Earnings per Share (Rs.)	12.57	11.31	
Dividend per Share (Rs.)	2.60	2.20	
Market Price per Share (Rs.)	122.75	110.00	



Rs **75.4Mn**

PROFIT AFTER TAX

Composition of Income



■ Kaolin	Rs.32.98 Mn
■ Feldspar	Rs.115.45 Mn
■ Sanitaryware	Rs.279.25 Mn



Rs **427.7Mn**

REVENUE

CHAIRMAN'S MESSAGE

“

Through a two-pronged strategy of capitalising on the opportunities and mitigating risks, I am proud to state that we recorded a growth in profit after tax of 11% to reach Rs. 75 Mn during the year under review.

”

Dear Shareholders,

It gives me great pleasure to welcome you to the 31st Annual General Meeting of Lanka Ceramic PLC, and to present to you the annual report and the audited financial statements for the financial year 2021/22.

OPERATING ENVIRONMENT

Sri Lanka's GDP recorded a growth of 3.7% during 2021, following the pandemic-driven contraction of 3.6% experienced in 2020. Similarly, construction activities displayed a recovery of 1.9%, in comparison to the 13.2% de-growth experienced in the previous year, due to a renewed demand for real estate and housing following the impacts of the COVID-19 pandemic, thus creating a lucrative environment for the mining industry. This was evident in the growth of 2.8% displayed by mining and quarrying activities in 2021, as against the 12.5% contraction recorded within the same sector in 2020.

The macroeconomic environment faced during the year under review brought with it challenges and opportunities alike. The pandemic-induced supply chain disruptions and the government-imposed ban on imports created an unprecedented demand for mined raw materials, creating a favourable, yet challenging environment for the industry.

As you are aware Lanka Ceramic PLC primarily engages in the mining of feldspar, ball-clay and kaolin. The escalating level of demand experienced with respect to these resources over the years led to a scarcity of high quality raw materials within the industry, thereby leaving many entities including Lanka Ceramic PLC straining to meet demand.

Due to the import ban on tiles the market demand for local tiles increased despite the country's challenging economic situation. This level of demand was further intensified by such manufacturers having invested in capacity expansions in the recent past, which in turn saw an exponential growth in demand for the raw materials supplied by Lanka Ceramic PLC.

With respect to the Lanka Ceramic PLC sanitary ware operation, while a blanket ban on imports affected the previous financial year, resulting in sales amounting to Rs. 11Mn, the year under review was more positive, due to the relaxation of import restrictions on sanitary ware at the commencement of the financial year 2021-22. This led to overall sales of Rs.279Mn being recorded during the year. However, the depreciation of the Rupee negatively impacted the segment's profitability as at the year end.

FINANCIAL PERFORMANCE

In light of the above mentioned factors, through a two-pronged strategy of capitalising on the opportunities and mitigating risks, I am proud to state that we recorded a growth in profit after tax of 11% to reach Rs. 75 Mn during the year under review. The primary contributor to the overall revenue of Rs. 428Mn was the sanitary ware segment, with sales amounting to Rs. 279Mn, while Rs. 149 Mn was generated from the mining operations. It is heartening to note that these results demonstrate year-on-year growth of 35% and 2,340% in mining and sanitary ware, thereby indicating Lanka Ceramic PLC as a sustainable entity with the ability to progress even amid a harsh environment.

Accordingly, a final dividend of Rs. 2.60 per share was recommended by the Board to be disseminated following the Annual General Meeting subject to shareholder approval. Dividend growth stands at approximately 18% year-on-year.

A SUSTAINABLE STRATEGY

In consideration of the industry-wide shortage of raw materials, Lanka Ceramic PLC continued to focus on improved utilization of resources to ensure a maximum yield was realised during the year. We are currently seeking out high quality deposits to address rising demand while ensuring the long-term sustainability of our business operations is upheld at all times.

In terms of addressing the prevailing scarcity of resources 296 acre ball clay mining property was a notable investment which was made in collaboration with the Group Companies during the previous year. We look forward to reaping the results of this investment in the near future.

In terms of sanitaryware, we continue to focus on expansion. Our primary aim is to continue to augment our offering with new products, while leveraging on our existing network and consolidating our strengths to help us grow amid a dynamic environment.

Lanka Ceramic PLC serves as a part of a larger Group of Companies, helping secure raw materials integral towards producing tiles and sanitaryware. Our strategic investments are designed to complement the Group's products, thereby strengthening their performance and providing a valuable synergy to the network.

Lanka Ceramic PLC continues to focus on building strong relationships with its partners, ensuring that all key stakeholder needs are met at every stage of operations. As an Organisation that renders a significant impact on its surroundings, we believe in preserving the environment and social network of each of our mines.

FUTURE OUTLOOK

While COVID-19 posed some challenges in the past, with recent events, we anticipate that the current economic conditions may continue to worsen, exacerbated by the unstable socio-political environment. Given the nature of our operations, an ever tightening legislative framework requires continuous adaptation in order to drive business development.

In the long term, the devaluation of the rupee and its associated dynamics can undoubtedly cause a dent in demand, due to the decrease in the people's purchasing power and disposable income levels. Furthermore, the nation's dwindling foreign reserves will undoubtedly see a corresponding decrease in imports, which would in turn negatively impact the sanitary ware business.

However, we will continue to explore expansion with respect to the Owala mine, while increasing the supply of feldspar through the resorting of tailings. In line with the above strategies, we will continue to invest in discovering new opportunities for growth, while relying on the stability of the Group's operations to drive demand going forward.

ACKNOWLEDGEMENTS

In conclusion I would like to thank all the stakeholders who have supported us in our journey thus far. I would like to place on record my sincere gratitude to the Board of Directors and the management for their invaluable guidance in navigating the Company through this challenging year. I would like to specially mention Dr. S. Selliah for his outstanding service as a Director of this Company and his valuable guidance. I wish him all the best in his future endeavours, as he steps down from his duties with effect from 21st February 2022.

I would like to take this opportunity to welcome Mr. Nandajith Somarathne who was appointed on the 1st of April 2022 as a Non- Executive Director of Lanka Ceramic PLC. Last, but not least, I would like to thank all the staff members for their steadfast service during these trying times.



A.M. Weerasinghe
Chairman

31st May 2022

MANAGING DIRECTOR'S REVIEW



Lanka Ceramic PLC continued to improve efficiencies within the mines while building sufficient inventory to drive continuous supply irrespective of weather conditions, which often impact levels of supply. As a result of these activities, the Company's mining operations recorded a 35% year-on-year growth in terms of revenue. The primary contributor to this growth was the feldspar supply, which constituted 78% of overall mined output.



Dear Stakeholders,

Financial year 2021/22 was undoubtedly an eventful one. While the long-term impacts of the COVID-19 pandemic continued to shape the mining industry and the economy at large, other macroeconomic factors brought forth an environment conducive to growth. However, existing limitations within the domestic market coupled with the sheer scale of demand for raw materials placed a significant pressure on the nation's existing resources and capacity, thereby reshaping industry dynamics to a great extent.

BUSINESS CONTEXT AND PERFORMANCE

As you are aware Lanka Ceramic PLC engages in mining valuable raw materials including feldspar, ball clay and kaolin. Supply chain disruptions due to COVID-19 and the Government ban on imported tiles led to an unprecedented level of demand for locally manufactured tiles. This resulted in a corresponding market growth for locally sourced raw materials. This requirement increased further due to local manufacturers expanding their capacity. Due to the rise in demand, the ceramic industry continued to run at full capacity. This posed a challenge with respect to acquiring high quality deposits with commercially mineable materials.

The mining industry is heavily dependent on the availability of deposits. This year Lanka Ceramic PLC faced many challenges due to the depletion of ball clay reserves. We have witnessed a shift towards individual miners in the industry who are in a position to offer high prices to landowners. They are able to offer higher prices because they disregard the process of rehabilitating the mines. However, we are able to deploy the property at Akuressa in the coming financial year, which will help meet escalating demand and undoubtedly enable Lanka Ceramic PLC to re-establish its position in the market.

Lanka Ceramic PLC continued to improve efficiencies within the mines while building sufficient inventory to drive continuous supply irrespective of weather conditions, which often impact levels of supply. As a result of these activities, the Company's mining operations recorded a 35% year-on-year growth in terms of revenue. The primary contributor to this growth was the feldspar supply, which constituted 78% of overall mined output. The Owala mine generated a significant growth in output of 29,125 metric tons, in comparison to the 19,047 metric tons produced in 2020/21.

In addition, Lanka Ceramic PLC imports and distributes quality sanitary ware under the brand Deluxe to be sold via the Group Company's distribution network. With the relaxation of import restrictions on sanitary ware at the beginning of the financial year 2021-22, a sale amounting to Rs.279 Mn was recorded. This is a significant growth against the previous year due to increased demand in Deluxe sanitary ware items. Despite this improvement in sales, the depreciation of the Rupee eroded a significant amount of the profits earned as at year end.

RESPONSIBLE OPERATIONS

Lanka Ceramic PLC plays an integral role in the ceramic industry for over three decades. This Company is built on a resilient and stable structure that exemplifies excellence. As part of an industry that is intrinsically linked with its environment, we believe in ensuring sustainable principles in order to minimise our impact on it. Due to non-renewable nature of the raw materials we source, Lanka Ceramic PLC wholly focuses on ensuring the maximum yield under stringent supervision to drive effectiveness and ensure superior quality.

While continuing to monitor and adhere to the ever adapting regulations pertinent to the industry, Lanka Ceramic PLC remains mindful of the social network and environment in which it operates in. Furthermore, we take great pains to ensure the rehabilitation of our mining properties to ensure the land is safe, stable and sustainable in the long-term.

Our commitment to uphold the safety and well-being of our workforce was maintained throughout the year. We operated well within all aspects of the regulatory framework. We also ensured all employees were vaccinated and maintained all mandated guidelines with respect to COVID-19.

FOCUS ON THE FUTURE

The future landscape of our nation seems uncertain at this juncture. With rising inflation, limitations in the supply chain, your business will undoubtedly face multiple challenges going forward. However, we continue to remain positive, by monitoring trends and anticipating industry dynamics to drive transformation that will enable us to sustain our operations in the year ahead.

Due to the prevailing shortage of raw material, Lanka Ceramic PLC will invest Rs. 150 Mn in the year ahead to re-sort feldspar from previously mined tailings in order to minimize wastage and improve utilization levels.

We anticipate that the industry will continue to be affected by the rapid devaluation of the rupee, which in turn will affect the Company's cost structures and market prices. We will therefore persist in our strategy of assessing and monitoring industry dynamics to determine acceptable price points.

We are focused on undertaking new investments in order to grow the business to greater heights, and maximise our existing resources to drive efficiency and long-term progress. We look forward to investing in new mines, and commencing operations in the recently acquired ball clay property in Akuressa in order to drive greater productivity in the years ahead. We trust that the longstanding partnerships and synergies we have cultivated over the years will enable us to deliver value to our stakeholders, even amidst times of uncertainty and change.

ACKNOWLEDGEMENTS

In conclusion, I would like to extend my sincere gratitude to the Chairman and the Board for guiding me and providing their expert knowledge and acumen to lead Lanka Ceramic PLC to triumph during adverse conditions. I would also like to thank the management and staff for their dedication and commitment amid challenging times. My heartfelt gratitude goes out to all our stakeholders for trusting us to deliver consistent value continuously.



J.A.P.M. Jayasekera
Managing Director

31st May 2022

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 & 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.

MR. J.A.P.M. JAYASEKERA

Managing Director

Mahendra Jayasekera is the Managing Director of Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium Limited.

He is the Chairman of Sri Lanka Cost and Management Accounting Standards Board.

He has an honours degree in Business Administration from the University of Sri Jayawardenapura and is a fellow member of the Institute of Chartered Accountants of Sri Lanka.

He holds a Post Graduate Diploma in Buddhist Studies (Distinction Pass) from the Post Graduate Institute of Pali and Buddhist Studies, University of Kelaniya. He has just completed Master of Arts in Buddhist Studies from the Post Graduate Institute of Pali and Buddhist Studies, University of Kelaniya and awaiting results.

He has served as both executive and non-executive director of many other listed and unlisted Companies.

He is the President of Colombo Young Men's Buddhist Association.

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).

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. Sameera Madushanka Liyanage is a respected professional with over 10 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 a Group Director - 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 currently serves on the Board of Directors of Royal Ceramics Lanka PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek Aluminium Limited, Uni Dil Packaging Limited and Horana Plantation PLC.

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 Alumina Association of SSMI Asia and Global. He has participated in International Business and Management at MSU, Malaysia.

MR. M.W.R.N. SOMARATNE
Director

Mr Nandajith Somaratne currently serves as a Director of Lanka Walltiles PLC and, Hayleys Fabrics PLC. Mr Somaratne is currently employed in the capacity of Director - Manufacturing for Royal Ceramics Group, and responsible for the manufacturing operation of the group.

He has served in Ansell Lanka (Pvt) Ltd and in Central Engineering Consultancy Bureau (CECB) before joining Royal Ceramics Lanka PLC in 1993. Mr Somaratne counts more than 30 years of experience in the manufacturing field and was leading all major expansion projects in the Group. He is an expert in manufacturing and technology with vast experience in the field with sound academic background.

Mr Somaratne holds an MBA from the University of Colombo, a Post Graduate Diploma in Industrial Engineering from NIBM and a B.Sc. in Physical Science from the University of Peradeniya. He also possesses a Post Graduate Diploma in Business Finance and Strategy from the Business School of CA Sri Lanka.

He has undergone several corporate leadership training programs including the Corporate Leadership Program conducted by HIDA, in Japan.



MANAGEMENT
DISCUSSION
AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS



However, the Company remained undeterred, and focused on optimising production and resource utilisation in order to drive maximum yield, and improve performance in a sustainable manner. This strategy was predominantly visible in the Owala factory, which manufactured at full capacity throughout the year, resulting in an increase in production of 10,078 metric tonnes of high quality feldspar.



THE LANKA CERAMIC BRAND

Over the past three decades, Lanka Ceramic PLC has been an integral part of Sri Lanka's socio-economic landscape; serving as a front-runner in terms of mining and supplying essential raw materials including feldspar, kaolin and ball clay to the ceramic industry. At present, the Company owns and operates two mines located in Owala and Meetiyagoda.

Lanka Ceramic PLC's parent entity is Royal Ceramics Lanka PLC, with the ultimate parent entity being Vallibel One PLC, thereby giving the Company the added synergies and strengths that arise from being part of a large conglomerate. Our core business and primary revenue source is from mining, and the Company in turn operates as the mining arm of the Group, by partially meeting the raw material requirement of the two largest domestic tile manufacturers. The Company further engages in the importation and sale of sanitaryware, and owns and manages an investment property which contributes positively towards profitability levels, while operating a Lanka Tiles showroom as a franchise partnership.

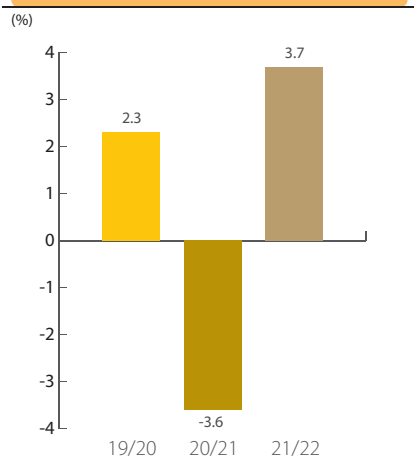
Our expertise is further reinforced through our membership in a range of industry associations, including the Ceylon Chamber of Commerce, the Import Section of the Ceylon Chamber of Commerce, the Employers' Federation of Ceylon, and the Sri Lanka Ceramics & Glass Council. As a responsible corporate whose business activities are interwoven with the social and environmental fabric of the nation, Lanka Ceramic remains committed towards upholding principles of sustainability across the board, in order to minimize our impact and drive long-term results.

OPERATING ENVIRONMENT

Economic Performance

The year under review saw the nation's economy exhibit a considerable degree of recovery, following the pandemic-driven degrowth experienced in 2020. The national GDP grew by 3.7% year-on-year to reach Rs. 9,881.4Bn, in comparison to the 3.6% contraction witnessed in 2020. GDP at current prices increased by 11.9% in comparison on 2020, and was estimated to stand at Rs. 16,809Bn – a reflection of the impact of increased price levels experienced during the year.

Real Economic Growth Rate



Headline inflation accelerated during the year under review, owing to supply-side disruptions on the global and domestic front, in addition to the surge experienced in global commodity pricing and upward revisions towards administrative prices, including energy prices. Accordingly, headline inflation as measured by the CCPI was recorded at 12.1% as at the end of 2021, in comparison to the 4.2% inflation recorded in 2020.

A significant depreciation of the exchange rate was observed at the commencement of March 2022, with the Central Bank allowing a measured adjustment at the first week of the month in question. However, further pressures on the exchange rate resulted in a more notable depreciation due to market forces shortly thereafter, leading the rupee to record a depreciation of 44.3% against the US dollar up to 13th May 2022.

The accommodative monetary policy stance maintained by the Central Bank in early 2020 due to the pandemic was maintained until mid-August 2021, in order to provide adequate liquidity to the domestic money market, by supporting individuals and businesses and contributing towards economic recovery. However, in order to prevent the build-up of inflationary pressures over the medium-term and address imbalances in the external sector and financial markets, the monetary policy stance was tightened from August 2021. The Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were accordingly raised by 50 basis points to 5% and 6% respectively.

Sector Performance

The industry value-added sector grew by 5.3% during the year, in contrast to the 6.9% contraction in 2020, primarily due to the release of the pent-up demand amassed during the previous year, and the continuity of operations within the 'new normal'. In terms of value-added construction activities, the nation experienced a renewed interest in real estate, housing and construction projects, following the aftermath of the first two waves of the COVID-19 pandemic. This led to the construction sector recording a 1.9% growth against the 13.2% decline witnessed in the previous financial year.

The level of credit granted to the private sector for construction activities by licensed commercial banks recorded a growth, which in turn represented increased funding availability for such activities. Despite this promising outlook, the third wave of the pandemic and varied supply chain disruptions negatively impacted construction, of which the latter was primarily characterised by a short-fall in key raw materials including cement, steel and tiles. Rapid increases in prices were experienced, which further impeded the industry from reaching its full potential.

In line with the growing construction sector, mining activities, which serve as a key contributor towards construction activities, recorded a growth of 2.8% during the year, in comparison to the 12.5% contraction seen in 2020. Due to the unprecedented levels of domestic demand experienced for tiles following the ban imposed on their importation, a greater demand for raw materials was displayed among local manufacturers, thus creating a positive environment for the mining sector. All local tile manufacturers ran at full capacity during the year, with their respective capacity expansions collectively contributing towards unconstrained levels of demand.

Operational Review

Despite being bestowed with a lucrative market within which to operate, the mining industry faced considerable limitations; particularly due to the scarcity in deposits with high quality materials experienced during the year. This placed a considerable limitation on the Company's ability to capitalise on the year's positive market dynamics.

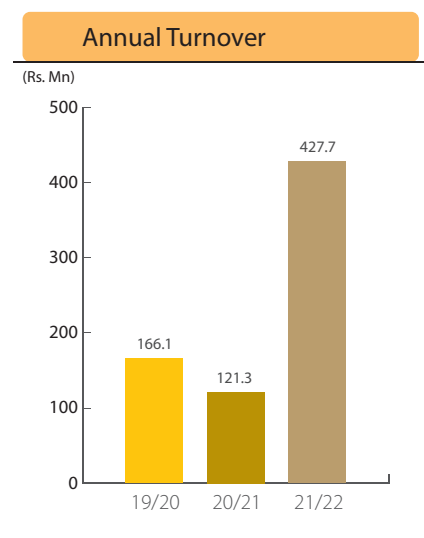
MANAGEMENT DISCUSSION AND ANALYSIS

However, the Company remained undeterred, and focused on optimising production and resource utilisation in order to drive maximum yield, and improve performance in a sustainable manner. This strategy was predominantly visible in the Owala factory, which manufactured at full capacity throughout the year, resulting in an increase in production of 10,078 metric tonnes of high quality feldspar. Initial capital requirements and plans for the necessary equipment to re-sort feldspar and thereby build further capacity were identified and finalised during the year, and we hope to see this strategy come into fruition in the year ahead. On the other hand, the Meetiya goda mine discontinued its purifying operation in 2019, and focused on supplying raw clay in order to realise greater cost-efficiencies; however, the high operation cost hindered the growth prospects anticipated from this mine. Due to the depletion of clay deposits therein, the permanent closure of the Dediya wala mine took place during the year, performed accordance with stipulated guidelines and regulations. The Company looks forward to acquiring new mines in the future, and initiated the process to apply for a mining license in our Akuressa property in order to fuel demand in the years ahead.

The Company’s sanitaryware arm performed well during the year, becoming the biggest contributor to the Company’s top-line. However, the segment’s profit margins were impacted negatively by the devaluation of the rupee, which led to an exchange loss of Rs. 30 million during the year.

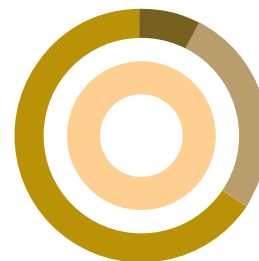
The industry’s regulatory environment continues to tighten, and the Company continues to adapt accordingly, remaining committed towards developing and growing our business within the existing legal framework, in order to serve as a responsible entity, and sustain our operations well into the years ahead.

Financial Review



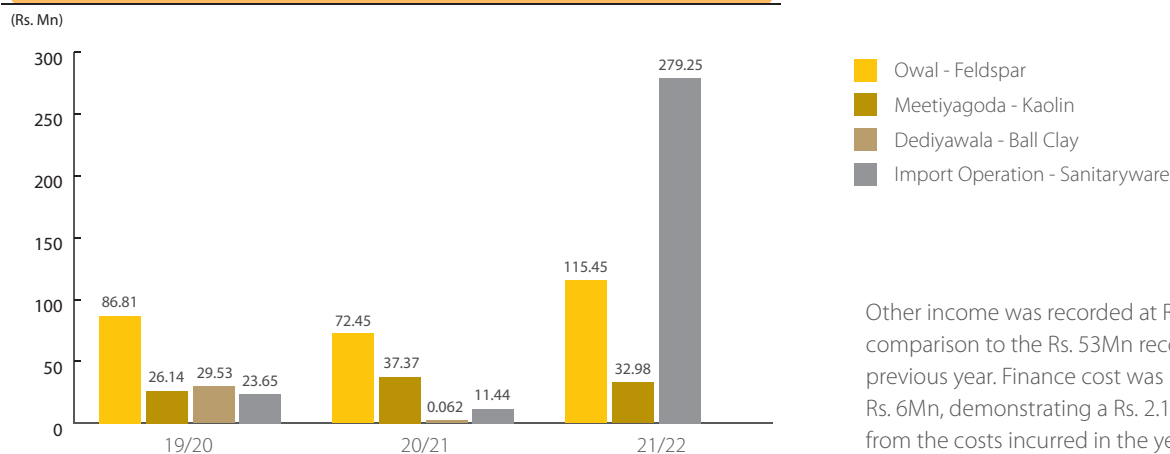
“
The Company looks forward to acquiring new mines in the future, and initiated the process to apply for a mining license in our Akuressa property in order to fuel demand in the years ahead.
”

Composition of Income



Kaolin	Rs.32.98 Mn
Feldspar	Rs.115.45 Mn
Sanitaryware	Rs.279.25 Mn

Factory/Product wise Sales Analysis



Other income was recorded at Rs. 61Mn, in comparison to the Rs. 53Mn recorded in the previous year. Finance cost was recorded at Rs. 6Mn, demonstrating a Rs. 2.1Mn decrease from the costs incurred in the year 2020/21. Finance income displayed an increase, reaching Rs. 1.4Mn as against Rs. 999,676 in the previous year.

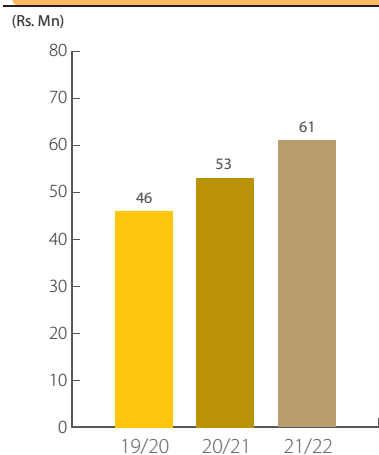
Revenue and Profitability

Against the above-mentioned factors, the Company recorded a 253% growth in terms of total sales, to reach Rs. 428Mn, in comparison to the 27% decrease in revenue recorded in the previous year. This performance was primarily led by the sanitaryware segment, which contributed towards 65% of the Company's revenue stream during the year.

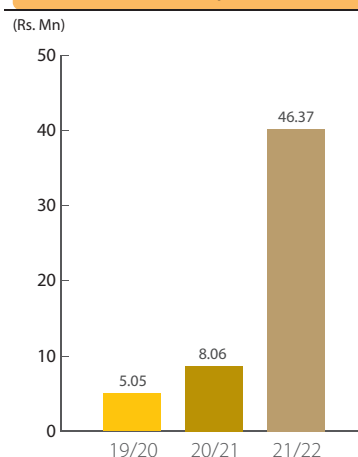
Due to initiatives taken with respect to optimising the production and resource utilisation of the Owala mine and thereby maximise yield in a sustainable manner, a growth in sales of 58% was experienced during the year. The Dediawala mining operations were discontinued during the year in concern, while Meetiyagoda displayed a year-on-year decline in sales of 12%. In contrast, the sanitaryware segment displayed a powerful growth in top-line to reach Rs. 279Mn during the year.

The Group profit before tax increased by 60% to Rs.122Mn compared to the previous year of Rs.76Mn. In line with this performance, the income tax expense of the Group reached Rs. 46Mn, in comparison to the Rs. 8Mn incurred in the 2020/21 financial year. This is mainly due to the deferred tax liability arising from the revaluation gains from the investment property and higher utilisation of brought forward tax losses as a result of the increased profits recorded during the year. Accordingly, notwithstanding the challenges of the year under review, the Group's profit after tax stood at Rs. 75Mn – a 11% increase year-on-year, against the profit of Rs. 68Mn achieved in the preceding year. This performance is attributable to the prudent strategies and resource management that the organisation deployed during the year.

Other Income

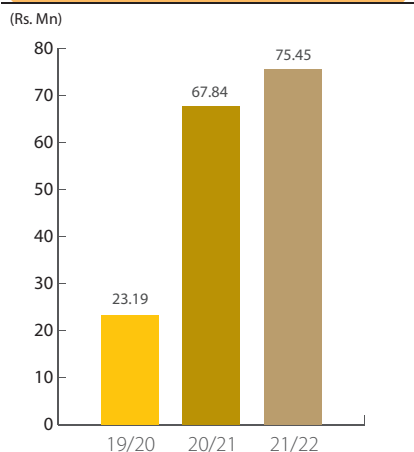


Income Tax Expense

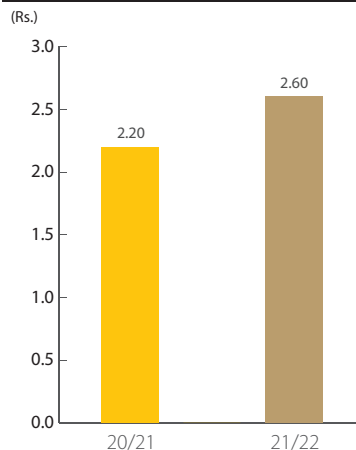


MANAGEMENT DISCUSSION AND ANALYSIS

Net Profit



Dividend per Share



Assets and Investments

The Group invested Rs. 3.1Mn for fixed asset additions during the year, bringing the total asset base to Rs. 1,451Mn. The net asset value per share exhibited a growth against the 2020/21 figure of Rs. 162, to reach Rs. 175 during the financial year under review mainly due to the revaluation gain of Rs. 44 Mn attributable to the investment property. A planned investment of Rs. 150Mn will be made in the 2022/23 financial year to support the continued expansion efforts of the Owala factory.

Shareholder Value

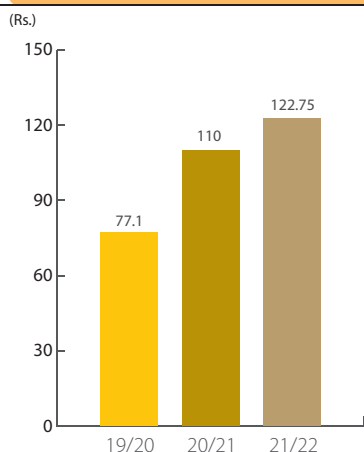
The Company achieved a 10% Return on Capital Employed (ROCE), in comparison to the 7% achieved in the previous year. Earnings per share were recorded at Rs. 12.57, displaying growth against the Rs. 11.31 achieved in 2020/21. In line with the Company's performance, a dividend of Rs.2.60 per share would be declared for the year subject to the shareholder approval.

Human Capital Review

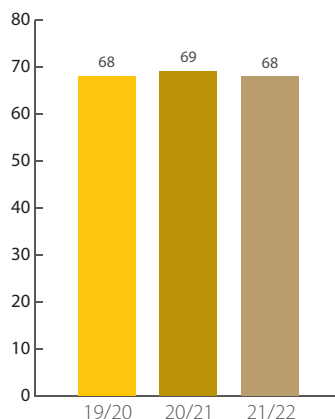
At Lanka Ceramic, we believe our human capital is integral to our success. We are aware of the crucial role diversity plays in fostering a culture where innovation thrives, and therefore engage in creating a welcoming space that enables all employees to collaborate with each other, and share new perspectives, ideas and experiences at every stage. Diversity and an inclusive environment remain of the utmost importance to our Group, and we therefore engage in embedding such principles across the organisation, in order to promote greater levels of openness and employee satisfaction.

Our training and development programmes are key policies that enable talent retention and thereby drive our Company's sustainable competitive advantage. We adopt a comprehensive approach that encompasses a range of skills via wide-ranging resources and programmes that support continuous learning and development, that will in turn elevate our employee proposition and create a positive environment that promotes progress.

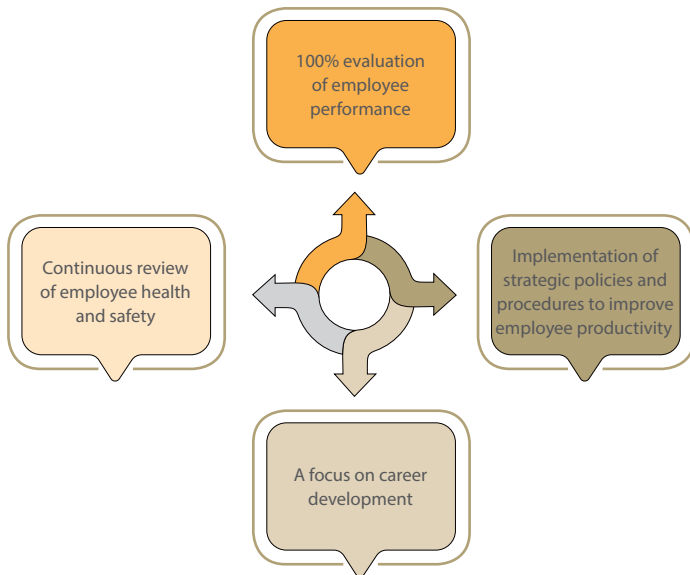
Share Price



No. of Employees



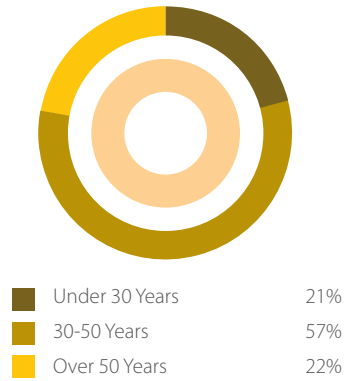
The following competitive tools are in place to enable the improved productivity of our workforce:



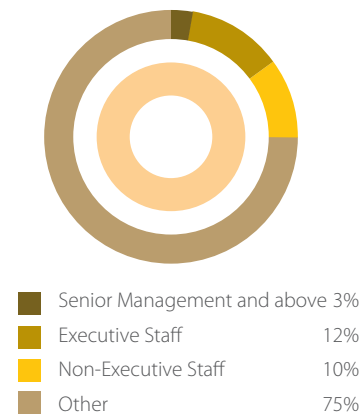
Equal Opportunity, Diversity and Gender Parity

We ensure that employees performing similar job roles receive equal compensation and benefits, regardless of gender, whilst our remuneration structures and benefit packages remain competitive, and are renewed on an annual basis to reflect employee contribution and market dynamics. Moreover, as an equal opportunity employer we strive to create an inclusive workplace that consists of individuals with diverse values, motivations and capabilities, regardless of gender, race, nationality or disability. We strictly adhered to these protocols, and did not record nor identify any significant cases related to discrimination during the reporting period.

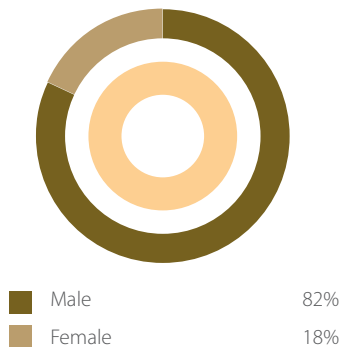
Employees by Age



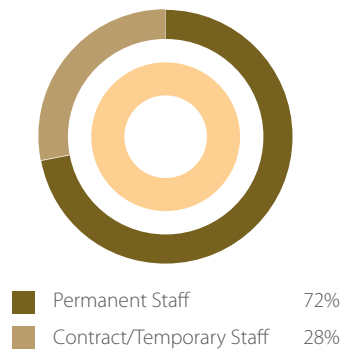
Employees by Designation



Employees by Gender



Employees by Category



MANAGEMENT DISCUSSION AND ANALYSIS

Furthermore, we are committed to building diverse talent pools, and continuously improves and builds on its HR policies and practices to ensure that all employees are treated fairly and in an equitable manner within a conducive environment. Our policy framework related to diversity and gender parity is designed to address a range of topics including equal opportunity, anti-sexual harassment, and a dedicated grievance handling mechanism for any harassment related grievances.

Code of Conduct

Lanka Ceramic PLC's Code of Conduct is a formal document that conveys the Organisation's ethical expectations in terms of guiding our employees' behaviour towards their colleagues, supervisors and the Company itself, created in alignment with our values. The Code dictates that employees should always uphold the Company's standards by executing their designated duties both ethically and responsibly while ensuring best-in-class practices are maintained within the Organisation. The Code applies to our employees regardless of employment status or rank, and has been translated into several languages, with key highlights prominently displayed at our operating sites. Leaders across the Company have the added responsibility of demonstrating, through their actions the importance of this Code by promptly addressing any ethical questions or concerns raised by employees and are expected to take the appropriate steps to address such issues.

Talent Attraction

At Lanka Ceramic PLC, we recognize that our success is largely contingent on having the right people, at the right time for the right job. In line with Lanka Ceramic's and the Group's fairness and equity principles, we recruit internally from within the Organisation, while also sourcing talent externally from the wider market.

Workplace Health and Safety

The Company has in place a comprehensive Health and Safety policy that ensures employees operate within a hazard-free environment. The COVID-19 pandemic saw us further reinforce our safety initiatives and mechanisms through the improvement of hygiene practices, the raising of employee awareness on best practices, and facilitating remote working arrangements for office-based employees. The Company ensured all employees were vaccinated, and carried out the following initiatives to ensure occupational health and safety and employee well-being was maintained, together with adequate medical and insurance coverage:

- ◆ The supply of personal protective equipment to prevent hazards in the workplace.
- ◆ Risk assessments performed in order to ensure the company complied with the Government Rules and Regulations related to health and safety.
- ◆ Safety committee meetings organized involving employees and line managers to ensure the safety of the employees was maintained at all times.

Talent Management

Our Talent Management model comprises two key elements, namely Performance Management and Learning and Development, which is applicable to all employees across the Company. With this effect, the Company has in place the requisite policies covering performance management, training and employee career development.

Performance Management

Our performance management system is designed to facilitate an environment for employees to contribute towards the achievement of business and career development goals. The Company's performance management process is conducted



“

At Lanka Ceramic PLC, we recognise that our success is largely contingent on having the right people, at the right time for the right job. In line with Lanka Ceramic’s and the Group’s fairness and equity principles, we recruit internally from within the Organisation, while also sourcing talent externally from the wider market.

”

annually across both Executive and Non-Executive employee categories, supported by regular and ongoing feedback and open communication between managers and team members. This process has enabled improved oversight; enabling the Management to identify, recognise and reward individuals, while empowering employees by offering greater degrees of control over their personal career progression.

Learning and Development

Lanka Ceramic remains deeply invested in developing its employees across all sectors, categories, and locations. Our learning comprises a series of mechanisms including on-the-job training (with cross-functional and cross-sectorial exposure), coaching, mentoring, and other, more structured training

programmes. The Company’s training catalogue is created in line with the Group’s training framework and comprises a number of programmes which were utilised as the underlying framework that enabled the roll-out of training programmes during the year, based on identified needs. Such initiatives and policies ensured that our learning culture was maintained in a continuous and consistent format, with online training coming to the forefront during the pandemic.

Employee Events

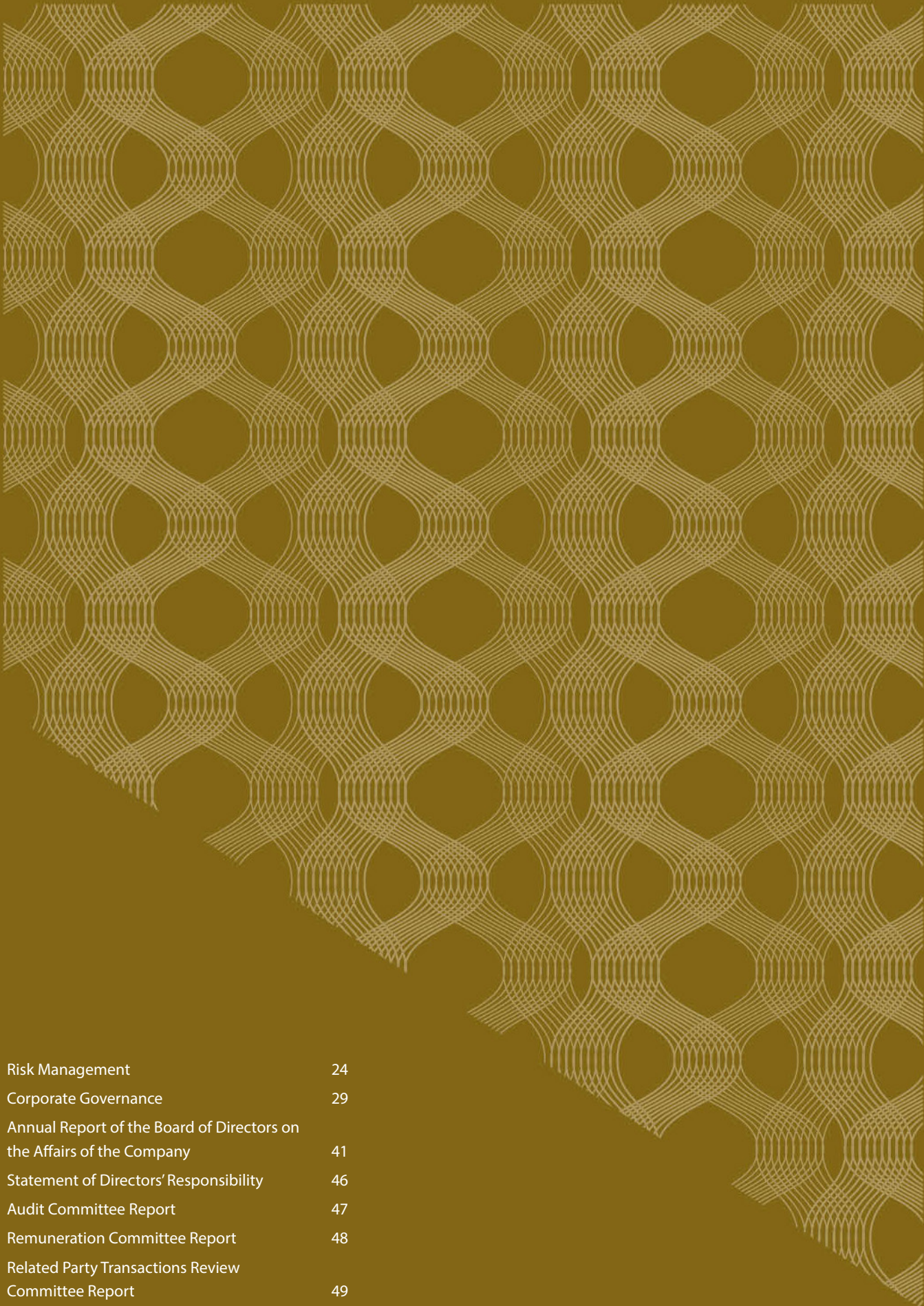
As in the past, the Company continued to facilitate networking and relationship building outside the workplace through a range of organised social events, including an annual trip for executives and non-executives in the factory and head office. Various religious programmes were organised in order to build the spiritual mindset of employees. We continued to perform these activities under the rules and regulations mandated by the Government and the respective health authorities, while providing the necessary sanitization materials in order to curb the spread of the pandemic.

Way Forward

As we venture into an uncertain future, we will undoubtedly rely on prudent planning and strategies to mitigate any potential risks. The Company hopes to deploy our Akuresa property in the coming year, in order to address rising demand, while maximising our existing resources through the investing in re-sorting machine, and thereby generate positive results and create sustainable value even amidst a challenging environment. Lanka Ceramic will continue to leverage on the strength and synergies afforded by the Group, and engage in diversifying our business by relying on our expertise in the mineral industry, in order to reach further heights in the years ahead.



CORPORATE
GOVERNANCE



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RISK MANAGEMENT

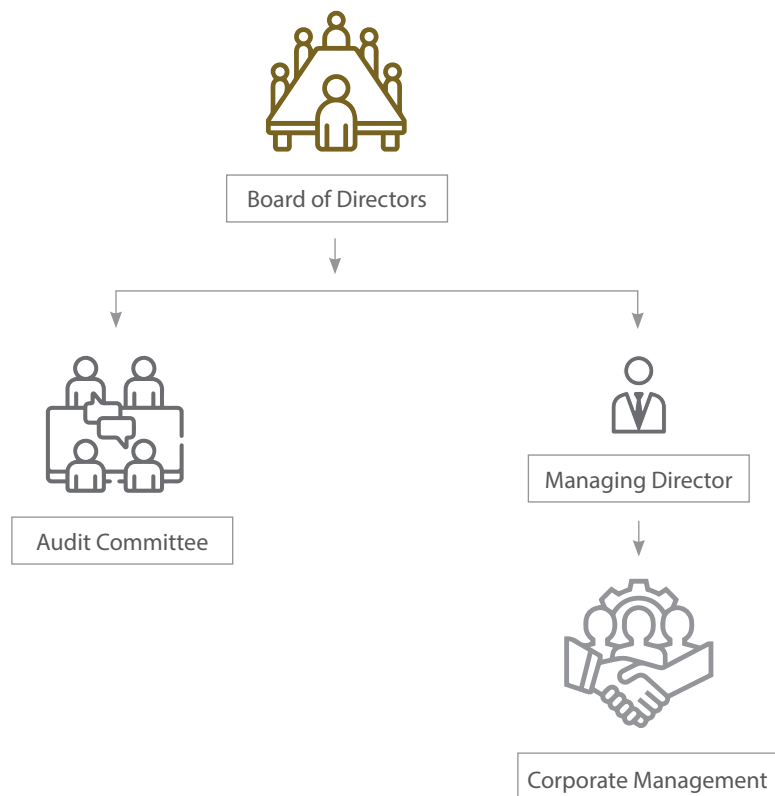
INTRODUCTION

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

The COVID 19 pandemic accelerated the Country's underlying economic vulnerabilities resulting in a widening fiscal deficit, subdued growth and reduced inflows of foreign exchange.

Headline inflation accelerated during the year under review, owing to supply-side disruptions on the global and domestic front, in addition to the surge experienced in global commodity pricing and upward revisions towards administrative prices, including energy prices. Accordingly, headline inflation as measured by the CCPI was recorded at 12.1% as at the end of 2021, in comparison to the 4.2% inflation recorded in 2020.

A significant depreciation of the exchange rate was observed at the commencement of March 2022, with the Central Bank allowing a measured adjustment at the first week of the month. However, further pressures on the exchange rate resulted in a more notable depreciation due to market forces shortly thereafter, leading the rupee to a record depreciation. Interest rate increased by 7% on the 8th of April in view of the tighter monetary policy.

The Country's ongoing economic crisis presents the most significant threat and 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.

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

PRINCIPAL RISKS IN 2021/22

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 unfavourable 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 reduced 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> <p>Resorting the waste to extract feldspar components to enhance the supply</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

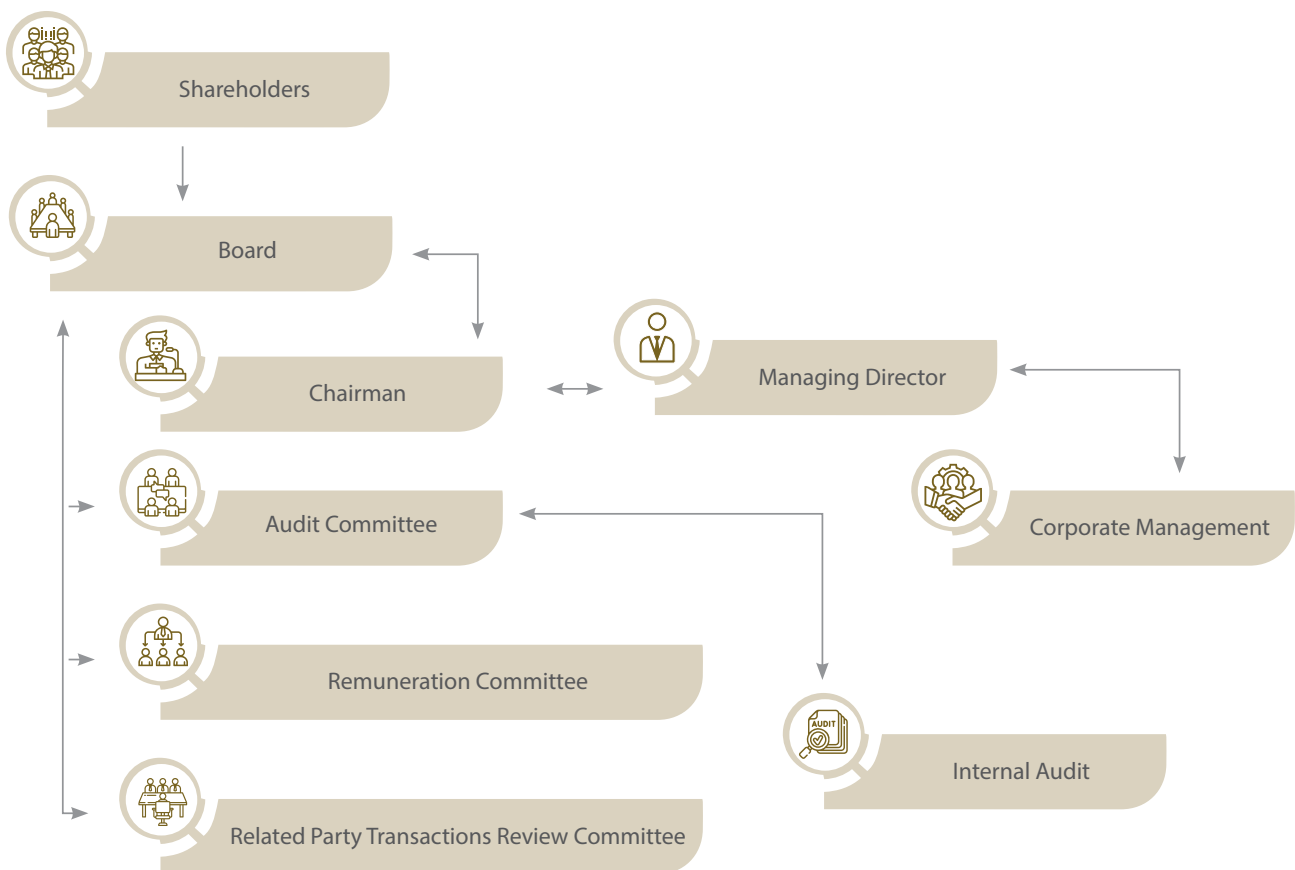
RISK MANAGEMENT

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>Maintaining flexible pricing strategy which enables timely responses to the changes in cost structure</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 long term 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 four 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 behaviour 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 31.03.2022 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	5	N/A	N/A
Mr. J.A.P.M. Jayasekera	Managing Director - Executive	5	N/A	N/A
Mr. T.G. Thoradeniya	Non-Executive	4	N/A	N/A
Dr. S. Selliah <i>(Resigned w.e.f. 21.02.2022)</i>	Independent - Non-Executive	5	N/A	4
Ms. A.M.L. Page	Independent - Non-Executive	4	3	3
Mr. K.D.G. Gunaratne	Independent - Non-Executive	5	4	4
Mr. D.J. Silva	Independent - Non-Executive	3	N/A	N/A
Mr. J.D.N. Kekulawala	Independent - Non-Executive	5	4	N/A
Mr. S.M. Liyanage	Non-Executive	5	N/A	N/A
Mr. M.W.R.N. Somarathne <i>(Appointed w.e.f. 01.04.2022)</i>	Non-Executive	N/A	N/A	N/A
Total No. of Meetings		5	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: <ul style="list-style-type: none"> ◆ 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 47 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 48 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 <i>(Resigned w.e.f. 21st February 2022)</i></p> <p>Mr. J. D. N. Kekulawala – Chairman <i>(Appointed w.e.f. 26th May 2022)</i></p> <p>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 49 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 five times during the year under review.	✓
A.1.2	Role of the Board	The Board is responsible for, a.) The formulation and implementation of a sound business strategy. b.) Monitoring compliance of governance, laws and regulations. c.) Overseeing systems of internal control and risk management. d.) Approving annual budgets and strategic plans. e.) Appointing and reviewing the performance of the Managing Director. f.) Approving any change in the Company's business portfolio and sanction of major investments and disinvestment in accordance with set parameters. g.) Ensuring that effective remuneration and required recognition policies are in place to assist employees in giving their best. h.) Submitting themselves for re-election at regular intervals and at least once in every three years.	✓
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 advice 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.	✓
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.	✓
A.2	Segregation of Roles of Chairman & CEO	Please refer Chairman and Managing Director's Message on pages 6 to 9.	✓

REFERENCE TO ICASL CODE	CORPORATE GOVERNANCE PRINCIPLE	HOW WE COMPLY	COMPLIANCE STATUS
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.	✓
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.	✓
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.	✓
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 four 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</p> <p>Mr. J.A.P.M. Jayasekera - (Managing Director) - Executive</p> <p>Mr. T.G. Thoradeniya - Non-Executive</p> <p>Mr. D.J. Silva - Non-Executive - Independent</p> <p>Dr. S. Selliah - Non-Executive - Independent (Resigned w.e.f. 21.02.2022)</p> <p>Mr. K.D.G. Gunaratne - Non-Executive - Independent</p> <p>Ms. A.M.L. Page - Non-Executive- Independent</p> <p>Mr. J.D.N. Kekulawala - Non-Executive - Independent</p> <p>Mr. S.M. Liyanage - Non-Executive</p> <p>Mr. M.W.R.N. Somarathne - Non-Executive (Appointed w.e.f. 01.04.2022)</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 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>	✓

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.	✓
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.	✓
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.	✓
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.	✓
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.	✓
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.	✓
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.	✓

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.	✓
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.	✓
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 90 of this Report.	✓
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.	✓
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.	✓
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.	✓

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' report on pages 52 to 54 in the Annual Report.	✓
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.	✓
D.3	Audit Committee	The Audit Committee Report on page 47 of the report addresses this section in full.	✓
D.3.1	Audit Committee Report	The Audit Committee Report on page 47 of the report addresses this section in full.	✓
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 49 of this report.	✓
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.	✓
D.6	Corporate Governance Disclosures	The Corporate Governance Report on pages 29 to 40 comply with this requirement.	✓
E. SHAREHOLDERS			
E.1	Institutional Investors	All Institutional shareholders are encouraged to participate and their views are communicated to all concerned parties.	✓
E.2	Evaluations of Governance Disclosure	This Report contains the Company's Corporate Governance process and structure for investor's attention.	✓
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.	✓
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.	✓

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.	✓
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 four independent Directors out of nine as given in item A.5 in CA Sri Lanka adherence table, which is above the minimum level.	✓
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.	✓
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.	✓
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 48 the Remuneration Committee comprises three Independent Non- Executive Directors of the Parent Company, Royal Ceramics Lanka PLC.	✓
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 48 the Remuneration Committee recommends the remuneration of the Senior Management of the Company to the Board.	✓

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 48 sets out the names of the Directors in the Remuneration Committee and aggregate remuneration paid to all Directors is given on page 90 in Note 26.2.	
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.	
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 47 of the Annual Report explains the functions of the Audit Committee which has executed the above function.	
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 47 has addressed this requirement.	

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 2022.

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 2022 were mining, processing and sales of raw materials and allied products to ceramic industry, holding investments, managing investment property, importing and selling of sanitary ware 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 55 to 93.

AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company and its subsidiary is given on pages 52 to 54.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given on pages 60 to 71 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

Mr. M.W.R.N. Somarathne - Director

(Appointed w.e.f. 01.04.2022)

INDEPENDENT NON - EXECUTIVE DIRECTORS

Dr. S. Selliah - Director

(Resigned w.e.f. 21.02.2022)

Mr. K.D.G. Gunaratne - Director

Ms. A.M.L. Page - Director

Mr. D.J. Silva - Director

Mr. J.D.N. Kekulawala - Director

Ms. A.M.L. Page and Mr. T.G. Thoradeniya 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.

Mr. M.W.R.N. Somaratne who was appointed to the Board on 1st April 2022 will retire in terms of Article 110 of the Articles of Association and being eligible is 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 2022 as recorded in the Interests Register are given in this Report under Directors' shareholding.

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

DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed under Key Management Personnel compensation in Note 26.2 to the Financial Statements on page 90.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions referred to in Note 26 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 45. 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 46.

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. 615,000/- is payable by the Company to the Auditors for the year under review comprising Rs. 424,000/- as audit fees and Rs. 191,000/- for non-audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 19th May 2022 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 2022. 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 2022 and 31st March 2021 are as follows.

	Shareholding as at 31.03.2022	Shareholding as at 31.03.2021
Mr. A.M. Weerasinghe	-	-
Mr. J.A.P.M. Jayasekera	20	20
Mr. T.G. Thoradeniya	-	-
Dr. S. Selliah (Resigned w.e.f.21.02.2022)	-	-
Mr.K.D.G. Gunaratne	-	-
Ms. A.M.L. Page	-	-
Mr. D.J. Silva	-	-
Mr.J.D.N. Kekulawala	-	-
Mr. S.M. Liyanage	-	-
Mr. M.W.R.N. Somarathne (Appointed w.e.f. 01.04.2022)	-	-

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 1,689 shareholders registered as at 31st March 2022 (1,662 shareholders as at 31st March 2021). The details of distribution are given on page 96 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 94 and from pages 96 to 97 under the Company Ten Year Summary and Shareholder and Investor Information.

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 2022, 68 persons were in employment (69 persons as at 31st March 2021).

RESERVES

The reserves of the Company with the movements during the year are given in Note 10 to the Financial Statements on page 79.

LAND HOLDINGS

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

Property, Plant and Equipment			
Location	No. of Buildings	Land Extent	Fair Value as at 31.03.2022
			Rs.'000
Land at Owala	4	26A-2R-25.50P	20,342
Land at Meetiyyagoda	8	58A-0R-08.69P	87,399
	12	84A-2R-34.19P	107,741

Investment Property			
Location	No. of Buildings	Land Extent	Fair Value as at 31.03.2022
			Rs.'000
Land at Kollupitiya	1	0A-1R-1.12P	863,520

PROPERTY, PLANT & EQUIPMENT

Details and movements of Property, Plant and Equipment are given under Note 3 to the Financial Statements on pages 72 to 74.

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2022 are given in Note 6 to the Financial Statements on page 76.

DONATIONS

The Company made donations amounting to Rs.111,902/- in total, during the year under review.

DIVIDENDS

A final dividend of Rs. 2.60 per share was recommended by the Board for the financial year ended 31st March 2022 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 24 to 28.

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 27 to the Financial Statements on page 91, there were no material contingent liabilities as at the reporting date.

EVENTS OCCURRING AFTER THE REPORTING DATE

Except for the matters disclosed in Note 28 to the Financial Statements on page 91 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.

Audit Committee, Remuneration Committee and 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.

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

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

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Dr. S. Selliah – Chairman
(Resigned w.e.f. 21st February 2022)
Mr. J.D.N. Kekulawala – Chairman
(Appointed w.e.f. 26th May 2022)
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 2022.

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 29 to 40 explains the measures adopted by the Company during the year.

ANNUAL GENERAL MEETING

The Notice of the Thirty First (31st) Annual General Meeting appears on page 98.

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 2022

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 material	109,337,375	Based on commercial rates
		Disposal of machinery	351,000	Based on commercial rates
		Receiving of commission income	2,554,124	Based on commercial rates
		Reimbursable Expenses	1,368,819	Actual expense incurred
			113,611,318	
Lanka Walltiles PLC	Affiliated Company	Sale of raw material	17,391,355	Based on commercial rates
		Receiving of commission income	1,650,510	Based on commercial rates
		Sale of Sanitaryware	301,592,962	Based on commercial rates
		Reimbursable Expenses	1,219,380	Actual expense incurred
			321,854,207	
Royal Ceramics Lanka PLC	Parent Company	Sale of raw material	10,561,379	Based on commercial rates
		Dividend Payment	3,972,051	Final dividend of Rs.0.90 per share.
		Reimbursable Expenses	5,905	Actual expense incurred
			14,539,335	
Rocell Bathware Ltd.	Affiliated Company	Sale of raw material	8,204,848	Based on commercial rates
			8,204,848	
Horana Plantation PLC	Affiliated Company	Purchase of Goods	63,200	Based on commercial rates
			63,200	
Swisstek Aluminium Ltd.	Affiliated Company	Payment of rent expenses	1,993,980	Based on commercial rates
			1,993,980	
LC Plantation Projects Ltd.	Subsidiary Company	Reimbursable Expenses	144,240	Actual expense incurred
		Investment in Shares	56,666,760	5,666,676 shares @ Rs.10/- per share
		Fund transfer	2,997,564	Balance payment against purchasing of shares
			59,808,564	

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 52 to 54.

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 2022/23 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 2022

AUDIT COMMITTEE REPORT

ROLE OF THE AUDIT COMMITTEE

The Audit Committee is a Sub Committee of the Board, 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 function of the Audit Committee is defined in the Audit Committee Charter. Primarily the committee assess the adequacy of the risk management framework of the Company, assess the independence and the performance of the Company's external and internal audit functions and review compliance of the Company with regard to the legal and regulatory requirements.

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
- ◆ **Mr. K.D.G. Gunaratne** - Member
- ◆ **Ms. A.M.L. Page** - Member

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.

FUNCTIONS OF THE AUDIT COMMITTEE

The Audit Committee examined the preparation, presentation and adequacy of disclosure in compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and whether the financial reporting requirements were 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 Committee reviewed the external auditors' report and management letter for the last year. All recommendations proposed by the external auditors were discussed with the senior partner and examined that the recommendations proposed were duly carried out by the management. In addition, the Audit Committee reviewed external auditors and the engagement partner's relationships with the Company, and assessed that the external auditors are independent.

The Audit Committee also assessed major business and control risks of the Company, including discussing with management the steps that have been taken to monitor and control such exposures.

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	(4/4)
Ms. A.M.L. Page	(3/4)

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

EXTERNAL AUDIT

The Audit Committee, having assessed the independence of the External Auditors Messrs. Ernst & Young Chartered Accountants, based on the declaration provided by them and to the extent that the members of the Audit Committee are aware, concluded that 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 Committee, 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.

The Audit Committee, recommended to the Board of Directors that they be re-appointed as Auditors of the Company for the year ending 31st March 2023, subject to the approval by the shareholders at the Annual General Meeting.



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

31st May 2022

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 endeavours 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 26.2 on page 90.

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 2022

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 Lanka Ceramic PLC is to conduct 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. 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 – Resigned w.e.f. 21st February 2022)
- ◆ **Mr. J.D.N. Kekulawala** - Chairman
(Independent Non-Executive Director – Appointed w.e.f. 26th May 2022)
- ◆ **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 Finance 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)
Mr. J.D.N. Kekulawala	N/A
Ms. A.M.L. Page	(3/4)
Mr. K.D.G. Gunaratne	(4/4)

PROCEDURES FOR REPORTING RELATED PARTY TRANSACTIONS

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 2021/22. 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 favourable 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 26 to the Financial Statements, on page 90 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 41 to 44 of this Annual Report.



Mr. J.D.N. Kekulawala

Chairman - Related Party Transactions Review Committee

31st May 2022



FINANCIAL INFORMATION

FINANCIAL CALENDAR

Final Dividend 2020/21	21st May 2021
1st Quarter 2021/22 Interim Financial Report (Unaudited)	04th August 2021
2nd Quarter 2021/22 Interim Financial Report (Unaudited)	03rd October 2021
3rd Quarter 2021/22 Interim Financial Report (Unaudited)	09th February 2022
4th Quarter 2021/22 Interim Financial Report (Unaudited)	19th May 2022
Final Dividend 2021/22	27th May 2022
Annual Report 2021/22	31st May 2022
31st Annual General Meeting	29th June 2022

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INDEPENDENT AUDITOR'S REPORT



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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 2022, 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 2022, 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>Property, Plant and Equipment and Investment Property include land and buildings carried at fair value in accordance with its accounting policies disclosed in notes 2.3.7 and 2.3.9. The fair values of land and buildings were determined by an external valuer engaged by the Group.</p> <p>This was a key audit matter due to the:</p> <ul style="list-style-type: none"> ◆ Materiality of the reported Land & Buildings within Property, Plant and Equipment and Investment Property which amounted to Rs. 147 Mn and Rs. 996 Mn respectively as of reporting date. ◆ Degree of assumptions, judgements and estimation uncertainties associated with the fair valuation of Land and Buildings such as reliance on comparable market transactions and consideration of current market conditions. 	<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 specialized 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: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms N A De Silva FCA, W R H De Silva FCA ACMA, Ms Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms A A Ludowyke FCA FCMA, Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: G B Goudian ACMA, Ms P S Paranavitane ACMA LLB (Colombo), 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 judgments, estimates and assumptions used in the valuation of the land and buildings as disclosed in notes 3 (d) and 5.1 included the following:</p> <ul style="list-style-type: none"> ◆ Estimate of per perch value of the land ◆ Estimate of the per square foot value of the buildings 	<ul style="list-style-type: none"> ◆ We assessed the adequacy of the disclosures made in Notes 2.3.7, 2.3.9, 3 (d) and 5.1 in the financial statements.
<p>Recoverability of deferred tax asset recognised on unutilised carried forward tax losses</p> <p>The Group has recognised a deferred tax asset of Rs. 55 Mn on temporary differences existing as of reporting date as disclosed in note 12 to the financial statements. Such balance includes a deferred tax asset of Rs. 40.8 Mn recognised on unutilised carried forward tax losses.</p> <p>The recoverability of the deferred tax asset on such unutilised carried forward tax losses was a key audit matter due to;</p> <p>The degree of 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> <p>Key areas of significant management judgments on estimates and assumptions included revenue growth rates and gross margins.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> ◆ We gained an understanding of Management's forecast of future taxable profits which included consideration of the impacts of the current economic conditions prevailing in the country on the operations of the Group. ◆ We assessed the reasonableness of significant management judgements on assumptions and estimates used such as revenue growth rates and gross margins; and evaluated the sensitivity of the forecast taxable profits, by considering possible changes in key assumptions. ◆ We assessed the adequacy of the disclosures made in Notes 2.3.3 and 12 in the financial statements.

Other information included in the 2022 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.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the financial statements

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

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

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to 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.

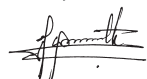


31st May 2022
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	3	160,143,046	204,959,551	160,143,046	204,959,551
Leasehold rights over mining lands	4	-	1,619,026	-	1,619,026
Investment property	5	995,688,200	951,258,400	995,688,200	951,258,400
Other equity investments	6.1	56,666,760	56,666,760	-	-
Investment in subsidiary	6.2	-	-	56,666,760	10
		1,212,498,006	1,214,503,737	1,212,498,006	1,157,836,987
Current assets					
Inventories	7	4,197,053	2,897,706	4,197,053	2,897,706
Trade and other receivables	8	99,200,428	64,270,359	99,344,668	118,005,889
Cash and cash equivalents	24	135,251,279	3,177,563	135,251,279	3,177,563
		238,648,760	70,345,628	238,793,000	124,081,158
Total assets		1,451,146,766	1,284,849,365	1,451,291,006	1,281,918,145
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	9	300,000,000	300,000,000	300,000,000	300,000,000
Revaluation reserves	10	269,279,025	285,087,460	269,279,025	285,087,460
Retained earnings		480,804,241	385,001,515	480,948,481	385,001,515
Total equity		1,050,083,266	970,088,975	1,050,227,506	970,088,975
Non-current liabilities					
Interest bearing liabilities	11	33,480,000	61,078,600	33,480,000	61,078,600
Deferred tax liabilities	12	214,991,666	173,001,530	214,991,666	173,001,530
Retirement benefit liability	13	5,731,507	8,840,343	5,731,507	8,840,343
Other non-current liabilities	14	15,000,000	15,000,000	15,000,000	15,000,000
		269,203,173	257,920,473	269,203,173	257,920,473
Current liabilities					
Trade and other payables	15	104,261,727	25,546,317	104,261,727	22,615,097
Interest bearing liabilities	11	27,598,600	31,293,600	27,598,600	31,293,600
		131,860,327	56,839,917	131,860,327	53,908,697
Total equity and liabilities		1,451,146,766	1,284,849,365	1,451,291,006	1,281,918,145

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

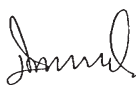
The Board of Directors is responsible for these financial statements.

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 60 to 93 form an integral part of the financial statements.

31st May 2022

Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31st March	Note	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
Revenue	16	427,689,347	121,329,735	427,689,347	121,329,735
Cost of sales		(306,227,828)	(68,658,812)	(306,227,828)	(68,658,812)
Gross profit		121,461,519	52,670,923	121,461,519	52,670,923
Fair value gain on investment property	5	44,429,800	40,762,400	44,429,800	40,762,400
Other income	17	61,007,883	52,553,034	61,007,883	52,553,034
Distribution costs		(7,889,541)	(8,886,042)	(7,889,541)	(8,886,042)
Administrative expenses		(92,622,859)	(54,043,070)	(92,478,619)	(54,043,070)
Finance cost	18	(6,010,534)	(8,149,876)	(6,010,534)	(8,149,876)
Finance income	19	1,440,485	999,676	1,440,485	999,676
Profit before tax	20	121,816,753	75,907,045	121,960,993	75,907,045
Income tax expense	21.1	(46,369,607)	(8,064,543)	(46,369,607)	(8,064,543)
Profit for the year		75,447,146	67,842,502	75,591,386	67,842,502
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Actuarial gain/ (loss) on retirement benefit liability	13	2,553,674	(1,541,752)	2,553,674	(1,541,752)
Deferred tax relating to actuarial gain/(loss)	13	(612,882)	370,020	(612,882)	370,020
Revaluation gain/ (loss) on land and buildings	3	-	74,063,571	-	74,063,571
Deferred tax relating to revaluation	12.2	4,992,353	(5,729,348)	4,992,353	(5,729,348)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		6,933,145	67,162,491	6,933,145	67,162,491
Total comprehensive income for the year		82,380,291	135,004,993	82,524,531	135,004,993
Earnings per share- from continuing operations	22	12.57	11.31	12.60	11.31
Dividend per share	23	0.90	1.30	0.90	1.30

The accounting policies and notes on pages 60 to 93 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31st March	Group			
	Stated capital	Revaluation reserve	Retained earnings/(loss)	Total
	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 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
Dividend payment	-	-	(7,800,000)	(7,800,000)
Balance as at 31st March 2021	300,000,000	285,087,460	385,001,515	970,088,975
Profit for the year	-	-	75,447,146	75,447,146
Other comprehensive income	-	4,992,353	1,940,792	6,933,145
Total comprehensive income	-	4,992,353	77,387,938	82,380,291
Transfer from revaluation reserve on disposal of land	-	(20,800,788)	20,800,788	-
Dividend payment	-	-	(5,400,000)	(5,400,000)
Dividend Write-Back	-	-	3,014,000	3,014,000
Balance as at 31st March 2022	300,000,000	269,279,025	480,804,241	1,050,083,266

The accounting policies and notes on pages 60 to 93 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31st March	Company			
	Stated capital	Revaluation reserve	Retained earnings/(loss)	Total
	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 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
Dividend payment	-	-	(7,800,000)	(7,800,000)
Balance as at 31st March 2021	300,000,000	285,087,460	385,001,515	970,088,975
Profit for the year	-	-	75,591,386	75,591,386
Other comprehensive income	-	4,992,353	1,940,792	6,933,145
Total comprehensive income	-	4,992,353	77,532,178	82,524,530
Transfer from revaluation reserve on disposal of land	-	(20,800,788)	20,800,788	-
Dividend payment	-	-	(5,400,000)	(5,400,000)
Dividend Write-Back	-	-	3,014,000	3,014,000
Balance as at 31st March 2022	300,000,000	269,279,025	480,948,481	1,050,227,506

The accounting policies and notes on pages 60 to 93 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the Year ended 31st March	Note	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax from continuing operations		121,816,753	75,907,045	121,960,993	75,907,045
Adjustments for					
Depreciation	3	11,811,176	9,557,286	11,811,176	9,557,286
Amortisation of right-of-use assets		-	2,941,806	-	2,941,806
Provision for leasehold rights over mining lands	4	475,007	-	475,007	-
(Profit)/ loss on sale of property, plant and equipment	17	(10,349,000)	(3,074,023)	(10,349,000)	(3,074,023)
Finance costs	18	6,010,534	8,149,876	6,010,534	8,149,876
Finance Income	19	(1,440,485)	(999,676)	(1,440,485)	(999,676)
Unrealised exchange (gain)/loss		25,854,215	-	25,854,215	-
Write off of property, plant and equipment		-	1,323,410	-	1,323,410
Provision for retirement benefit obligations	13	522,063	1,670,682	522,063	1,670,682
Provision for obsolete and slow moving inventory	7	-	2,262,719	-	2,262,719
Fair value gain on investment property	5	(44,429,800)	(40,762,400)	(44,429,800)	(40,762,400)
Operating profit before working capital changes		110,270,463	56,976,725	110,414,703	56,976,725
Working capital adjustments					
(Increase)/ decrease in inventories		(1,299,346)	1,208,753	(1,299,346)	1,208,753
(Increase)/ decrease in trade and other receivables		(37,861,289)	8,091,828	(38,005,529)	8,091,828
Increase /(decrease) in trade and other payables		59,950,434	(16,039,756)	59,950,434	(16,039,756)
Cash generated from operations		131,060,262	50,237,550	131,060,262	50,237,550
Finance costs paid	18	(6,010,534)	(8,149,876)	(6,010,534)	(8,149,876)
Retirement benefit plan costs paid	13	(1,077,225)	(1,528,906)	(1,077,225)	(1,528,906)
Net cash flows from operating activities		123,972,503	40,558,768	123,972,503	40,558,768
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	3	(3,155,672)	(36,509,707)	(3,155,672)	(36,509,707)
Proceeds from sale of property, plant and equipment		46,510,000	3,230,200	46,510,000	3,230,200
Investment in subsidiary	6.1	-	(10)	-	(10)
Finance Income	19	1,440,485	999,676	1,440,485	999,676
Net cash flows used in investing activities		44,794,813	(32,279,841)	44,794,813	(32,279,841)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Proceeds from Interest bearing borrowings	11.1	-	9,500,000	-	9,500,000
Repayment of interest bearing borrowings	11.1	(31,293,600)	(13,008,406)	(31,293,600)	(13,008,406)
Repayment of lease	11.2	-	(726,524)	-	(726,524)
Dividends paid	23	(5,400,000)	(7,800,000)	(5,400,000)	(7,800,000)
Net cash flows used in financing activities		(36,693,600)	(12,034,930)	(36,693,600)	(12,034,930)
Net (Increase)/decrease in cash and cash equivalents		132,073,716	(3,756,001)	132,073,716	(3,756,001)
Cash and cash equivalents at the beginning of the year	24	3,177,563	6,933,564	3,177,563	6,933,564
Cash and cash equivalents at the end of the year	24	135,251,279	3,177,563	135,251,279	3,177,563

The accounting policies and notes on pages 60 to 93 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Lanka Ceramic PLC

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.

LC Plantation Projects Limited

LC Plantation Projects Limited is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 215, Nawala Road, Narahenpita, Colombo 05..

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 and managing an 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 income was generated 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 authorization for issue

The Financial Statement of Lanka Ceramic PLC for year ended 31st March 2022 was authorised for issue in accordance with a resolution of the Board of Directors dated 31st May 2022.

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

In determining the basis of preparing the financial statements for the year ended 31st March 2022, based on available information, the management has assessed the prevailing and anticipated effects of the current economic conditions on the Group and the appropriateness of the use of the going concern basis.

It is the view of the management there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as going concern due to the improved operating environment despite the ongoing effects of the current economic conditions and the operationalisation

of risk mitigation initiatives and continuous monitoring of business continuity and response plans along with the financial strength of the Group. The management has formed a judgment that the Group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

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 1st April 2021.

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 16 Leases: Covid-19-Related Rent Concessions beyond 30th June 2021

In 4th December 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued Covid-19-Related Rent Concessions - amendment to SLFRS 16 Leases. 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 the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification

The amendment was intended to apply until 30th June 2021, but as the impact of the Covid-19 pandemic is continuing, on 28th June 2021, CA Sri Lanka extended the period of application of the practical expedient to 30th June 2022. The amendment applies to annual reporting periods beginning on or after 1st April 2021

The above amendment had no impact on the financial statements of the Group.

2.1.5 Comparative information

The accounting policies have been consistently applied by the Company 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 31st March 2022. 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

NOTES TO THE FINANCIAL STATEMENTS

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 derecognises 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 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 13 together with assumptions used in the valuations and the sensitivities thereof.

b) Fair value of freehold land 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. Land 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 summarised 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 properties

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 31st March 2022. 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 11.4.

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 11.4 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 categorised 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.

NOTES TO THE FINANCIAL STATEMENTS

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 capitalisation 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 realizable 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 amortized 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.

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 amortised 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 amortized 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.

NOTES TO THE FINANCIAL STATEMENTS

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 amortized 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) amortization 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 amortization 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 is calculated on a straight-line basis over the useful life of the assets. 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. 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 1st 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 recognizes 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 recognizes 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 2.3.2- Impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

(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 4).

(a) 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.

(b) 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. 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.

The Group is liable to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983, according to which a liability to pay gratuity arises only on completion of 5 years of continued service

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2022

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% and 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.

NOTES TO THE FINANCIAL STATEMENTS

2.3.15 Revenue recognition

Revenue from contracts with customers

The Group extracts and provide raw materials to ceramic industry 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 3 Business Combinations: Updating a reference to conceptual framework

In 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1st January 2022 and apply prospectively.

b) 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 1st 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.

c) 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 1st 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.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT & EQUIPMENT - GROUP/COMPANY

	Balance as at 01.04.2021	Additions	Disposals/ Transfers	Revaluation	Balance as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.

a) Gross carrying amounts					
At cost					
Plant and machinery	72,481,304	1,715,885	(2,550,000)	-	71,647,189
Tools, implements, furniture & fittings and electrical appliances and computer software	11,341,300	781,187	-	-	12,122,487
Transport & communication equipment	17,361,595	-	(320,000)	-	17,041,595
	101,184,199	2,497,072	(2,870,000)	-	100,811,271
At valuation					
Freehold and mining lands	146,750,650		(35,341,000)		111,409,650
Buildings	41,913,550	658,600	-	-	42,572,150
	188,664,200	658,600	(35,341,000)	-	153,981,800
Total	289,848,399	3,155,672	(38,211,000)	-	254,793,071

	Balance as at 01.04.2021	Charge for the year	Disposals/ Transfers	Revaluation	Balance as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.

b) Depreciation					
At cost					
Plant and machinery	59,890,187	3,583,141	(1,930,000)	-	61,543,328
Tools, implements, furniture & fittings and electrical appliances and computer software	9,245,448	987,547	-	-	10,232,995
Transport & communication equipment	15,753,214	569,078	(120,000)	-	16,202,292
	84,888,849	5,139,766	(2,050,000)	-	87,978,615
At valuation					
Freehold and mining lands	-	3,669,129			3,669,129
Buildings	-	3,002,281			3,002,281
	-	6,671,410	-	-	6,671,410
Total	84,888,849	11,811,176	(2,050,000)	-	94,650,025

	2022	2021
	Rs.	Rs.
c) Net book value of assets		
At cost		
Plant and machinery	10,103,861	12,591,117
Tools, implements, furniture & fittings and electrical appliances and computer software	1,889,492	2,095,852
Transport & communication equipment	839,303	1,608,382
At valuation		
Freehold and mining lands	107,740,521	146,750,650
Buildings	39,569,869	41,913,550
Net assets value	160,143,046	204,959,551

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 as per previous revaluation Year - 2016 (Level 3)
						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-0R-22P	Mr. A.A.M. Fathihu	31 March 2021	Market based evidence	Rs. 1,000,000/- per acre	1,137,500	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 Meetiyyagoda	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
Land situated at Meetiyyagoda	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 Meetiyyagoda mine	42,189 sq.ft	Mr. A.A.M. Fathihu	31 March 2021	Depreciated cost method	Rs. 275/- to Rs. 2,500/- per sq.ft	33,496,550	13,556,800

NOTES TO THE FINANCIAL STATEMENTS

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

Significant increases/ (decreases) in estimated price per acre and per Sq.ft. in isolation would result in a significantly higher (lower) fair value.

Valuation Methodology

Market Approach

This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets,

Depreciated Replacement Cost Method

This method uses the current cost of reproduction or replacement of the asset less deductions for physical deterioration and all relevant forms of obsolescences.

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

	Group/Company	
	2022 No. of Years	2021 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 Group /Company would have been included in the Financial Statement had the assets being carried at cost less depreciation as follows,

	Group/Company			
	Cost	Accumulated depreciation	Net carrying amount	Net carrying amount
	2022 Rs.	2022 Rs.	2022 Rs.	2021 Rs.
Freehold and clay mining lands	38,275,750	4,354,000	33,921,750	34,046,750
Freehold building	36,494,318	31,061,131	5,433,187	7,776,868
	74,770,068	35,415,131	39,354,937	41, 823,618

g) During the financial year, the Group/Company acquired property, plant and equipment to the aggregate value of Rs. 3,155,672 (2020/21 -Rs. 36,509,707/-). Cash payments amounting to Rs. 3,155,672 (2020/21 -Rs. 36,509,707/-). 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. 77,369,006 - (2020/21 - Rs. 55,209,902).

4. LEASEHOLD RIGHT OVER MINING LANDS

	Group/Company	
	2022	2021
	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)	(14,180,974)
Charge for the year	-	-
At the end of the year	(14,180,974)	(14,180,974)
	1,619,026	1,619,026
Payable to lessor in relation above leasehold right	(1,144,019)	-
	475,007	1,619,026
(-) Impairment	(475,007)	-
Written down value	-	1,619,026

5. INVESTMENT PROPERTY - GROUP/COMPANY

	2022	2021
	Rs.	Rs.
At the beginning of the year	951,258,400	910,496,000
Change in Fair Value	44,429,800	40,762,400
Balance at the end of the year	995,688,200	951,258,400

As at 31st March 2022, the investment property includes land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kolupitiya 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 31st March 2022). The basis of valuations are depreciated replacement cost method using the depreciated value of the building and market approach using the current open market value of the land.

	Fair value measurement using significant unobservable inputs (Level 3)	Fair value measurement using significant unobservable inputs (Level 3)
	2022	2021
	Rs.	Rs.
Date of valuation	31st March 2022	31st March 2021
Land	863,520,000	822,400,000
Building	132,168,200	128,858,400
Significant unobservable input :		
Price per perch	21,000,000	20,000,000
Price per square foot	12,000/- 8,500/-	11,000/- 8,000/-

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

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT PROPERTY - GROUP/COMPANY CONTD.

5.2 Rental Income earned from Investment Property by the Group/Company amounted Rs. 36.75 Mn. (2020/2021 - Rs. 36.75 Mn). Direct operating expenses incurred by the Group/Company amounted to Rs. 1.61 Mn.(2021- Rs. 1.64 Mn).

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.
2021-2022	36,750,000	36,750,000	-	-	-	-
2020-2021	36,750,000	36,750,000	36,750,000	-	-	-

6. INVESTMENT IN SUBSIDIARY AND OTHER EQUITY INVESTMENT

6.1 Other equity Investment

	Group			
	Holding		Cost	
	2022	2021	2022	2021
	%	%	Rs.	Rs.
Unquoted equity investments				
CP Holding (Private) Limited	16.67	16.67	56,666,760	56,666,760

6.2 Investment in subsidiary

	Company			
	Holding		Cost	
	2022	2021	2022	2021
	%	%	Rs.	Rs.
LC Plantation Projects Limited	100	100	56,666,760	10

7. INVENTORIES

	Group/Company	
	2022	2021
	Rs.	Rs.
Finished goods	58,944	121,539
Goods in transit	327,528	71,425
Consumables and spares	6,592,699	5,486,860
Allowances for obsolete and slow moving inventory	(2,782,118)	(2,782,118)
Total	4,197,053	2,897,706

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Trade debtors - Related parties (8.1)	32,914,285	25,754,046	32,914,285	25,754,046
- Other	3,515,762	4,513,539	3,515,762	4,513,539
	36,430,047	30,267,585	36,430,047	30,267,585
Other Receivables	43,736,306	46,660,936	43,736,306	46,660,926
Other debtors - Related parties (8.1)	-	-	144,240	53,735,539
Less: Allowances for doubtful debts*	(26,200,000)	(26,200,000)	(26,200,000)	(26,200,000)
	53,966,353	50,728,521	54,110,593	104,464,051
Advance and prepayments	38,276,475	5,831,597	38,276,475	5,831,597
Other Statutory Receivables	6,957,600	7,710,241	6,957,600	7,710,241
Total	99,200,428	64,270,359	99,344,668	118,005,889

*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 is reflected as due from the Corporation at the time of the take over of business. This balance continues to remain outstanding in the books of the Group/Company and is fully impaired as at 31st March 2022.

NOTES TO THE FINANCIAL STATEMENTS

8.1 Amounts due from related parties

		Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
Trade					
Lanka Tiles PLC	Affiliated Company	9,811,070	17,431,266	9,811,070	17,431,266
Lanka Walltiles PLC	Affiliated Company	19,632,144	4,105,365	19,632,144	4,105,365
Rocell Bathware Ltd	Affiliated Company	2,109,233	1,950,933	2,109,233	1,950,933
Royal Ceramics Lanka PLC	Parent Company	1,361,838	2,201,752	1,361,838	2,201,752
Swisstek (Ceylon) PLC	Affiliated Company	-	64,730	-	64,730
		32,914,285	25,754,046	32,914,285	25,754,046
Other					
LC Plantation Projects Limited	Subsidiary Company	-	-	144,240	53,735,539
Total		32,914,285	25,754,046	33,058,525	79,489,585

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

Group/Company	Neither past due nor impaired	Past due but no impaired			Impaired	Total
		< 3 Months	3- 12 Months	> 1 Year		
		Rs.	Rs.	Rs.		
2021/22	18,126,727	16,621,671	140,028	1,541,621	-	36,430,047
2020/21	834,873	20,884,045	932,956	7,615,712	-	30,267,585

9. STATED CAPITAL

9.1 Issued & fully paid

	Group/Company	
	2022	2021
	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

9.2 Issued & fully paid

	2022	2021
	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

9.3 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.

10. RESERVES

	Group/Company	
	2022	2021
	Rs.	Rs.
Revaluation reserve (10.1)	269,279,025	285,087,460
	269,279,025	285,087,460

10.1 Revaluation reserve

	Group/Company	
	2022	2021
	Rs.	Rs.
On: Property plant & equipment		
As at 01st April	285,087,460	216,767,690
Transfer from revaluation reserve on disposal of land	(20,800,788)	(14,453)
Revaluation of freehold land and building net of tax	-	68,334,223
Deferred tax reversal on land disposal	4,992,353	-
As at 31st March	269,279,025	285,087,460

11. INTEREST BEARING LIABILITIES

	Group/Company	
	2022	2021
	Rs.	Rs.
Non current		
Long term loans (11.1)	33,480,000	61,078,600
	33,480,000	61,078,600
Current		
Long term loans (11.1)	27,598,600	31,293,600
Leases (11.2)	-	-
	27,598,600	31,293,600
Total	61,078,600	92,372,200

NOTES TO THE FINANCIAL STATEMENTS

11.1. Long term loans

	Group/Company	
	2022	2021
	Rs.	Rs.
At the beginning of the year	92,372,200	95,880,606
Loans obtained	-	9,500,000
Repayments	(31,293,600)	(13,008,406)
At the end of the year	61,078,600	92,372,200
Amount payable within one year	27,598,600	31,293,600
Amount payable after one year	33,480,000	61,078,600
	61,078,600	92,372,200

11.2 Leases

	Group/Company	
	2022	2021
	Rs.	Rs.
Gross liability	-	726,524
Repayments	-	(726,524)
Finance charges allocated to future period	-	-
Net liability	-	-
Amount payable within one year	-	-
Total	-	-

11.3 Details of long term loans - Group /Company

Financial institution	Repayment terms	Principal	Interest rate per annum	Security	Balance as at	Balance as at
					31.03.2022	31.03.2021
		Rs.			Rs.	Rs.
Hatton National Bank PLC	60 Monthly installments (Restructured)	500,000,000	AWPLR plus margin	Mortgage for Rs, 500 Mn over investment property of land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kolupitiya Road, Colombo 03 (1R - 1.12 P)	58,440,000	83,400,000
Hatton National Bank PLC (Saubagya COVID-19 Renaissance Facility relief package of CBSL)	18 monthly installments with 6 months grace period	9,500,000	4%	Mortgage for Rs, 9.5 Mn over investment property of land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kolupitiya Road, Colombo 03 (1R - 1.12 P).	2,638,600	8,972,200
					61,078,600	92,372,200

11.4 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.

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets								
Non-Current								
Unquoted Equity Investment	56,666,760	56,666,760	56,666,760	56,666,760	-	-	-	-
Current								
Trade and other receivables	53,966,353	50,728,521	53,966,353	50,728,521	54,110,593	104,464,051	54,110,593	104,464,051
Cash and cash equivalents	135,251,279	3,177,563	135,251,279	3,177,563	135,251,279	3,177,563	135,251,279	3,177,563
Total	245,884,392	110,572,844	245,884,392	110,572,844	189,361,872	107,641,614	189,361,872	107,641,614
Financial liabilities								
Current								
Trade and other payables	104,261,727	25,546,317	104,261,727	25,546,317	104,261,727	22,615,097	104,261,727	22,615,097
Interest bearing liabilities	61,078,600	92,372,200	61,078,600	92,372,200	61,078,600	92,372,200	61,078,600	92,372,200
Total	165,340,327	117,918,517	165,340,327	117,918,517	165,340,327	114,987,297	165,340,327	114,987,297

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 the 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 14) cannot be measured reliably due to the difficulty in determining the time of realisation.

Fixed rate financial instruments

Fair Value of interest bearing borrowing at fixed interest rate is amounted to Rs. 2.2Mn (2021 - 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 was used.

Unquoted equity Investment

The fair value of unquoted investment has been estimated considering the fair value of adjusted net assets held by investee as at 31 March 2022 and potential returns expected through its future operations. The fair value of unquoted equity investment is not materially different from their carrying values.

NOTES TO THE FINANCIAL STATEMENTS

12. DEFERRED TAX LIABILITIES

	Group/Company	
	2022	2021
	Rs.	Rs.
At the beginning of the year	173,001,530	159,577,660
Charge/(reversal) arising during the year		
- Arising on during the year movement	46,369,607	18,753,146
- Due to change in tax rate	-	(10,688,603)
Deferred tax release on components of other comprehensive income		
- Arising on during the year movement	(4,379,471)	17,467,647
- Due to change in tax rate	-	(12,108,320)
At the end of the year	214,991,666	173,001,530

12.1 Statement of financial position

Deferred tax liability

Capital allowances	3,559,489	4,057,500
Revaluation surplus	85,034,799	90,027,152
Investment property	181,839,409	171,176,257
	270,433,697	265,260,909
Deferred tax assets		
Retirement benefit liability	1,375,562	2,122,000
Carried forward tax losses	40,883,079	83,159,000
Provision for obsolete and slow moving, consumables and spares	690,378	690,378
Allowances for doubtful debts	6,288,000	6,288,000
Unrealised exchange loss	6,205,012	-
	55,442,031	92,259,378
Net deferred tax liability	214,991,666	173,001,530

12.2 Statement of Comprehensive Income

Deferred tax charge/(reversal)

	Group/Company	
	2022	2021
	Rs.	Rs.
Retirement benefit liability	612,882	(370,020)
Revaluation surplus	-	5,729,348
Deferred tax reversal on land disposal	(4,992,353)	-
	(4,379,471)	5,359,328

Deferred tax has been computed at 24% (2021 - at 24%).

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.222,017,183/- (2021- Rs. 346,485,239/-) as at 31st March 2022 which can be carried forward up to the financial year of 2023/2024.

12.3 Tax Losses

	Group/Company	
	2022	2021
	Rs.	Rs.
Tax loss brought forward (Provisional)	346,485,239	394,122,128
Adjustments for prior years	-	(2,786)
Utilized during the Year	(124,468,056)	(47,634,103)
Tax loss carried forward (Provisional)	222,017,183	346,485,239
(-) Tax losses for which no deferred tax asset has been recorded	(51,671,019)	-
Estimated tax loss claimable	170,346,164	346,485,239

The deferred tax asset of Rs. 40,883,079/- (2021- Rs. 83,159,000/-) has been recognized as at 31 March 2022 based on its recoverability assessed by Management on the estimated future taxable profits within the ensuing 2 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.

Sensitivity analysis-

Two years average annual revenue growth rate used in determining future taxable profit is 11% and If the forecasted revenue is reduced by 25%, the deferred tax asset gets written-off by Rs. 18.6 Mn representing 45% of deferred tax asset relating to tax loss as at the reporting date.

13. RETIREMENT BENEFIT LIABILITY

	Group/Company	
	2022	2021
	Rs.	Rs.
At the beginning of the year	8,840,343	7,156,815
Current service cost	533,779	955,001
Net interest on the net defined benefit liability	663,026	715,681
Past service cost	(674,742)	-
	522,063	1,670,682
Net actuarial (gain) / loss for the year	(2,553,674)	1,541,752
Payments made during the Year	(1,077,225)	(1,528,906)
	(3,630,899)	12,846
At the end of the year	5,731,507	8,840,343

NOTES TO THE FINANCIAL STATEMENTS

13. RETIREMENT BENEFIT LIABILITY CONTD.

13.1 The Retirement Benefit Plan was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

13.2 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;

	2022	2021
	Rs.	Rs.
Discount rate as at 31 March		
Effect on DBO due to decrease in the discount rate by 1%	386,016	562,110
Effect on DBO due to increase in the discount rate by 1%	(346,240)	(502,052)
Salary escalation rate as at 31 March		
Effect on DBO due to decrease in the salary escalation rate by 1%	(383,621)	(537,909)
Effect on DBO due to increase in the salary escalation rate by 1%	423,064	591,695

13.3 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 2022	488,694	663,221	2,145,902	2,433,689	5,731,507
As at 31 March 2021	1,105,824	2,479,008	1,515,153	3,740,357	8,840,343
Weighted Average duration of defined benefit obligation (Years)	7.28 (2021 - 6.39)				

13.4 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 2022.

The principal assumptions used are as follows:

	Group/Company	
	2022	2021
	Rs.	Rs.
Discount rate (per annum)	15.0%	7.5%
Salary scale (per annum) - Executives	10%	9%
- Non executives	10%	9%
Staff turnover rate	6%	7%
Retirement age	60 Years	55 Years

14. OTHER NON-CURRENT LIABILITIES

	Group/Company	
	2022	2021
	Rs.	Rs.
Refundable deposit	15,000,000	15,000,000
Total	15,000,000	15,000,000

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Trade creditors - Other	80,192,789	537,117	80,192,789	537,117
Other creditors - Related Parties [15.1]	1,032,657	4,987,997	1,032,657	2,056,777
	81,225,446	5,525,114	81,225,446	2,593,894
Sundry creditors including accrued expenses	23,036,281	20,021,203	23,036,281	20,021,203
Total	104,261,727	25,546,317	104,261,727	22,615,097

15.1 Other creditors - Related parties

Company	Relationship	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
Royal Ceramics Lanka PLC	Parent company	91,970	86,070	91,970	86,070
Swisstek Aluminium Limited	Affiliated Company	617,581	1,647,600	617,581	1,647,600
Delmege Forsyth & Co. Ltd	Affiliated Company	323,106	323,106	323,106	323,106
CP Holding (Private) Limited	Affiliated Company	-	2,931,221	-	-
Total		1,032,657	4,987,997	1,032,657	2,056,777

NOTES TO THE FINANCIAL STATEMENTS

16. REVENUE

Revenue from contracts with customers

	Group/Company	
	2022	2021
	Rs.	Rs.
Types of goods		
Feldspar	115,454,678	72,451,965
Ball clay	-	61,582
Kaolin	32,981,926	37,371,394
Sanitaryware	279,252,743	11,444,795
Total revenue from contract with customers	427,689,347	121,329,735
Timing of revenue recognition		
Goods transferred at a point in time	427,689,347	121,329,735

17. OTHER INCOME

	Group/Company	
	2022	2021
	Rs.	Rs.
Rental income	36,750,000	36,750,000
Disposal gain on property, plant and equipment	10,349,000	3,074,023
Franchise commission income	5,337,381	5,628,933
Sundry income	8,571,502	7,100,078
	61,007,883	52,553,034

18. FINANCE COST

	Group/Company	
	2022	2021
	Rs.	Rs.
Interest expense on overdrafts	49,606	2,342
Interest expense on bank loans	5,960,928	8,126,272
Finance charges on lease liabilities	-	21,262
Total	6,010,534	8,149,876

19. FINANCE INCOME

	Group/Company	
	2022	2021
	Rs.	Rs.
Interest income	1,440,485	999,676
Total	1,440,485	999,676

20. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

Is stated after charging/(crediting)

	Group/Company	
	2022	2021
	Rs.	Rs.
Included in cost of sales		
Depreciation and amortisation	10,203,624	9,994,408
Defined benefit plan costs - gratuity	45,581	726,182
Defined contribution plan costs - EPF & ETF	1,392,455	1,233,932
Other staff cost	27,373,500	21,862,008
Provision for Leasehold rights over mining lands	475,007	-
Included in administration expenses		
Depreciation and amortisation	1,607,552	2,504,184
Defined benefit plan costs - gratuity	476,482	944,500
Defined contribution plan costs - EPF & ETF	2,338,081	1,798,394
Other staff cost	27,703,582	21,155,556
Auditors remuneration		
- Audit fees	424,000	402,000
- Non Audit fees	191,000	226,100
Rent, Rates and taxes	3,010,100	3,031,471
Staff Compensation	1,058,673	165,000

21. INCOME TAX EXPENSES

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

Year ended 31st March	Group/Company	
	2022	2021
	Rs.	Rs.
(a) Current income tax		
Current income tax charge	-	-
b) Deferred income tax		
Deferred taxation charge	46,369,607	8,064,543
Income tax charged reported in the income statement	46,369,607	8,064,543
Deferred tax expense reported in the OCI		
Actuarial gain/ (loss) on retirement benefit liability	612,882	(370,020)
Revaluation gain on land and buildings	-	5,729,348
Deferred tax reversal on land disposal	(4,992,353)	-
	(4,379,471)	5,359,328
	41,990,136	13,423,871

NOTES TO THE FINANCIAL STATEMENTS

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

Year ended 31 March	Group/Company	
	2022	2021
	Rs.	Rs.
Accounting profit before income tax from continuing operation	121,960,993	75,907,045
Income considered as separate source of income	(38,190,485)	(37,749,676)
Non deductible expenses	46,936,863	19,172,058
Deductible Items	(44,429,800)	(47,445,000)
Business income	86,277,571	9,884,427
Investment income	38,190,485	37,749,676
Taxable profit/loss	124,468,056	47,634,103
Tax losses utilised	(124,468,056)	(47,634,103)
Current income tax expense		
Taxation -24%	-	-

21.3 Reconciliation between tax expense and the product of accounting profit

Year ended 31 March	Group/Company	
	2022	2021
	Rs.	Rs.
Accounting profit chargeable to income taxes	121,960,993	75,907,045
Tax effect on chargeable profits	29,270,638	18,217,691
Tax effect on permanent temporary differences	17,098,969	4,793,820
	46,369,606	13,423,871

21.4 Tax Losses

Tax loss brought forward (Provisional)	346,485,239	394,122,128
Adjustments for prior years	-	(2,786)
Utilised during the Year	(124,468,056)	(47,634,103)
Tax loss carried forward (Provisional)	222,017,183	346,485,239

21.5 Deferred income tax

Capital allowances	(498,010)	(2,797,000)
Retirement benefit liability	133,556	256,673
Carried forward tax losses	42,275,921	27,195,000
Provision for obsolete and slow moving, consumables and spares	-	(522,000)
Investment property - revaluation surplus	10,663,152	(17,115,743)
Allowances for doubtful debts	-	1,048,000
Unrealized exchange loss	(6,205,012)	-
	46,369,606	8,064,543
Effective income tax rate	38.02%	10.62%

22. EARNINGS PER SHARE

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.

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Amounts used as the numerator:				
Profit attributable to equity holders for basic earnings per share	75,447,146	67,842,502	75,591,386	67,842,502
Number of ordinary shares used as the denominator:				
Weighted average number of ordinary shares in issue applicable to basic earnings per share (Note 9.2)	6,000,000	6,000,000	6,000,000	6,000,000
EPS	12.57	11.31	12.60	11.31

23. DIVIDEND PER SHARE

	Group/Company	
	2022	2021
	Rs.	Rs.
Dividends paid	5,400,000	7,800,000
No. of shares	6,000,000	6,000,000
Dividend per share	0.90	1.3

24. CASH & CASH EQUIVALENT

	Group/Company	
	2022	2021
	Rs.	Rs.
Favourable cash and cash equivalents balance		
Cash and bank balances	135,251,279	3,177,563
Total cash and cash equivalents for the purpose of cash flow statement	135,251,279	3,177,563

NOTES TO THE FINANCIAL STATEMENTS

25. ASSETS PLEDGED

Except as disclosed in note 11.3, there are no other assets that have been pledged as security as at the reporting date.

26. RELATED PARTY DISCLOSURES

Related parties represent the shareholders, key management personnel of the Group, close family members of key management personnel's and entities controlled or jointly controlled by such parties. Details of significant related party disclosures are as follows:

26.1 Transactions with the Related Entities

Nature of transaction	Group				Company			
	Parent		Group Companies		Parent		Group Companies	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sale of goods	10,561,379	11,307,327	436,526,539	109,772,135	10,561,379	11,307,327	436,526,539	109,772,135
Commission income	-	-	4,204,634	6,079,248	-	-	4,204,634	6,079,248
Purchase of goods / services	-	-	63,200	2,043,098	-	-	63,200	2,043,098
Reimbursement of expense net of fund transfer	15,367,435	2,812,803	(436,104,489)	(164,901,710)	15,367,435	2,812,803	(436,104,489)	(164,901,710)
Investment in subsidiary and other equity investment	-	-	-	56,666,760	-	-	-	10
Dividend paid	3,972,051	5,737,407	-	-	3,972,051	5,737,407	-	-
Fund transfer to subsidiary	-	-	-	-	-	-	144,240	53,755,539
Included under;								
Due from related parties (Note 8.1)	1,361,838	2,201,752	31,552,447	23,552,294	1,361,838	2,201,752	31,696,687	77,287,833
Due to related parties (Note 15.1)	91,970	86,070	940,687	4,901,928	91,970	86,070	940,687	1,970,707

Parent Company is Royal Ceramics Lanka PLC

Transactions with Subsidiary Company includes LC Plantation Projects Ltd.

Transactions with group companies includes Lanka Walltiles PLC, Lanka Tiles PLC, Rocell Bathware Limited, Lanka Tiles PLC, Swisstek (Ceylon) PLC, Swisstek Aluminium 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 & the Parent.

26.2 Transactions with key management personnel of the Company

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

Key management personnel compensation	Group/Company	
	2022	2021
	Rs.	Rs.
Short term employment benefits	5,523,702	5,283,702
	5,523,702	5,283,702

27. COMMITMENTS AND CONTINGENCIES

27.1 Capital commitments

There were no significant capital commitments as at the reporting date in the Group/Company except as detailed below.

	Group/Company	
	2022	2021
	Rs.	Rs.
Contracted but not provided for	83,950,740	-
	83,950,740	-

27.2 Contingencies

Group/Company has no contingencies as at the reporting date.

28. EVENTS OCCURRING AFTER THE REPORTING PERIOD

A final dividend of Rs.2.60 per share was recommended by the Board on 23rd May 2022 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.

29. FINANCIAL RISK MANAGEMENT

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 obtained 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 Group's borrowings are comprised of borrowings obtained 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 Group targets floating borrowings based on assessment of its existing exposure and desirable interest rate profile. The Group analyses its interest rate exposure on a dynamic basis.

The following table demonstrates the sensitivity to a range of reasonably possible change in interest rate on long term borrowings as at reporting date, with all other variables held constant. Method and assumptions used in the sensitivity was changed from the previous year due to current economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT CONTD.

	Group/Company	
	Change in interest rate	Change in profit before tax
Interest rate sensitivity		Rs.
2021-2022	6%	(360,632)
	4%	(240,421)
	2%	(120,211)
	-2%	120,211
	-4%	240,421
	-6%	360,632
2020-2021	1%	(81,499)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's sanitaryware trading operation.

The following table demonstrates the sensitivity to a range of reasonably possible change in USD exchange rate on monetary liabilities as at reporting date, with all other variables held constant. The Group's exposure to all the other currencies are not material. Method and assumptions used in the sensitivity was changed from the previous year due to current economic conditions.

	Group		Company	
	Change in exchange rate	Change in profit before tax	Change in exchange rate	Change in profit before tax
Exchange rate sensitivity		Rs.		Rs.
2021-2022	20%	(15,938,990)	20%	(15,938,990)
	15%	(11,954,243)	15%	(11,954,243)
	10%	(7,969,495)	10%	(7,969,495)
	-10%	7,969,495	-10%	7,969,495
	-15%	11,954,243	-15%	11,954,243
	-20%	15,938,990	-20%	15,938,990
2020-2021	Nil	Nil	Nil	Nil

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 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.

Group/Company	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 31st March 2022	Rs.	Rs.	Rs.	Rs.	Rs.
Bank borrowings	7,247,532	21,073,290	26,536,011	8,648,712	Nil
Trade and other payables	102,663,546	Nil	Nil	Nil	Nil

Group/Company	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 31st 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

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.

The gearing ratio as at 31st March is as follows:

	Group	
	2022	2021
	Rs.	Rs.
Borrowings	61,078,600	92,372,200
Total equity	1,050,083,266	970,088,975
Gearing ratio ; Debt to Equity	6%	10%

	Company	
	2022	2021
	Rs.	Rs.
Borrowings	61,078,600	92,372,200
Total equity	1,050,227,506	970,088,975
Gearing ratio ; Debt to Equity	6%	10%

COMPANY TEN YEAR SUMMARY

	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating Results										
Revenue	427,689	121,330	166,132	163,772	178,932	282,830	236,534	163,271	184,878	158,324
Gross Profit	121,462	52,671	57,603	62,208	76,116	152,954	89,017	70,246	68,594	51,418
Fair value gain on investment property	44,430	40,762	2,052	80,845	121,600	178,750	-	-	-	-
Other Income	62,448	53,553	45,504	75,072	160,457	282,134	285,990	261,095	103,323	174,387
Administration Expenses	92,479	54,043	51,674	43,375	56,166	52,302	36,991	46,376	47,752	55,049
Selling & Distribution Expenses	7,890	8,886	11,470	8,232	14,153	30,022	7,766	1,430	1,659	1,979
Finance Cost	6,011	8,150	13,757	21,599	40,498	37,584	30,659	35,258	64,582	94,520
Profit before Tax	121,961	75,907	28,257	144,919	248,377	499,654	301,212	249,711	58,576	76,736
Profit after Tax	75,591	67,843	23,201	137,590	182,199	485,321	290,764	244,362	58,576	76,285
Total Comprehensive Income	82,525	135,005	24,385	136,972	97,192	485,241	309,532	243,897	57,676	80,980
Assets & Liabilities										
Non Current Assets	1,212,498	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
Current Assets	238,793	124,081	139,401	114,949	224,837	105,903	252,698	141,653	98,209	89,415
Total Assets	1,451,291	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
Current Liabilities	131,860	53,909	64,342	55,998	197,655	106,167	236,594	92,727	100,734	100,974
Non Current Liabilities	269,203	257,920	252,655	276,010	297,905	215,167	275,360	315,183	380,042	447,861
Retirement Benefit Obligation	5,732	8,840	7,157	10,335	9,996	9,399	8,850	7,521	6,942	8,771
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	269,279	285,087	216,766	216,766	218,370	303,292	303,292	283,320	283,320	283,320
Accumulated Profit	480,948	385,002	326,117	301,732	163,156	698,453	164,676	145,116	43,719	(13,957)
Key Indicators										
Earnings per Share (Rs.)	12.60	11.31	3.87	22.93	11.34	16.18	9.69	8.15	1.95	2.54
Dividend per Share (Rs.)	0.90	1.30	-	-	-	8.00	9.00	4.75	-	1.10
Net Assets value per Share (Rs.)	175.04	161.68	140.48	136.42	113.59	43.39	25.60	24.28	20.90	18.98
Dividend Yield (%)	0.73	1.18	-	-	-	6.96	6.92	4.07	-	1.69
Dividend payout Ratio (%)	7.16	11.49	-	-	-	49.45	92.86	58.32	-	43.26
Interest cover (times)	20.29	10.31	3.05	7.71	7.13	14.29	10.82	8.08	1.91	1.81
Current Ratio	1.81:1	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
Quick Asset Ratio	1.78:1	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
Profit Before Tax to Revenue (%)	28.52	62.56	17.01	88.49	138.81	176.66	127.34	152.94	31.68	48.47

GROUP VALUE ADDED STATEMENT

	2021/22			2020/21		
	Rs.	Rs.	%	Rs.	Rs.	%
Gross Turnover	461,904,495			131,036,114		
Finance & Other Income	106,878,169			94,315,110		
	568,782,664			225,351,225		
Less: Cost of Material & Services bought in	370,945,931			78,332,895		
	197,836,733			147,018,329		
Value Allocated to Employees						
Salaries & Wages and Other Benefits	59,329,681	59,329,681	30%	47,720,573	47,720,573	32%
To Government						
Income Tax	-			-		
VAT	19,482,615	19,482,615	10%	11,963,566	11,963,566	8%
To Providers of Capital						
Dividends	5,400,000			7,800,000		
Finance Cost	6,010,534	11,410,534	6%	8,149,876	15,949,876	11%
To Expansion and Growth						
Retained in Business	95,802,726			58,885,223		
Depreciation	11,811,176	107,613,902	54%	12,499,091	71,384,315	49%
		197,836,733	100%		147,018,329	100%

SHAREHOLDER AND INVESTOR INFORMATION

SHARE DISTRIBUTION AS AT 31ST MARCH 2022

From	To	No. of Holders	No. of Shares	%
1	1,000	1,511	266,356	4.44
1,001	10,000	163	331,134	5.51
10,001	100,000	13	239,120	3.99
100,001	1,000,000	1	750,000	12.50
Over 1,000,000		1	4,413,390	73.56
		1,689	6,000,000	100.00

Categories of Shareholders

Local Individuals	1,631	1,430,512	23.84
Local Institutions	53	4,567,656	76.13
Foreign Individuals	5	1,832	0.03
Foreign Institutions	-	-	-
	1,689	6,000,000	100.00

20 MAJOR SHAREHOLDERS OF THE COMPANY

Name	31.03.2022		31.03.2021	
	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 Mr.M. Balasubramaniam	35,000	0.583	4,250	0.071
4 Bimpuh Finance PLC	28,818	0.480	28,838	0.481
5 TRL Holdings (Pvt) Limited	21,328	0.355	21,328	0.355
6 Vyjayanthi & Company Limited	20,000	0.333	20,000	0.333
7 Mrs.A. Kailasapillai	19,693	0.328	19,693	0.328
8 Mr.R. Maheswaran	18,735	0.312	18,735	0.312
9 Miss.M.P. Radhakrishnan	15,135	0.252	15,135	0.252
10 Miss.A. Radhakrishnan	15,134	0.252	15,134	0.252
11 Mr.R.S. Ingram	13,787	0.230	3,500	0.058
12 Arunodhaya Investments(Pvt) Limited	13,741	0.229	13,741	0.229
13 Arunodhaya (Pvt) Limited	13,741	0.229	13,741	0.229
14 Arunodhaya Industries (Pvt) Limited	13,741	0.229	13,741	0.229
15 Mr.Z.G. Carimjee	10,267	0.171	10,267	0.171
16 Mr.U.C. Bandaranayake/Mrs. L. Bandaranayake	10,000	0.167	10,000	0.167
17 Mrs.A. Selliah	9,161	0.153	9,161	0.153
18 Mr.U.I. Suriyabandara	7,840	0.131	4,431	0.074
19 Miss.S. Subramaniam	6,413	0.107	6,413	0.107
20 DFCC Bank PLC/P. Gagendra	5,699	0.095	5,700	0.095
Sub Total	5,441,623	90.693	5,397,198	89.953
Others	558,377	9.307	602,802	10.047
Issued Capital	6,000,000	100.000	6,000,000	100.000

SHAREHOLDER AND INVESTOR INFORMATION

DIRECTORS' SHAREHOLDING AS AT 31ST MARCH 2022

Name	No. of Shares	%
Mr. A.M. Weerasinghe	-	-
Mr. J.A.P.M. Jayasekera	20	0.00
Dr.S. Selliah <i>(Resigned w.e.f 21st February 2022)</i>	-	-
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 31/03/2022	As at 31/03/2021
MARKET PRICE PER SHARE		
Highest during the year	Rs. 190.00	Rs. 239.75
Lowest during the year	Rs. 105.50	Rs. 78.00
As at end of the year	Rs. 122.75	Rs. 110.00

PUBLIC HOLDING AS AT 31ST MARCH 2022

The Percentage of shares held by the public -13.103%

No of shareholders representing the above percentage - 1,682

The float adjusted market capitalisation as at 31st March 2022 - Rs. 96,506,786.50

The float adjusted market capitalisation of the Company falls under Option two of Rule 7.14. (i) (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 Thirty First (31st) Annual General Meeting of Lanka Ceramic PLC will be held by way of electronic means on the 29th day of June 2022 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 2022 and the Report of the Auditors thereon.
2. To approve the final dividend as recommended by the Directors.
3. To re-elect Ms. A.M.L. Page, 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. T.G. Thoradeniya, who retires in terms of Articles 102 and 103 of the Articles of Association, as a Director of the Company.
5. To elect as a Director Mr. M.W.R.N. Somarathne who retires in terms of Article 110 of the Articles of Association of the Company.
6. To re-appoint Messrs. Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.
7. To authorize the Directors to determine payments for the year 2022/23 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 2022

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.

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 |
| 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 | of Colombo or failing him |
| Mr. M.W.R.N. Somarathne | |

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 29th June 2022 at 11.30a.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 Ms. A.M.L Page, 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-elect as a Director Mr.T.G.Thoradeniya 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 elect as a Director Mr. M.W.R.N. Somaratne who retires in terms of Article 110 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-appoint Messrs. Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.		
5) To authorise the Directors to determine payments for the year 2022/23 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 Two

.....

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 (*Resigned w.e.f 21st February 2022*)

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

Mr. M.W.R.N. Somarathne (*Appointed w.e.f 01st April 2022*)

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

Designed & produced by

emagewise

Digital Plates & Printing by Printage (Pvt) Ltd

