LANKA CERAMIC PLC

ANNUAL REPORT 2022/23

CONTENTS

“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”

Lanka Ceramic PLC

OVERVIEW

ABOUT US

We are a front-runner in mining and supplying of high quality feldspar and kaolin to the ceramic industry of Sri Lanka

OUR EXPERTISE

- Inaugurated in 1990, we've been continuously contributing to Sri Lanka's progressing ceramic industry for over 30 years
- Partially meeting the raw material requirement of the two largest domestic tile manufacturers in Sri Lanka
- Holding of investment property in a prime location of the Country

OUR CORE OPERATIONS

Mining of

- Feldspar in Owala, Matale District of Central Province
- Kaolin in Meetiyagoda, Galle District of Southern Province

OTHER OPERATIONS

- Importation of sanitaryware
- Investment property management
- Managing operations of a tile outlet as a franchise partner with Lanka Tiles PLC

MEMBERSHIP IN A RANGE OF INDUSTRY ASSOCIATIONS

- Ceylon Chamber of Commerce
- Employers' Federation of Ceylon
- Sri Lanka Ceramics & Glass Council

OUR STRENGTH

Immediate parent of Royal Ceramics Lanka PLC and ultimate parent of Vallibel One PLC

OUR FINANCIAL STRENGTH

TOTAL ASSETS	TOTAL EQUITY	REVENUE	PROFIT BEFORE TAX
RS.1.6BN	RS.971MN	RS.447MN	RS.37MN

OUR EMPLOYEE BASE: 77

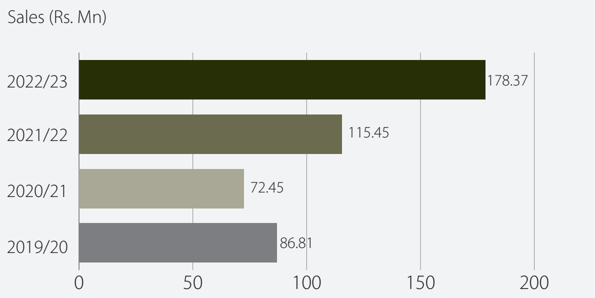
Our commitment to environmental and social responsibility: We are committed to creating a positive social and environmental impact through every milestone we reach. We believe that our main responsibility is to leave our successor generation a meaningful future.

NET ASSET VALUE PER SHARE

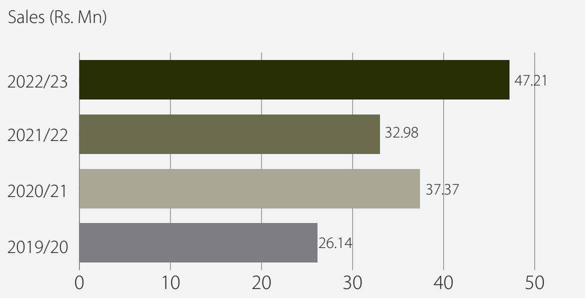
RS.162

OPERATIONAL HIGHLIGHTS

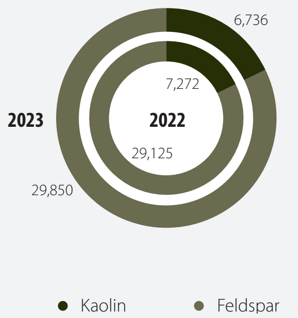
Feldspar Mine - Owala



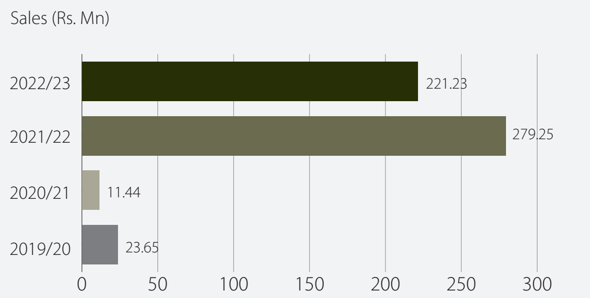
Kaolin Mine - Meetiyagoda



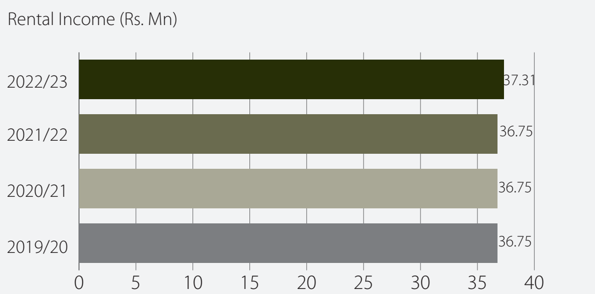
Mined Output Analysis - MT



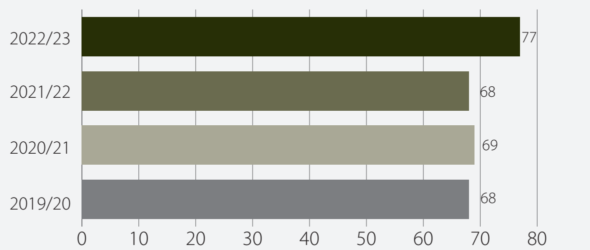
Import Operation - Sanitaryware



Investment Property



Number of Employees



Galle District

Meetiyagoda Kaolin Mine

Matale District

Owala Feldspar Mine

FINANCIAL HIGHLIGHTS

GROUP AT A GLANCE

For the year ended 31st March	2022/23	2021/22	Change
	Rs.	Rs.	%
PROFITABILITY			
Revenue	**446,814,848**	427,689,347	4%
Gross Profit	**94,906,648**	103,841,432	-9%
Profit Before Tax	**37,112,864**	121,816,753	-70%
Profit/(loss) After Tax	**(44,209,974)**	75,447,146	-159%
As at 31st March			
FINANCIAL POSITION			
Investment Property	**999,260,800**	995,688,200	0.36%
Non-Current Assets	**1,359,336,211**	1,212,498,006	12%
Current Assets	**272,615,540**	238,648,760	14%
Current Liabilities	**314,699,908**	131,860,327	139%
KEY INDICATORS			
Interest Cover (Times)	**1.66**	21.27	
Current Ratio	**0.87:1**	1.81:1	
Quick Asset Ratio	**0.85:1**	1.78:1	
Profit Before Tax to Revenue (%)	**8.34**	28.48	
Dividend Pay-Out Ratio (%)	**-**	20.68	
SHARE PERFORMANCE			
No. of Shares	**6,000,000**	6,000,000	
Basic Earnings Per Share (Rs.)	**(7.37)**	12.57	
Market Price Per Share (Rs.)	**100.00**	122.75	
Dividend Per Share (Rs.)	**-**	2.60	

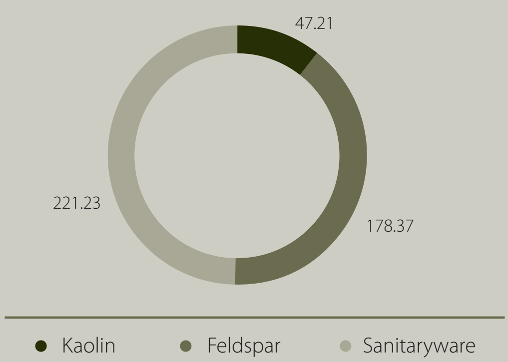
Rs.1.6Bn

TOTAL ASSETS

Rs.446.8Mn

REVENUE

Composition of Income - Rs.Mn



LEADERSHIP

CHAIRMAN'S MESSAGE

> As a part of a larger Group of Companies vested with the mission of producing raw materials integral towards producing tiles and sanitaryware, we calibrated our production in close congruence to meet the demand from the Group. We also succeeded in commissioning of a Feldspar Sorting Machine at the Owala mine, at an investment of Rs. 159 Mn, which expanded the mine's production capacity by 60%

Dear Shareholders,

Years of heightened challenges put to test the true mettle of people and organisations. I am pleased to share with you that Lanka Ceramic PLC (the Company) raised to these challenges with poise, in continuing its operations through many hardships as a leading manufacturer of mining products in the Country. I warmly welcome you to the 32nd Annual General Meeting of Lanka Ceramic PLC and present to you the annual report and audited financial statements for the financial year ended 31st March 2023, which provide a balanced reflection of how the Company performed amidst many turbulences.

UNPRECEDENTED TIMES

The year under review was marked by severe economic hardships, coupled with public anxiety, political upheaval and occasional social unrest. A multitude of factors such as sub-optimum policy decisions, not paying heed to a number of early warning signals of an ailing economy together with longstanding fiscal and balance of payment imbalances, led to disastrous consequences. The depletion of official foreign reserves led the Government of Sri Lanka to suspend servicing of its foreign debt obligations, which was followed by international rating agencies downgrading Sri Lanka to restricted default. This meant the inflow of foreign investments to the Country depleted, adversely affecting many ongoing and envisaged investment and development projects.

The gross domestic product (GDP) contracted by 7.8% during the year, reversing the positive trend in economic growth that the Country achieved so painstakingly in the previous year at 3.5%, having surmounted the many challenges brought by the COVID-19 pandemic. Construction sector, the performance of which has a direct link to the performance of Lanka Ceramic PLC contracted by a staggering 20.9% compared to the growth of 4.4% recorded in 2021. Mining and quarrying activities also reported a considerable contraction of 31.0%, denoting the hardships faced by the industry.

With regards to Lanka Ceramic PLC, the effects of the economic crisis were felt to considerable extent. The aggregate effects of slowed down activity in the construction sector, large increase in prices of ceramic products and reduced consumer purchasing power on account of inflation and high taxes meant reduced demand from ceramic manufacturers, who form our major customers. Resultantly we experienced heavily declined demand for our key outputs of Kaolin and Feldspar reversing the overwhelming demand we faced in the prior year. We were also compelled to discontinue the sale of imported sanitaryware, driven by the importation ban imposed on such items.

FINANCIAL PERFORMANCE

Notwithstanding the challenges, the Company recorded a marginal increase of 4% in its revenue to Rs. 446.8 Mn. Revenue from mining operations increased by 52% predominantly driven by an increase in product prices whilst revenue from sanitaryware declined by 21%. Impact of higher costs and tax charges weighed down on profits, leading to a after tax loss of Rs. 44 Mn.

AGILE STRATEGIC RESPONSES

The rapidity and the severity of challenges that evolved during the year demanded a divergence from usual strategic routes to swift tactical responses. Having taken a consolidated view of the situation, the Company deployed its attention towards the factors which were well within our control. Accordingly, we shifted focus to enhancing the productivity and efficiency of our processes, eliminating non-value adding components and thereby optimising our costs. The Company enjoys a diversified revenue source in rental income from investment property, which augured well in enhancing our returns to some extent. With the external developments exerting considerable pressure on our employees, we ensured their well-being through a number of initiatives.

As a part of a larger Group of Companies vested with the mission of producing raw materials integral towards producing tiles and sanitaryware, we calibrated our production in close congruence to meet the demand from the Group. We also succeeded in commissioning of a Feldspar Sorting Machine at the Owala mine, at an investment of Rs. 159 Mn, which expanded the mine's production capacity by 60%.

The commissioning of this machine also reflects our relentless commitment towards environmental preservation as it enables sorting Feldspar from accumulated abandoned mined tailings, thereby reducing waste and prolonging the lifetime of the mine. We continued our efforts in the rehabilitation of our mining properties to ensure the land is safe, stable and sustainable in the long-term.

PROSPECTS

The future direction of the Company relies heavily on the pace of economic recovery. We are bracing ourselves for short-term challenges which are inevitable, such as a continued contraction of the economy in 2023 as well, at around 3%, before reaching positive territories in 2025 as per forecasts. The construction sector will also remain subdued within such a scenario. However, we remain cautiously optimistic that the economy will gain momentum over the medium-term. The approval of an extended fund facility by the IMF together with policy reforms to rectify chronic anomalies in the economy have set the Country's economy on a slow but steady path to recovery. With regards to the prospects for Lanka Ceramic PLC we are hopeful that the positive turn in economic activities will propel growth for the Company, enabling stronger production and enhanced financial performance.

We will also focus on expanding our mining sites within strict environmental parameters, such that we remain future ready when the economy regains momentum and demand levels for mining products recover in tandem. Accordingly, the ongoing efforts to obtain license for a mining site in Akuressa will continue during 2023/24.

ACKNOWLEDGEMENTS

As we look forward to brighter times, I wish to express my sincere thanks to the fellow Board members for their individual and collective contribution in navigating Lanka Ceramic PLC through troubled times. My deep appreciation also goes to the Managing Director Mr. J.A.P.M. Jayasekera for his leadership and the entire Lanka Ceramic Team for their unwavering commitment over the years in continuing Lanka Ceramic operations undisrupted. My thanks also go to our shareholders, customers and all other stakeholders who contribute to our success in numerous ways.

A.M. Weerasinghe
Chairman

02nd June 2023

MANAGING DIRECTOR'S REVIEW

> As many factors that drive our performance were subject to fluctuations on account of reasons beyond our control, we focused on factors that we could control at our end. Accordingly, we implemented a Company wide reassessment of our processes at both production level and administration level to lean our processes, eliminate non-value adding items, enhance productivity and thereby ultimately optimise our cost structures

Dear Shareholders,

The year under review was laden with unprecedented challenges on socio, economic and political fronts, which was contrary to hopes of revival and progress. However, Lanka Ceramic PLC's business acumen of over 30 years, the tenacity of its team, and the strength derived from being related to one of Sri Lanka's most dynamic Group of Companies enabled us to withstand such effects with characteristic resilience that we have demonstrated over the years.

AN ANALYSIS OF OUR PERFORMANCE

As elaborated in the Chairman's Message in pages 08 to 09, the operating environment and economic conditions deteriorated, adversely affecting our business and necessitating alternate courses of action to remain relevant and preserve the continuity of our operations. The two most notable challenges we encountered during the year were lacklustre demand for mining products as well as sanitaryware - two predominant deliverables of the business of Lanka Ceramic PLC and import restrictions which had a debilitating effect on our operations. The surge in demand which we experienced in the previous year propelling our Owala mine to function at full capacity level was replaced by considerably low demand.

Despite the increase in the capacity during the year that led to sub-optimum capacity utilization of Owala producing only 29,850MT. Demand for the Kaolin continued its downward trend ending with the production quantity of 6,736MT.

The consolidated demand patterns for our core products drove total revenue of the Company up by a marginal 4% to Rs. 446.8 Mn from Rs. 427.7 in the prior year. Revenue from mining operations increased from Rs.148 Mn to Rs.226 Mn by 52% during the year, predominantly attributable to the increase in prices in line with general inflation in the Country. Revenue from the sanitaryware operations which involves importation and sale of items under the Deluxe brand decreased from Rs.279Mn to Rs. 221Mn by 21% as a result of the import restrictions imposed during the year. Sanitaryware which accounted for over 65% of our revenue in the prior year dipped to 50% of total revenue in the current year.

Given the challenges on the major income sources, we drew comfort from diversified revenue earned through rented property of Lanka Ceramic PLC, which proved as a constant income source immune to fluctuations.

Escalation in costs posed a major challenge in our performance. Selling and distribution costs reported an increase of 66% to Rs. 25.2 Mn primarily due to the increase in fuel prices multiple times during the year. Interest expenses saw the most exponential increase at 836%, to Rs. 56.2 Mn, mainly due to the steep increase in interest rates applicable to overdrafts and bank loans, coupled with increase in interest bearing liabilities at the Company level.

Understandably, profitability was negatively affected. The Company reported a pre-tax profitability of Rs. 37.2 Mn, a negative growth of 70%. The revisions introduced to corporate income tax rates by the Government of Sri Lanka as a part of its plans to strengthen fiscal revenue saw tax rates increasing from 24% to 30%. resulted in a deferred tax charge for the year of Rs. 81.3 Mn, eroding profitability achieved at pre-tax levels, leading to a post-tax loss of Rs. 44 Mn.

As many factors that drive our performance were subject to fluctuations on account of reasons beyond our control, we focused on factors that we could control at our end. Accordingly, we implemented a Company wide reassessment of our processes at both production level and administration level to lean our processes, eliminate non-value adding items, enhance productivity and thereby ultimately optimise our cost structures.

We are of the conviction that this effort will enable us to pass on the benefits of cost saving to our customers through competitive pricing in the medium to long run. We continue to drive a culture of cost consciousness, which will also help us preserve our profitability, particularly at extraordinary times like the current conditions.

AN ENVIRONMENTALLY AND SOCIALLY INTEGRATED BUSINESS

Being a socially responsible entity, the Company continued to integrate its operations in preserving the environment. The installation of the Sorting Machine at the Feldspar mine in Owala saw a Rs. 159 Mn investment made at the site. This investment will bring benefits to the Company in two forms, one fortifying its environmental commitment by enhancing the extraction levels of minerals thereby reducing waste, and also enabling the Company to expand its output which will auger well in the future with demand levels picking up in a thriving economy that is eagerly anticipated.

All our mining operations uphold the highest levels of standards in ensuring the well-being of connected communities. Mining operations are often subject to stringent scrutinising from multiple parties. We endeavour to safeguard interests of all concerned parties affected by operations, whilst being cognisant of the contribution that our operations can make in the national economic growth and prosperity.

WAY FORWARD

As the external environment remains challenging with limited potential to grow the business in a negative GDP growth scenario, we will strategise on consolidating our internal operations and strengthening our processes in the near term. Cost rationalisation through efficiency enhancements will be pursued with added vigour as the validity of these remains high, irrespective of the external conditions. As challenges persist, we will extend our efforts in ensuring the continuity of our operations and ensuring the well-being of our staff. In the medium term, we will enter into related diversification of our operations to enhance the resilience of our revenue and profitability levels. We will take a cautious approach in growth and expansions in the current conditions with pace of recovery of the economy being a key determinant of our significant investments.

ACKNOWLEDGEMENT

Safe navigation of a year marked by challenges of this magnitude could not have been possible if not for the contribution of many. I wish to extend my gratitude to the Chairman and the Board of Directors of Lanka Ceramic PLC for their insightful leadership and counsel. I deeply appreciate my Management team and the entire Lanka Ceramic team for their dedication and perseverance through the continuous years marked by hardships. Our shareholders, customers, and all other stakeholders who partner with us in our growth journey also deserve my sincere gratitude.

J.A.P.M. Jayasekera
Managing Director

02nd June 2023

BOARD OF DIRECTORS

MR. A.M. WEERASINGHE
Chairman

Founder of Royal Ceramics Lanka PLC in 1990. He is currently the Deputy Chairman of that Company. A Gem Merchant by profession, Mr. Weerasinghe has been in the business field for more than 38 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., Weerasinghe Gems (Pvt) Ltd, Lanka Tiles PLC and Lanka Walltiles PLC. He also serves as a Director of Swisstek (Ceylon) PLC and Swisstek Aluminum 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 the 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 Master of Arts in Buddhist studies (Distinction Pass) from the University of Kelaniya.

He is the President of the 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 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 the 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) and Urban Investments & Development Company (Pvt) Ltd. He is a 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.

He was a member of the Western Provincial Council from 1989 to 2009.

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 experience across the financial services and humanitarian development industries with a focus on strategy, projects, stakeholder management and marketing. Her career includes working extensively across Sri Lanka as well as overseas. Ms. Page serves on the Board of Lanka Walltiles PLC and Lanka Tiles PLC.

MR. J.D. NIHAL KEKULAWALA
Director

Mr. Kekulawala has held senior positions in the Hatton National Bank PLC including Chief Financial Officer and the 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 in Soloman Islands.

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. W.R. Nandajith Somaratne currently serves as a Director of Lanka Walltiles PLC and Hayleys Fabrics PLC. He is currently employed as the Director Manufacturing of the Royal Ceramics Group, and responsible for the manufacturing operations of the Group.

He 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 Sector and leading major expansion projects in the Group. He is an expert in manufacturing and technology with vast experience and in-depth academic background.

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

Mr. Somaratne has undergone several corporate leadership training programs including the Corporate Leadership Programme conducted by HIDA, in Japan.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING LANDSCAPE

The period under review was marked by severe economic challenges. Discussed below are how the behaviour of some of the key economic indicators affected the performance of Lanka Ceramic PLC (LCL).

Sri Lanka's Country credit rating downgraded to restricted default

Sri Lanka's credit rating was subject to successive downgrades since 2020 given the Country's various economic imbalances. The Government of Sri Lanka (GoSL) discontinued servicing its international debt in April 2022 given severely depleted foreign currency reserves which was a result of continued external debt servicing, sharp downturn in tourism earnings triggered by the pandemic, and reduced inflow of worker remittances through formal banking channels given the controlled exchange rate. With the lapse of a one month's grace period available for debt servicing, the Country was downgraded to restricted default in May 2022.

Impact on the Company

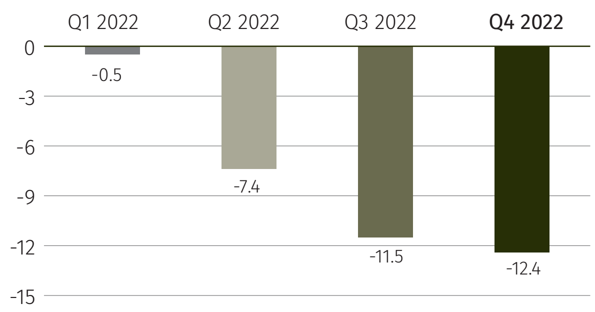
Reduced access to international funding in form of equity and debt investments affecting the Country's development projects such as construction and infrastructure development. This translated in to reduced demand for construction related goods, which in turn affected demand for LCL's products.

Negative GDP growth and slow-down in the construction sector

Sri Lanka's economy recorded a negative growth of 7.8% for 2022, with quarterly growth rates for 2022 ranging from negative 0.5% to 12.4%. Construction sector was also one of the worst hit sectors in the economic crisis with a contraction of 20.9% in 2022 compared to a growth of 4.4% in 2021, particularly due to scarcity of raw materials driven by import restrictions and exponential increase in raw material with the depreciation of the Sri Lanka rupee against the US dollar.

The mining sector also posted a contraction of 31%, denoting the hardships that the industry faced in specific.

Quarterly GDP growth

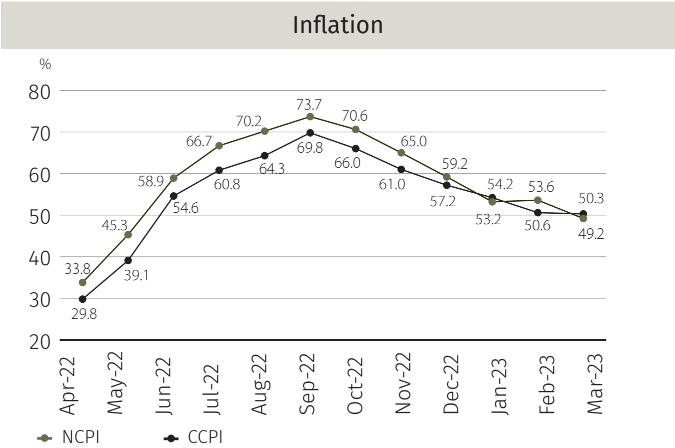


Impact on the Company

This translated to heavily reduced demand for the mining industry and LCL.

High inflation

Inflation increased since March 2022, fueled by both supply side shocks and demand side pressures. Official numbers peaked in September 2022, before gradually reducing.



Impact on the Company

Exorbitant increases in prices of all inputs were seen which had a negative impact on profitability.

Inflation affected disposable income of consumers, which led to reduced demand for ceramic products, which in turn affected demand for LCL's products.

Exchange rate movement

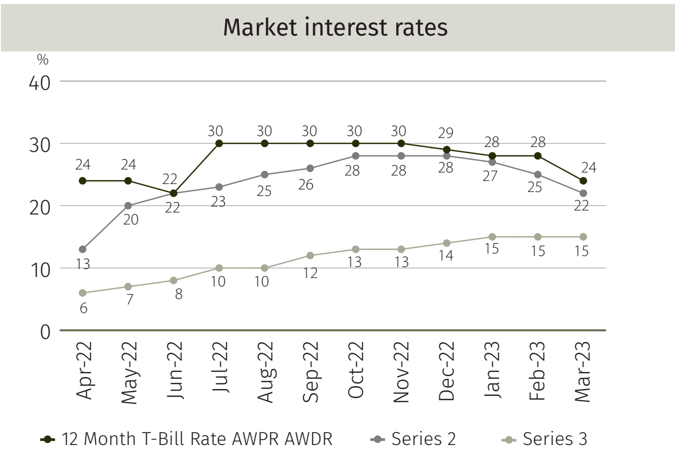
The Central Bank of Sri Lanka (CBSL) allowed a free float exchange rate mechanism in March 2022, allowing the exchange rate to be decided by market factors. This saw the Sri Lankan Rupee depreciating by over 80% in 2022. The Rupee has appreciated by over 9% since end 2022 to the end of first quarter of 2023, as a result of the policy measures taken to manage the various economic imbalances.

Impact on the Company

Import restrictions imposed on a wide range of goods, including ceramic products to maintain external rupee stability affected the importation of sanitaryware by LCL, thereby severely affecting the income and profitability from that line of operations.

Market interest rates

In response to spiraling inflation, the CBSL increased policy rates, the highest ever seen in the Country's history. This led to considerable upward movement in market rates across the board.



Impact on the Company

Exponential increase in interest expense was seen, which negatively affected profitability. High cost of funds discouraged further borrowings for business expansions and developments.

MANAGEMENT DISCUSSION AND ANALYSIS

Revised tax rates

In its attempt to enhance fiscal revenue and address the chronic issue of Government budget deficit, the GoSL revised its tax policy in the latter part of 2022.

Corporate income tax rate of 24% increased to 30% with effect from October 2022.

Value added tax increased to 15%.

Withholding tax on rental income of 10%.

Impact on the Company

High taxes had a negative impact on profitability and retained earnings to be deployed as capital for business expansions and developments.

Migration of skilled labour

Given the hardships faced, many Sri Lankans resorted to migrating to the developed world. This led to an acute skill gap across many sectors.

Impact on the Company

Gratifying, the impacts of this was lesser felt at LCL, as we enjoyed stronger retention of staff.

OPERATIONAL REVIEW

Performance of the two main mines

In a backdrop of heavily reduced demand for mined products, operations of the two mines were significantly affected.

Owala Feldspar Mine – Recorded only a slight increase in production during the year.

29,850MT
2023

29,125 MT
2022

2%
increase/ 725 MT

Challenges encountered during the year:

The production levels mentioned above were significantly lower than the budgeted levels for the year. Fuel shortages, non-availability of the imported explosives due to the shortage of foreign currency liquidity and the unavoidable delays in the commissioning new sorting machine of Feldspar from mined tailing as planned during the year led to the lesser than budgeted levels of output.

Meetiyagoda Kaolin Mine

6,736MT
2023

7,272 MT
2022

7%
decrease/ 536MT

Challenges encountered during the year:

Kaolin faced considerably reduced demand from the Group Companies who form our major customers, due to them moving to Kaolinite as an alternate raw material, sourced at the lower cost.

Prospects

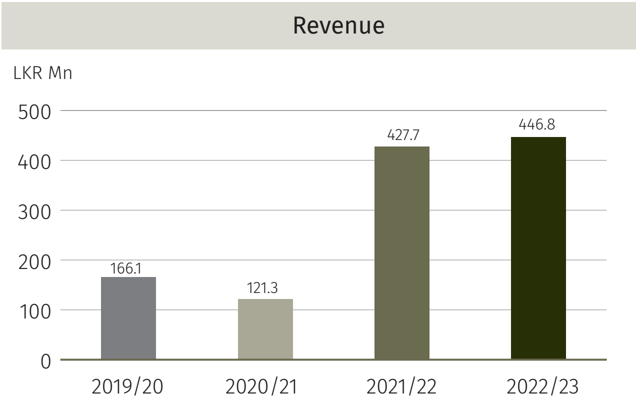
The Company will continue ground work in commissioning a new Ball Clay mine in Akuressa to meet demand and boost production levels.

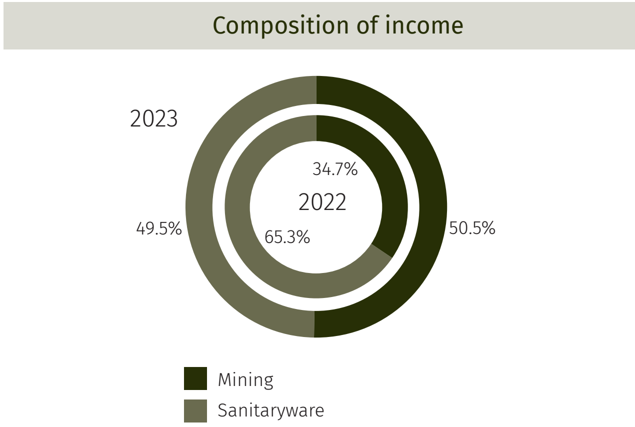
Performance of the sanitaryware arm

This was adversely affected due to the import restrictions imposed during the year on related products, with revenue from the segment declining by 21%.

FINANCIAL REVIEW

Revenue and Profitability





Revenue

The Company revenue grew by a marginal 4% during the year to Rs. 446.8 Mn from Rs. 427.7 in the prior year. The composition of revenue between mining operations and sanitaryware arm was equally distributed, reversing the trend in the prior year in which sanitaryware accounted for the major portion of income (65.3%). Revenue from mining operations increased from Rs.148Mn to Rs.226Mn by 52% during the year. This increase is predominantly attributable to the increase in prices in line with general inflation in the Country. Accordingly, prices of Feldspar and Kaolin increased by around 78% and 58% respectively over the year. Volumes under each mine were as elaborated under the Operational Review above. Revenue from the sanitaryware operation which involves importation and sale of items under the Deluxe brand decreased from Rs.279Mn to Rs. 221Mn by 21% as a result of the import restrictions imposed on such items during the year.

Gross profit margins declined during the year (from 24% to 21%) mainly due to the lower profitability from the sanitaryware operation driven by additional discounts offered to remain competitive and clear the stocks. Increase in the cost of sales also impacted gross profits.

Other income of Rs. 51.9 Mn was a reduction of 15% over the prior year. Within other income, property rental income comprised the greater portion at Rs. 37.3 Mn, which has helped the Company to diversify its revenue sources and enhance profitability. The Company also saw a considerable decline in fair value gain on investment property to Rs. 3.6 Mn from Rs. 44.4 Mn in the prior year. Vehicle rental income, franchise commission income and sundry income were other sources of other income, which reported mixed performance.

Costs and expenses

Costs and expenses increased exponentially on account of surging inflation. Selling and distribution costs reported was Rs. 25.2 Mn, an increase of 66% due to the increase in fuel prices multiple times during the year. Administrative expenses, which were more in the control of the Company were stemmed at a 2% increase at Rs. 68.6 Mn. Interest expenses saw the most exponential increase at 836%, to Rs. 56.2 Mn, mainly due to the steep increase in interest rates applicable to overdrafts and bank loans, coupled with increase in interest bearing liabilities at the Company level. As explained under the Operating Landscape section, economy-wide interest rates increased considerably, driven by increases in policy rates by the CBSL as a part of its tightening monetary policy to arrest high inflation in the economy. Benefiting from the same interest rate trend, the Company posted a finance income of Rs. 36.9 Mn, a 2,461% increase year on year, which supported pre-tax profitability.

Profitability

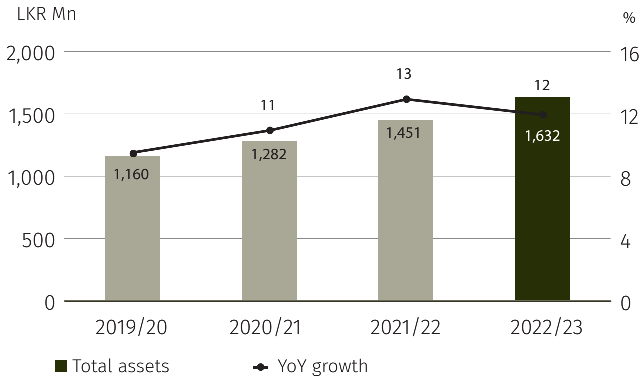
The Company reported a pre-tax profitability of Rs. 37.3 Mn, a negative growth of 69%. Income tax expense for the year was Rs. 81.3 Mn driven up by the revised corporate income tax rate of 30% from 24% and the Management writing off part of the deferred tax asset recognised on brought forward tax losses. This eroded profitability, resulting in a post-tax loss of Rs. 44 Mn for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Balance sheet performance

The Balance Sheet strengthened during the year by 12% with total assets closing in at Rs.1.6 Bn. Property, plant and equipment saw an increase of 89% to Rs.303.4 Mn. During the year, the Company enhanced it's fixed assets with investments totaling Rs. 165 Mn, of which Rs. 159 Mn was invested at the Owala Feldspar mine in a Feldspar sorting machine and related machinery. Investment property of Rs.999 Mn which is land and building owned by the Company situated at a prime location in Galle Road, Colombo 03 added dynamism and resilience to the Company's total assets portfolio. This property was instrumental in deriving rental income which supported profitability as well. Total equity saw a decline of 8% to Rs.970.9 Mn due to a drop in revaluation reserves and retained earnings. Equity funded 60% of the total assets.

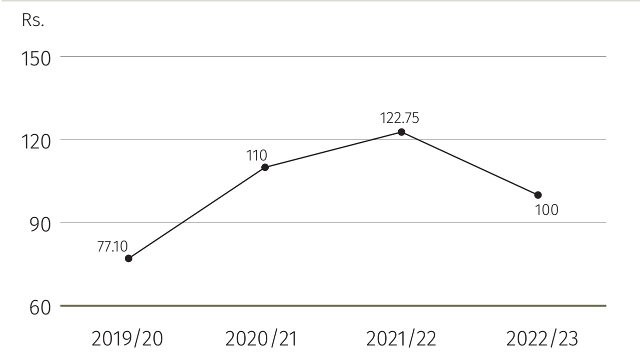
Total Assets



Shareholder value

Given negative profitability, shareholder KPIs were also in the negative territories. The net assets value per share (NAVS) for the Company was Rs. 162 and compared with a NAVS of Rs. 175 from prior year. The share price closed in at Rs. 100 by 31st March 2023, resulting in a price to book value of 1.62.

Share Price movement



HUMAN CAPITAL REVIEW

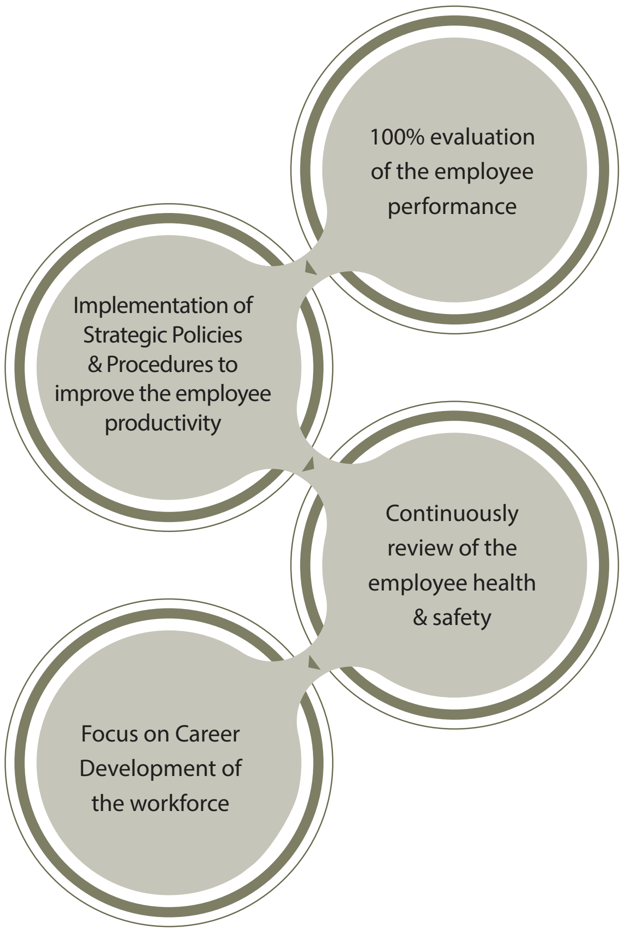
Our team

77 team members with the right skills, attitudes and knowledge enabling the achievement of Lanka Ceramic's vision and strategic objectives (2021/22: 68 employees)

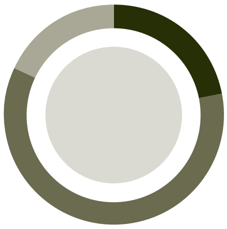
Our philosophy in caring for our team

- Recognition of our employees as a critical factor in the Company's overall success
- Talent attraction in ensuring the right sets of skill and attitude tests
- Commitment to diversity and inclusion with organization culture aligned to these attributes
- Robust training and development programs in place to upskill our team, enhance their careers and obtain competitive advantage through a talented team

Competitive tools implemented to Increase productivity of employees

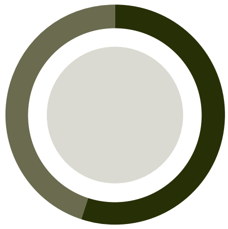


Employees by Age



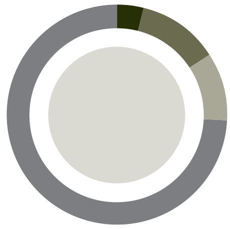
Under 30 Years	22%
30-50 Years	60%
Over 50 Years	18%

Employees by Category



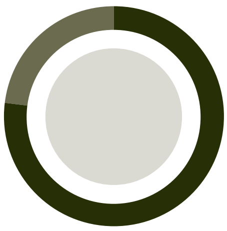
Permanent Staff	55%
Contract/Temporary Staff	45%

Employees by Designation



Senior Management and above	4%
Executive Staff	12%
Non-Executive Staff	10%
Other	74%

Employees by Gender



Male	77%
Female	23%

Lanka Ceramic Code of Conduct

Lanka Ceramic Code of Conduct is the formal document that conveys our ethical expectations to guide our employees' behaviour towards their colleagues, supervisors and the Company in alignment with our value. The Code outlines that employees should always uphold the Company's standards by acting ethically and responsibly in carrying out their designated duties, whilst ensuring best-in-class practices within the organization. The Code applies to our employees regardless of employment status or rank and is available in Sinhala and English, with key highlights prominently displayed at our operating sites. Leaders across the Company have the added responsibility for demonstrating, through their actions, the importance of this Code by promptly addressing ethical questions or concerns raised by employees and for taking the appropriate steps to address such issues.

Talent management

Core elements
- Performance management
- Learning & development

Who it covers
- All employees of LCL

Policy and process support
- Requisite policies covering performance management, training and employee career development in place

Talent attraction, management and development

At LCL, we are cognisant of the fact that our success is largely dependent on having the right people, at the right time for the right job. Our recruitment processes are guided by a Group-wide recruitment policy based on fairness and equity principles. Recruitments in filling vacancies are done through internal lateral movements/upgrades or external recruitments are suitable.

Talent development

Our on-going investments in training of our staff across all industries, divisions, and locations have ensured continued development of team talent. Our learning includes

- Organised training programs
- Coaching and mentoring connections
- On-the-job training that includes cross-functional and cross-sector exposures

MANAGEMENT DISCUSSION AND ANALYSIS

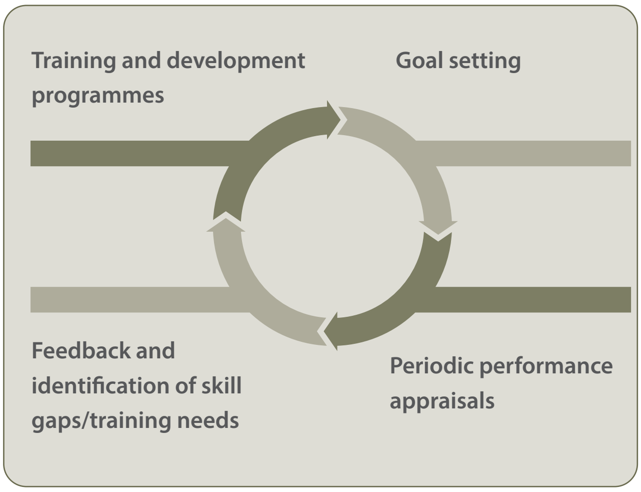
In order to ensure a consistent and continuous learning culture maintained throughout the Company, the training catalogue, developed in accordance with the Group's training framework and consisting of a number of programmes, was used as a framework to roll out training programmes within the year based on the needs identified.

LCL was able to keep up incoming training in the factories for the staff and operative categories, primarily with an eye toward enhancing the knowledge and skills of the workforce. This primarily focused on their understanding of their occupations and how they relate to other responsibilities related to the overall operations of the factories.

Performance Management

Our performance management system is intended to create an atmosphere where employees have the opportunity to contribute to the accomplishment of organisational and career development objectives. Both Executive and Non-Executive personnel participate in the Company's annual performance management process, which is supported by ongoing, frequent feedback and open communication between managers and team members. The Management's ability to identify, honour, and reward individuals has improved thanks to this method, which also gives employees more power over their own career advancement.

Performance management at LCL follows a typical process as depicted below, based on open discussion between employee and supervisors and constructive feedback shared to take the employee forward in the learning and development curve.



Equal opportunities, gender diversity and inclusivity

LCL is deeply committed to its stance as an equal opportunity employer and in fostering a work culture that is inclusive, diverse and respectful to all employees representing different backgrounds. We make sure that employees with identical job responsibilities receive equal pay and benefits, regardless of gender, and we regularly review and update our compensation and benefit plans to ensure that they remain competitive compared to the market median. In addition, we seek to build an inclusive workplace that welcomes individuals with a variety of values, motivations, and skills, regardless of gender, race, nationality or physical disability. We properly follow these rules, and as a result, we were unable to find or document any noteworthy instances of prejudice during the reporting period.

Additionally, the business is dedicated to developing a diverse talent pool and keeps improving its HR policies and procedures to guarantee that all workers receive fair and equitable treatment in a supportive atmosphere. Equal opportunity, anti-sexual harassment, and a special grievance handling system are all part of the policy framework encouraging diversity and gender parity.

Workplace health and safety

LCL has a comprehensive health and safety policy ensuring a hazard free environment to all employees. During the year the following initiatives were carried out in accordance with occupational health and safety requirements along with adequate medical and insurance coverage;

1. Supply of personal protective equipment to prevent the hazards in the work place

2. Risk assessments carried out in order to ensure the compliance of the Government Rules and Regulations related to the health and safety were in place

3. Safety committee meetings organized involving employees and line managers in order to ensure the safety of the employees were maintained at all times

Employee engagement initiatives

Camaraderie and togetherness are promoted among the closely knitted team of LCL through a number of year-round employee engagement initiatives. These include,

- Annual staff trip to all the employees
- Celebration/ commemoration of religious events

The initiatives contribute towards keeping our team motivated, connected and bonded as one family.

WAY FORWARD

Expectations on the macro-economic performance

- Country's economic contraction expected to be limited to 3% in 2023, before recovering to a growth of 1.3% in 2024
- inflation expected to further ease out in 2023 /24 continuing on the downward trend seen since October 2022, reflecting moderating external pressures and supply-side shocks and lower disposable income following the increases in tax
- Interest rates are also expected to continue on the downward trajectory as demonstrated in the recent months reflecting the effectiveness of tightening monetary policy of CBSL
- Sri Lankan Rupee also expected to gradually stabilize towards the latter part of 2023, given more positive market sentiments, restoration of macro-economic stability and envisaged improvement in external sector performance

Way forward for Lanka Ceramic PLC

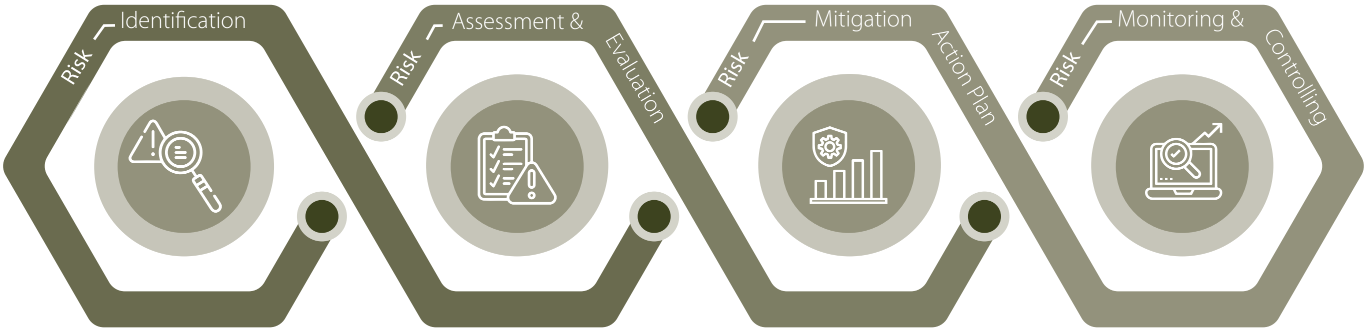
- Challenges in the macro-economic environment expected to persist in the short run, exerting continued pressure on Company performance
- Focus in the immediate term to be on process streamlining, cost optimising and right-sizing and re-purposing of staff
- Acquisition of new mines to continue with ongoing efforts to obtain license for a mine in Akuressa to be finalised in 2023/24
- The Feldspar Sorting Machine installed at the Owala mine to increase production capacity thereby gear the Company to meet escalated demand with envisaged economic revival
- All significant capital investments and expansion plans to be deferred till the revival of the economy as any growth plans are to be pursued in close congruence with macro-economic performance
- Closing down of Meetiyagoda mine that makes losses due to lower demand driven by high cost of production and focusing on improving profitability of Owala mine

CORPORATE GOVERNANCE

RISK MANAGEMENT

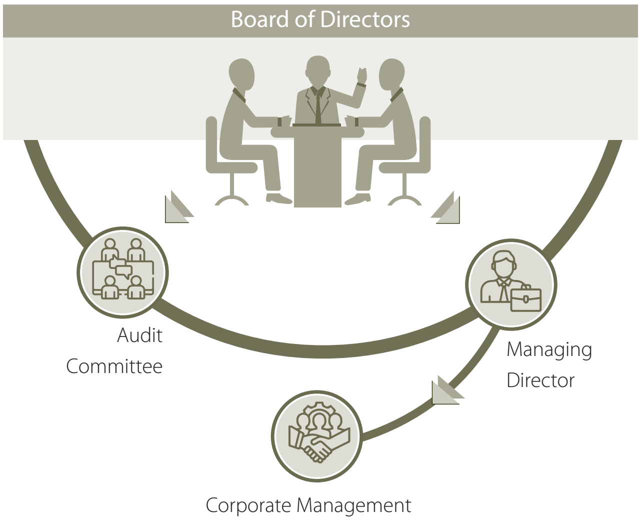
INTRODUCTION

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 unstable political environment and heightened fiscal, external and financial sector imbalances posed significant uncertainty for Sri Lanka's economy. Sri Lanka's economy recorded a negative growth of 7.8% for 2022, and all key sectors contracted, including the construction industry amid shortages of inputs and supply chain disruptions. Sri Lanka's credit rating was downgraded in 2020 and lost access to international financial markets. As a result of it, Sri Lanka continued to service its external debt and pay for imports using official reserves and loans from the banking sector. Official reserves dropped from US$7.6 billion in 2019 to less than US$400 million in June 2022. Net foreign assets in the banking system also fell to US$ -5.9 billion in June 2022. Amid depleted reserves, Sri Lanka announced an external debt service suspension in April, 2022 and later appointed legal and financial advisors to support debt restructuring.

A significant depreciation of the exchange rate was observed in the year 2022, after Central Bank allowing the exchange rate to be decided by market factors. This shows the Sri Lankan Rupee depreciating by over 80% in 2022. 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 reached a record high level of 69.8% in September 2022. In response to tight monetary policy measures of the CBSL, market interest rates significantly increased during the year from the levels observed at mid-2021/end 2021.

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 2022/23

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.	Introduction and implementation of new government policies affecting mining operations Extended and rigid approval process to obtain mining licenses Additional approvals from Agrarian development department and archaeology department Imposing ban on importing sanitaryware items	Lanka Ceramic PLC is a member of Ceramic and Glass Council, Employer's Federation of Ceylon and Ceylon Chamber of Commerce Maintaining a close relationship with government and public institutions Assist government institutions in formulation of new laws and regulations Working closely with Geological Survey and Mines Bureau while complying with all their regulations Diversifying revenue sources of the Company
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.	Weakening economy Decreased purchasing power Lower demand from large scale tile manufacturers Loss of small-scale customers	Explore opportunities to enter in to new export markets Attempts to diversify the existing product portfolio Initiatives like supplying raw kaolin to reduce operational costs and price of the product
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.	Lack of proper assessment of the mineral resources in Sri Lanka Difficulties in locating commercially exploitable mineral resources Lands with deposits already occupied for residential, cultivation purposes	Carrying out systematic and organised geological survey activities in collaboration with Geological Survey and Mines Bureau of Sri Lanka Initiating planned exploitation programs to conserve these valuable raw materials Purchasing of lands with substantial mineral deposits Incorporating process efficiencies to utilise all the available resources to the highest extent possible by minimising the waste
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.	Increased Government regulations and supervision An increase in societal participation The rise of minority voices A rise in litigation: There will be more litigation, especially for non compliances	Compliance with all the Government rules and regulations Empower the business to make decisions that consider more than just financial returns and using tools to better value the broader returns Make social development decisions that deliver lasting outcomes Improve the collaboration with the society and branding of the sector

RISK MANAGEMENT

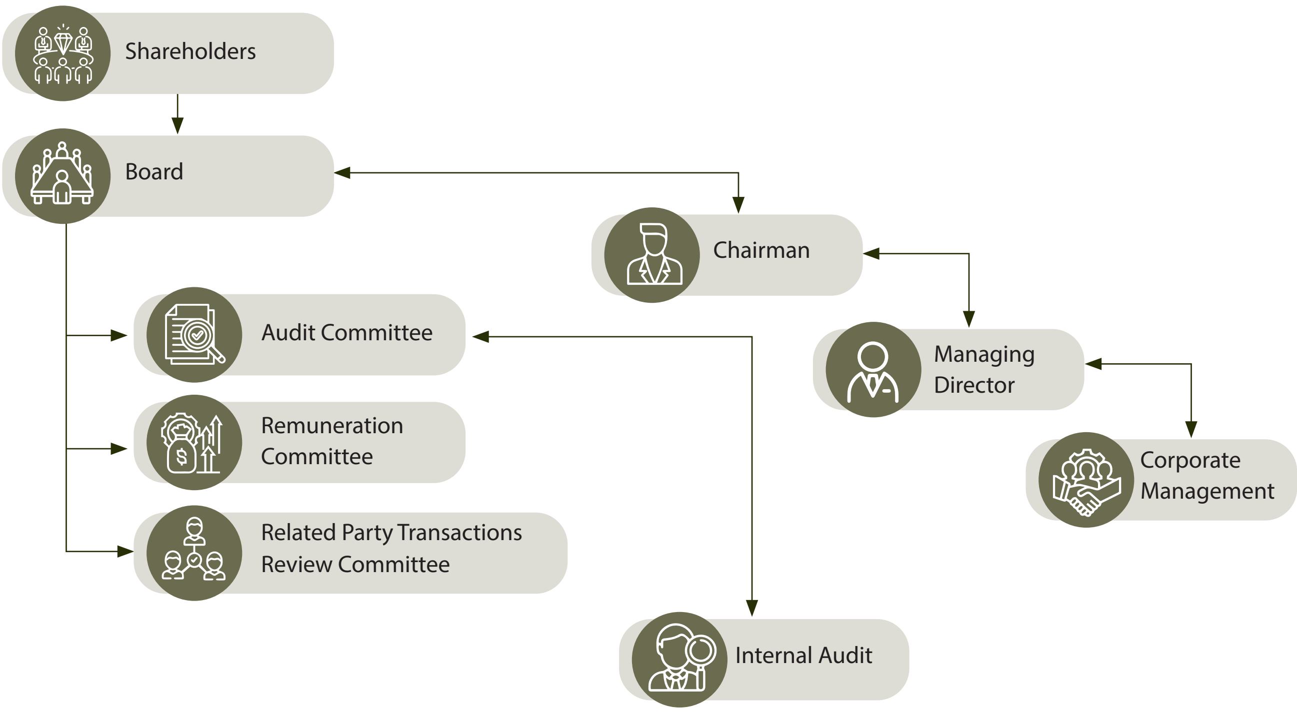
KEY RISKS	IMPACT	RISK INDICATORS	MITIGATING FACTORS
Occupational Health and Safety	The mining is a high health risk occupation. Occupational health and safety management is essential to reduce work-related fatalities and increase the Company's efficiency.	Higher susceptibility to work place injuries Very fine mineral dust particles from blasting and drilling may lead to diseases	Supply of personal protective equipment to prevent the hazards in the work place Compliance of the Government Rules and Regulation related to the workplace health and safety Conducting regular safety committee meetings to raise awareness Carrying out training and development programs and regular supervision
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

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	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 Both floating and fixed rate debt are maintained and structured using loans, share capital and internal fund management to reduce borrowings Having conducted internal audit processes, the Company monitors the compliance of best financial practices and statutory regulations to detect any deviations
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	Conducting periodical assessments on the extent of compliance with the statutory requirements Strictly following the expert advice on issues related to income and other taxation The Management team continuously reviews changes in regulations and takes necessary action to ensure that the Company is in compliance with the regulatory requirements
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	Negotiated with suppliers on pricing and trading terms
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	Entering into contracts for sanitaryware purchases Establishing relationships with several sanitaryware suppliers to reduce over-dependency on a single supplier

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.

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 ended 31.03.2023 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	7	N/A	N/A
Mr. J.A.P.M. Jayasekera	Managing Director - Executive	7	N/A	N/A
Mr. T.G. Thoradeniya	Non-Executive	4	N/A	N/A
Ms. A.M.L. Page	Independent - Non-Executive	5	2	2
Mr. K.D.G. Gunaratne	Independent - Non-Executive	5	3	3
Mr. D.J. Silva	Independent - Non-Executive	5	N/A	N/A
Mr. J.D.N. Kekulawala	Independent - Non-Executive	6	4	4
Mr. S.M. Liyanage	Non-Executive	6	N/A	N/A
Mr. M.W.R.N. Somarathne	Non-Executive	6	N/A	N/A
Total No. of Meetings		**7**	**4**	**4**

CORPORATE GOVERNANCE

CHAIRMAN & MANAGING DIRECTOR

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

APPOINTMENT AND RE-ELECTION

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

REMUNERATION COMMITTEE

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

THE COMPOSITION AND ROLE OF EACH COMMITTEE IS SUMMARISED BELOW:

BOARD COMMITTEE & COMPOSITION	MANDATE	FURTHER INFORMATION
Audit Committee		
Comprises of three Independent Non-Executive Directors Mr. J.D.N. Kekulawala – Chairman Ms. A.M.L. Page Mr. K.D.G. Gunaratne	Monitor and supervise Management's financial reporting process in-ensuring: ◆ The integrity of financial statements in accordance with Sri Lanka Financial Reporting Standards. ◆ The compliance with legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements. ◆ The External Auditor's independence and performance. ◆ Review of the adequacy and effectiveness of the Company's Internal Control and Risk Management systems, over the financial reporting process.	Refer page 47 for the Audit Committee Report
Remuneration Committee		
Comprises of three Independent Directors of the Parent Company Mr. S.H. Amarasekera – Chairman Mr. R.N. Asiriwatham Mr. L.N. de S. Wijeratne	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. Recommend the remuneration payable to the Executive Directors and Senior Management.	Refer page 48 for the Remuneration Committee Report

BOARD COMMITTEE & COMPOSITION	MANDATE	FURTHER INFORMATION
Related Party Transactions Review Committee		
Comprises of three Independent Non-Executive Directors Mr. J.D.N. Kekulawela – Chairman Ms. A.M.L. Page Mr. K.D.G. Gunaratne	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. ◆ 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.	Refer page 49 for Related Party Transactions Review Committee Report

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
A.DIRECTORS			
A.1	**The Board**		
A.1.1	Board Meetings	The Board met seven 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 advise at the Company's expense where it is considered necessary.	☑
A.1.4	Access to advice from the Company Secretary	The services and advice of the Company Secretary Messrs. P W Corporate Secretarial (Pvt) Ltd, is available to Directors as necessary. The Company Secretary keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant individually as Directors and collectively to the Board.	☑
A.1.5	Independent judgment of the Directors	The Board members are required to divulge all functions with the Company, refrain from matters of self-interest and to bring independent judgment to the decision-making process.	☑
A.1.6	Dedicating adequate time and effort	Board members attend all Board meetings in person and need to be prepared to engage in decision making matters which may entail an adequate amount of time and effort spent.	☑
A.1.7	Calls for resolutions	Resolutions are passed for all Board approvals and minutes are kept.	☑
A.1.8	Appropriate training for Directors	All Directors have considerable experience in managing companies in the mining industry. Relevant training opportunities are made available to all Directors.	☑

REFERENCE TO ICASL CODE	CORPORATE GOVERNANCE PRINCIPLE	HOW WE COMPLY	COMPLIANCE STATUS
A.2	Segregation of Roles of Chairman & CEO	Please refer Chairman's and Managing Director's Message on pages 08 to 11.	☑
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/ A5.2/A.5.3 & A.5.5	Presence of Non-Executive Directors/ Independence of Non-Executive Directors	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. Directors' status during the financial year was as follows: Mr. A.M. Weerasinghe (Chairman) - Non-Executive Mr. J.A.P.M. Jayasekera (Managing Director) - Executive Mr. T.G. Thoradeniya - Non-Executive Mr. D.J. Silva - Non-Executive - Independent Mr. K.D.G. Gunaratne - Non-Executive - Independent Ms. A.M.L. Page - Non-Executive - Independent Mr. J.D.N. Kekulawala - Non-Executive - Independent Mr. S.M. Liyanage - Non-Executive Mr. M.W.R.N. Somarathne – Non-Executive 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.	☑

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 / A.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.	Working towards compliance
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 12 to 13.	☑
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. 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 92 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 30 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 92 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 2023.

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 2023 were mining, processing and sales of raw materials and allied products to the ceramic industry, holding investments, managing investment property, importing and selling of sanitaryware products and operating a Lanka Tile showroom as a franchise partnership.

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

FINANCIAL STATEMENTS

The complete Financial Statements of the Company and Consolidated Financial Statements of the Company and its subsidiary, duly signed by two Directors on behalf of the Board and certified by the Group Finance Controller are given on pages 55 to 95.

AUDITORS' REPORT

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

ACCOUNTING POLICIES

The accounting policies adopted by the Company in the preparation of the Financial Statements are given on pages 60 to 72. 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 12 to 13.

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

INDEPENDENT NON - EXECUTIVE DIRECTORS

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

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

DIRECTORS OF THE SUBSIDIARY COMPANY

LC Plantation Projects Ltd	-	Mr. A.M. Weerasinghe
	-	Mr. J.A.P.M. Jayasekera

INTERESTS REGISTER

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

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

The relevant interests of Directors in the shares of the Company as at 31st March 2023 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 92.

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. 707,250/- is payable by the Company to the Auditors for the year under review comprising Rs. 487,600 /- as audit fees and Rs. 219,650 /- for non audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 19th May 2023 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 2023. 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 2023 and 31st March 2022 are as follows.

	Shareholding as at 31.03.2023	Shareholding as at 31.03.2022
Mr. A.M. Weerasinghe	-	-
Mr. J.A.P.M. Jayasekera	20	20
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	-	-

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 1,668 shareholders registered as at 31st March 2023 (1,689 shareholders as at 31st March 2022). The details of distribution are given on page 98 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 five 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 pages on 98 to 99 and pages 96 and 98 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 2023, 77 persons were in employment (68 persons as at 31st March 2022).

RESERVES

The reserves of the Company with the movements during the year are given in Note 10 to the Financial Statements on page 80.

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 31.03.2023
			Rs.'000
Land at Owala	4	26A-2R-25.50P	24,011
Land at Meetiyagoda	8	58A-0R-08.69P	87,399
	12	84A-2R-34.19P	111,410

Investment Property

Location	No. of Buildings	Land Extent	Fair Value as at 31.03.2023
			Rs.'000
Land at Kollupitiya	1	0A-1R-1.12P	899,500

PROPERTY, PLANT & EQUIPMENT

Details and movements of Property, Plant and Equipment are given under Note 3 to the Financial Statements on pages 73 to 75.

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2023 are given in Note 6 to the Financial Statements on page 77.

DONATIONS

The Company made donations amounting to Rs.120,000/- in total, during the year under review.

DIVIDENDS

No dividends were paid during the year under review.

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 26 to 29.

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

Except as disclosed in Note 27.2 to the Financial Statements on page 93, 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 93 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 a Related Party Transactions Review Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows.

AUDIT COMMITTEE

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

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

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

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

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2023.

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

ANNUAL GENERAL MEETING

The Notice of the Thirty Second (32nd) Annual General Meeting appears on page 100.

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

02nd June 2023

ANNEXURE A - RELATED PARTY TRANSACTIONS

Related Party Transactions

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate Value of Related Party Transactions entered into during the Financial year Rs.	Terms and conditions of Related Party Transactions
Lanka Tiles PLC	Affiliated Company	Sale of raw materials	179,726,774	Based on commercial rates
		Receiving of commission income	4,465,574	Based on commercial rates
		Reimbursement of expenses	(15,439,623)	Actual expense incurred
		Rental income	2,010,848	Based on commercial rates
			170,763,573	
Lanka Walltiles PLC	Affiliated Company	Sale of raw materials	17,779,516	Based on commercial rates
		Receiving of commission income	1,262,997	Based on commercial rates
		Sale of sanitaryware	254,420,134	Based on commercial rates
		Reimbursement of expenses	35,746,406	Actual expense incurred
			309,209,053	
Royal Ceramics Lanka PLC	Parent Company	Sale of raw materials	13,031,180	Based on commercial rates
		Dividend payment	11,474,814	Final dividend of Rs.2.60 per share
		Reimbursement of expenses	686,890	Actual expense incurred
			25,192,884	
Rocell Bathware Ltd.	Affiliated Company	Sale of raw materials	15,977,645	Based on commercial rates
			15,977,645	
Horana Plantation PLC	Affiliated Company	Purchase of goods	45,400	Based on commercial rates
			45,400	
Swisstek Aluminum Ltd.	Affiliated Company	Payment of rent expense	1,910,421	Based on commercial rates
		Reimbursement of expenses	302,617	Actual expense incurred
			2,213,038	
LC Plantation Projects Ltd.	Subsidiary Company	Reimbursement of expenses	145,954	Actual expense incurred
			145,954	

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 2023/24 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
02nd June 2023

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 statues 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	(3/4)
Ms. A.M.L. Page	(2/4)

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 2024, subject to the approval by the shareholders at the Annual General Meeting.

J.D.N. Kekulawala
Chairman - Audit Committee

02nd June 2023

REMUNERATION COMMITTEE REPORT

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

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

POLICY

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

SCOPE

The Committee reviews all significant changes in the corporate sector in determining salary structures and terms and conditions relating to staff at Senior Executive level. In this decision making process, necessary information, and recommendations are obtained from the Managing Director. The Committee deliberates and recommends to the Board of Directors the remuneration packages and annual increments and bonuses of the Managing Director, members of the Corporate Management and Senior Executive staff and lays down guidelines for the compensation structure for all Executive staff and overviews the implementation thereof. The Managing Director who is responsible for the overall management of the Company attends all meetings by invitation and participates in the deliberations except when his own performance and compensation package is discussed.

FEES

All Non-Executive Directors receive a fee for attendance at Board Meetings and serving on sub-committees. They do not receive any performance or incentive payments. The total remuneration to Directors is shown in Note 26.2 on page 92.

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.

S.H. Amarasekera
Chairman - Remuneration Committee

02nd June 2023

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 Lanka Ceramic PLC consists of three (03) Directors. The members of the Committee during the year were:

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

PW Corporate Secretarial (Pvt) Ltd., the Company Secretary, functions as the Secretary to the Committee. The Managing Director and Group 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:

Mr. J.D.N. Kekulawala	(4/4)
Ms. A.M.L. Page	(2/4)
Mr. K.D.G. Gunaratne	(3/4)

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 2022/23. 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 92 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.

J.D.N. Kekulawala
Chairman - Related Party Transactions Review Committee

02nd June 2023

FINANCIAL INFORMATION

FINANCIAL CALENDAR

Final Dividend 2021/22	27th May 2022
1st Quarter 2022/23 Interim Financial Report (Unaudited)	09th August 2022
2nd Quarter 2022/23 Interim Financial Report (Unaudited)	31st October 2022
3rd Quarter 2022/23 Interim Financial Report (Unaudited)	23rd January 2023
4th Quarter 2022/23 Interim Financial Report (Unaudited)	22nd May 2023
Annual Report 2022/23	02nd June 2023
32nd Annual General Meeting	30th June 2023

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

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 31st March 2023, and the statement of profit or loss and other 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 31st March 2023, 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
Measurement of the carrying values of Land and Buildings Included within Property, Plant and Equipment and Investment Property are Land and Buildings carried at fair value. As of reporting date, such land and buildings within Property, Plant and Equipment and Investment Property amounted to Rs. 177 Mn and Rs. 999.2 Mn respectively. The fair values of such land and buildings were determined using independent external valuer engaged by the Group. Fair valuation of Land and Buildings was a key audit matter due to: ◆ The degree of assumptions, judgements and estimation uncertainties associated with fair valuation of Land and Buildings such as reliance on comparable market transactions, and current market conditions. ◆ Key areas of significant assumptions, judgments, and estimates included the estimate of per perch value of land and per square foot value of building.	**Our audit procedures included the following;** ◆ 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 We assessed the adequacy of the disclosures made in Notes 3(d) and 5.1 in the financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Recoverability of deferred tax assets The Group has recognised a deferred tax asset of Rs.26.8 Mn on temporary differences existing as of reporting date. Such balance includes a deferred tax asset of Rs. 24Mn recognised on accumulated recoverable carried forward tax losses amounting to Rs. 80Mn. The recoverability of the deferred tax asset recognised on such available tax losses was a key audit matter due to; ◆ The degree of significant underlying management judgements and assumptions coupled with inherent estimation uncertainties that arise when assessing the future taxable profits required to realise the underlying deferred tax asset. ◆ Key areas of significant judgments, estimates and assumptions included revenue growth rate and gross margin.	**Our audit procedures included the following;** ◆ We gained an understanding of how Management has forecasted its 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 engaged our internal specialized resources to assist us in: • Assessing the reasonableness of significant judgements and assumptions used such as revenue growth rate and gross margin; and • Aevaluating 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 2023 Annual Report

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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.

INDEPENDENT AUDITOR'S REPORT

- 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.

02nd June 2023
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group 2023	Group 2022	Company 2023	Company 2022
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	3	**303,408,651**	160,143,046	**303,408,651**	160,143,046
Leasehold rights over mining lands	4	**-**	-	**-**	-
Investment property	5	**999,260,800**	995,688,200	**999,260,800**	995,688,200
Other equity investments	6.1	**56,666,760**	56,666,760	**-**	-
Investment in subsidiary	6.2	**-**	-	**56,666,760**	56,666,760
		1,359,336,211	1,212,498,006	**1,359,336,211**	1,212,498,006
Current assets					
Inventories	7	**5,912,411**	4,197,053	**5,912,411**	4,197,053
Trade and other receivables	8	**261,987,570**	99,200,428	**262,277,764**	99,344,668
Cash and cash equivalents	24	**4,715,559**	135,251,279	**4,715,559**	135,251,279
		272,615,540	238,648,760	**272,905,734**	238,793,000
Total assets		**1,631,951,751**	1,451,146,766	**1,632,241,945**	1,451,291,006
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	**248,020,161**	269,279,025	**248,020,161**	269,279,025
Retained earnings		**422,588,613**	480,804,241	**422,878,807**	480,948,481
Total equity		**970,608,774**	1,050,083,266	**970,898,968**	1,050,227,506
Non-current liabilities					
Interest bearing liabilities	11	**8,520,000**	33,480,000	**8,520,000**	33,480,000
Deferred tax liabilities	12	**316,744,285**	214,991,666	**316,744,285**	214,991,666
Retirement benefit liability	13	**6,378,784**	5,731,507	**6,378,784**	5,731,507
Other non-current liabilities	14	**15,000,000**	15,000,000	**15,000,000**	15,000,000
		346,643,069	269,203,173	**346,643,069**	269,203,173
Current liabilities					
Trade and other payables	15	**38,138,011**	104,261,727	**38,138,011**	104,261,727
Interest bearing liabilities	11	**174,513,988**	27,598,600	**174,513,988**	27,598,600
Bank overdraft	24	**102,047,909**	-	**102,047,909**	-
		314,699,908	131,860,327	**314,699,908**	131,860,327
Total equity and liabilities		**1,631,951,751**	1,451,146,766	**1,632,241,945**	1,451,291,006

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 95 form an integral part of the financial statements.

02nd June 2023
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31st March	Note	Group 2023	Group 2022	Company 2023	Company 2022
		Rs.	Rs.	Rs.	Rs.
Revenue	16	**446,814,848**	427,689,347	**446,814,848**	427,689,347
Cost of sales		**(351,908,200)**	(323,847,915)	**(351,908,200)**	(323,847,915)
Gross profit		**94,906,648**	103,841,432	**94,906,648**	103,841,432
Fair value gain on investment property	5	**3,572,600**	44,429,800	**3,572,600**	44,429,800
Other income	17	**51,954,101**	61,007,883	**51,954,101**	61,007,883
Selling and distribution cost		**(25,187,163)**	(15,203,843)	**(25,187,163)**	(15,203,843)
Administrative expenses		**(68,790,481)**	(67,688,471)	**(68,644,528)**	(67,544,231)
Finance cost	18	**(56,237,616)**	(6,010,534)	**(56,237,616)**	(6,010,534)
Finance income	19	**36,894,775**	1,440,485	**36,894,775**	1,440,485
Profit before tax	20	**37,112,864**	121,816,753	**37,258,817**	121,960,993
Income tax expense	21.1	**(81,322,838)**	(46,369,607)	**(81,322,838)**	(46,369,607)
Profit/(loss) for the year		**(44,209,974)**	75,447,146	**(44,064,021)**	75,591,386
Other comprehensive income/(loss)					
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:					
Actuarial gain/(loss) on retirement benefit liability	13	**(720,673)**	2,553,674	**(720,673)**	2,553,674
Deferred tax relating to actuarial gain/(loss)	13	**829,084**	(612,882)	**829,084**	(612,882)
Increase In deferred tax provision	12.2	**(21,258,864)**	-	**(21,258,864)**	-
Deferred tax reversal on land disposal		**-**	4,992,353	**-**	4,992,353
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		**(21,150,453)**	6,933,145	**(21,150,453)**	6,933,145
Total comprehensive income/(loss) for the year		**(65,360,427)**	82,380,291	**(65,214,474)**	82,524,531
Earnings per share - from continuing operations	22	**(7.37)**	12.57	**(7.34)**	12.60
Dividend per share	23	**2.60**	0.90	**2.60**	0.90

The accounting policies and notes on pages 60 to 95 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 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**
Profit/(loss) for the year	-	-	(44,209,974)	(44,209,974)
Other comprehensive income/(loss)	-	(21,258,864)	108,411	(21,150,453)
Total comprehensive income/(loss)	-	(21,258,864)	(44,101,563)	(65,360,427)
Dividend payment	-	-	(15,600,000)	(15,600,000)
Dividend write-back	-	-	1,485,935	1,485,935
Balance as at 31st March 2023	**300,000,000**	**248,020,161**	**422,588,613**	**970,608,774**

The accounting policies and notes on pages 60 to 95 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 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	82,524,531
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**
Profit/(loss) for the year	-	-	(44,064,021)	(44,064,021)
Other comprehensive income/(loss)	-	(21,258,864)	108,411	(21,150,453)
Total comprehensive income/(loss)	-	(21,258,864)	(43,955,610)	(65,214,474)
Dividend payment	-	-	(15,600,000)	(15,600,000)
Dividend write-back	-	-	1,485,935	1,485,935
Balance as at 31st March 2023	**300,000,000**	**248,020,161**	**422,878,807**	**970,898,968**

The accounting policies and notes on pages 60 to 95 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the Year ended 31st March	Note	Group 2023	Group 2022	Company 2023	Company 2022
		Rs.	Rs.	Rs.	Rs.
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax from continuing operations		37,112,864	121,816,753	37,258,817	121,960,993
Adjustments for					
Depreciation	3	21,103,785	11,811,176	21,103,785	11,811,176
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)	-	(10,349,000)
Finance cost	18	56,237,616	6,010,534	56,237,616	6,010,534
Finance income	19	(36,894,775)	(1,440,485)	(36,894,775)	(1,440,485)
Unrealised exchange (gain)/loss		-	25,854,215	-	25,854,215
Transfer of property, plant and equipment		414,005	-	414,005	-
Provision for retirement benefit obligations	13	1,617,620	522,063	1,617,620	522,063
Revaluation gain on investment property	5	(3,572,600)	(44,429,800)	(3,572,600)	(44,429,800)
Operating profit before working capital changes		76,018,515	110,270,463	76,164,468	110,414,703
Working capital adjustments					
(Increase)/decrease in inventories		(1,715,358)	(1,299,346)	(1,715,358)	(1,299,346)
(Increase)/decrease in trade and other receivables		(162,787,142)	(37,861,289)	(162,933,094)	(38,005,529)
Increase/(decrease) in trade and other payables		(64,637,782)	59,950,434	(64,637,782)	59,950,434
Cash generated from operations		(153,121,766)	131,060,262	(153,121,766)	131,060,262
Finance cost paid	18	(56,237,616)	(6,010,534)	(56,237,616)	(6,010,534)
Retirement benefit plan cost paid	13	(1,691,016)	(1,077,225)	(1,691,016)	(1,077,225)
Net cash flows from operating activities		(211,050,398)	123,972,503	(211,050,398)	123,972,503
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	3	(164,783,394)	(3,155,672)	(164,783,394)	(3,155,672)
Proceeds from sale of property, plant and equipment		-	46,510,000	-	46,510,000
Finance Income	19	36,894,775	1,440,485	36,894,775	1,440,485
Net cash flows from/(used in) investing activities		(127,888,619)	44,794,813	(127,888,619)	44,794,813
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Proceeds from Interest bearing borrowings	11	273,061,858	-	273,061,858	-
Repayment of interest bearing borrowings	11	(151,106,470)	(31,293,600)	(151,106,470)	(31,293,600)
Dividend paid	23	(15,600,000)	(5,400,000)	(15,600,000)	(5,400,000)
Net cash flows from/(used in) financing activities		106,355,388	(36,693,600)	106,355,388	(36,693,600)
Net increase/(decrease) in cash and cash equivalents		(232,583,629)	132,073,716	(232,583,629)	132,073,716
Cash and cash equivalents at the beginning of the year	24	135,251,279	3,177,563	135,251,279	3,177,563
Cash and cash equivalents at the end of the year	24	(97,332,350)	135,251,279	(97,332,350)	135,251,279

The accounting policies and notes on pages 60 to 95 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 2023 was authorised for issue in accordance with a resolution of the Board of Directors dated 02nd June 2023.

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 31 March 2023, 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 01st April 2022.

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

Amendments to SLFRS 3 Business Combinations: Updating a reference to conceptual framework
On 23rd 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 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16
In March 2021, the ICASL adopted amendments to LKAS16-Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37
In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

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

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

LKAS 41 Agriculture – Taxation in fair value measurements
As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to LKAS 41 Agriculture (LKAS 41). The amendment removes the requirement in paragraph 22 of LKAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of LKAS 41

The amendment applies prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

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

NOTES TO THE FINANCIAL STATEMENTS

2.1.5 Comparative information

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

2.1.6 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31st March 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

The consolidated financial statements of the Group include the fully owned subsidiary 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 recognized 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 lands and buildings (Property, plant and equipment)**
The Group measures freehold lands and buildings at fair value with changes in fair value being recognized in other comprehensive income. Lands and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

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

c) **Deferred tax assets**
Deferred tax assets are recognized 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 recognized, 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 recognized in the statement of profit or loss. The Group engaged an independent valuer to determine the fair value as at 31 March 2023. 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 summarized 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 re-translated 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 summarized in the Note 3 (d), Note 11.5 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

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

The management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.3 Taxation

Current taxes

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

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the relevant tax legislations. Current income tax relating to items recognised directly in equity statement is recognised in equity and not in the statement of total comprehensive income.

Deferred taxation

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

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

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

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

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

Turnover Based Taxes

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 recognized 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.

Social Security Contribution Levy
Social security contribution levy (SSCL) shall be paid by the Group on the liable turnover specified in second schedule of the social security contribution levy Act No. 25 of 2022, at the rate of 2.5% with effect from 1st October 2022.

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 recognized in statement of comprehensive income using the effective interest method.

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

2.3.5 Inventories
Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net 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 amortized cost and Financial assets designated at fair value through OCI (equity instruments).

a) Financial assets at amortized 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 recognized in profit or loss when the asset is derecognized, 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 derecognized when:

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

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

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

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

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

Impairment of financial assets

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

ECLs are recognized 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 analyzed. 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.

The Group considers a financial asset in default when contractual payments are 12-month past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 recognized 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 classifieds and 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 recognized in the statement of comprehensive income when the liabilities are derecognized 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 derecognized 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 recognized 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 derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Depreciation 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 recognized 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 recognized in the income statement, in which case the increase is recognized in the income statement. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized 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 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.
- 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 substation right, then the asset in 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;

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

a) Group as the Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group 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 recognized, 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.

(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 recognized 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.

(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 recognized 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 recognized 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 derecognized 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 recognized 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 recognized 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 recognized 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 recognized in profit or loss and actuarial gain or loss is recognized 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 2023.

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 recognized 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 Group. 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 recognized as income or expense.

2.3.15 Revenue recognition

Revenue from contracts with customers
The Group extracts and provide raw materials to ceramic within the geographic regions of Sri Lanka. Revenue from contracts with customers is recognized 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 and imported sanitary wares is recognized 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 recognized when the shareholders' right to receive payment is established.

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

Other income
Other income is recognized 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) Insurance Contracts – SLFRS 17
SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2025, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

b) Definition of Accounting Estimates - Amendments to LKAS 8
The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12
The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

d) Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies

Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

e) Classification of Liabilities as Current or Non current - Amendments to LKAS 1

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period

That classification is unaffected by the likelihood that an entity will exercise its deferral right

That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

Disclosures

The amendments are effective for annual reporting periods beginning on or after 1st January 2023.

3. PROPERTY, PLANT & EQUIPMENT - GROUP/COMPANY

a)

	Balance as at 01.04.2022	Additions	Transfers	Balance as at 31.03.2023
	Rs.	Rs.	Rs.	Rs.
Gross carrying amounts				
At cost				
Plant and machinery	71,647,189	124,085,802	-	195,732,991
Tools, implements, furniture & fittings and electrical appliances and computer software	12,122,487	2,891,342	-	15,013,829
Transport & communication equipment	17,041,595	-	-	17,041,595
	100,811,271	126,977,144	-	227,788,415
At valuation				
Freehold land and mining lands	111,409,650	-	-	111,409,650
Buildings	42,572,150	37,806,250	(520,000)	79,858,400
	153,981,800	37,806,250	(520,000)	191,268,050
Total	254,793,071	164,783,394	(520,000)	419,056,465

b)

	Balance as at 01.04.2022	Charge for the Year	Transfers	Balance as at 31.03.2023
	Rs.	Rs.	Rs.	Rs.
Depreciation				
At cost				
Plant and machinery	61,543,328	12,255,271	-	73,798,599
Tools, implements, furniture & fittings and electrical appliances and computer software	10,232,995	1,115,168	-	11,348,163
Transport & communication equipment	16,202,292	2,000	-	16,204,292
	87,978,615	13,372,439	-	101,351,054
At valuation				
Freehold and mining lands	3,669,129	3,760,960	-	7,430,089
Buildings	3,002,281	3,970,386	(105,995)	6,866,672
	6,671,410	7,731,346	(105,995)	14,296,761
Total	94,650,025	21,103,785	(105,995)	115,647,815

c)

	2023	2022
	Rs.	Rs.
Net book value of assets		
At cost		
Plant and machinery	121,934,392	10,103,861
Tools, implements, furniture & fittings and electrical appliances and computer software	3,665,667	1,889,492
Transport & communication equipment	837,304	839,303
At valuation		
Freehold and mining lands	103,979,560	107,740,521
Buildings	72,991,728	39,569,869
Net assets value	303,408,651	160,143,046

NOTES TO THE FINANCIAL STATEMENTS

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

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

Location	Extent	Valuer	Valuation date	Valuation details	Significant unobservable input : price per acre/sq.ft	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	31st 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	31st 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	31st March 2021	Depreciated Cost method	Rs. 150/- to Rs. 2,500/- per sq.ft	9,075,600	5,157,000
Mining Land at Meetiyagoda	43A-3R-24.43P	Mr. A.A.M. Fathihu	31st March 2021	Market based evidence	Rs. 100,000/- to Rs. 2,600,000/- per acre	51,183,900	17,050,571
Land situated at Meetiyagoda	14A-0R-24.26P	Mr. A.A.M. Fathihu	31st March 2021	Market based evidence	Rs. 100,000/- to Rs. 3,500,000/- per acre	36,214,750	12,931,250
Factory building & office building at Meetiyagoda mine	42,189 sq.ft	Mr. A.A.M. Fathihu	31st March 2021	Depreciated cost method	Rs. 275/- to Rs. 2,500/- per sq.ft	33,496,550	13,556,800

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	
	2023	2022
	No. of Years	No. of Years
Mining Land	Units of production basis	Units of production basis
Buildings on free hold land and roadway	25,40 & 50	25,40 & 50
Plant and machinery	3 to 10	3 to 10
Tools, implements, furniture & fittings and electrical appliances and computer software	2,4,5 & 10	2,4,5 & 10
Transport and communication equipment	3, 4 & 5	3, 4 & 5

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

	Group/Company			
	Cost 2023	Accumulated depreciation 2023	Net carrying amount 2023	Net carrying amount 2022
	Rs.	Rs.	Rs.	Rs.
Freehold land and clay mining lands	38,275,750	4,985,178	33,290,572	33,921,750
Freehold building	74,300,568	35,563,790	38,736,778	5,433,187
	112,576,318	40,548,968	72,027,350	39,354,937

g) During the financial year, the Group/Company acquired property, plant and equipment to the aggregate value of Rs. 164,783,395 (2022 -Rs. 3,155,672/-). Cash payments amounting to Rs. 164,783,395 (2022 -Rs. 3,155,672/-) 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. 77,850,392 - (2022 - Rs. 77,369,006).

4. LEASEHOLD RIGHT OVER MINING LANDS

	Group/Company	
	2023	2022
	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)	(1,144,019)
	475,007	475,007
(-) Impairment	(475,007)	(475,007)
Written down value	-	-

5. INVESTMENT PROPERTY

	Group/Company	
	2023	2022
	Rs.	Rs.
At the beginning of the year	995,688,200	951,258,400
Change in fair value	3,572,600	44,429,800
Balance at the end of the year	999,260,800	995,688,200

As at 31st March 2023, 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 2023). 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) 2023	Fair value measurement using significant unobservable inputs (Level 3) 2022
	Rs.	Rs.
Date of valuation	31st March 2023	31st March 2022
Land	899,500,000	863,520,000
Building	99,760,800	132,168,200
Significant unobservable input :		
Price per perch	21,875,000	21,000,000
Price per square foot	Rs. 13,000/- Rs. 8,500/-	Rs. 12,000/- Rs. 8,500/-
Depreciation of building	70%	57%

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

5.2 Rental Income earned from Investment Property by the Group/Company amounted Rs. 37.31 Mn. (2022 - Rs. 36.75 Mn). Direct operating expenses incurred by the Group/Company amounted to Rs. 1.75 Mn.(2022- Rs. 1.61 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.
2022-2023	37,306,800	-	-	-	-	-
2021-2022	36,750,000	36,750,000	-	-	-	-

6. OTHER EQUITY INVESTMENT AND INVESTMENT IN SUBSIDIARY

6.1 Other Equity Investments

	Group			
	Holding		Cost	
	2023	2022	2023	2022
	%	%	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	
	2023	2022	2023	2022
	%	%	Rs.	Rs.
LC Plantation Projects Limited	100	100	56,666,760	56,666,760

NOTES TO THE FINANCIAL STATEMENTS

7. INVENTORIES

	Group/Company	
	2023	2022
	Rs.	Rs.
Finished goods	58,531	58,944
Goods in transit	-	327,528
Consumables and spares	8,635,998	6,592,699
Allowances for obsolete and slow moving inventory	(2,782,118)	(2,782,118)
Total	5,912,411	4,197,053

8. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
Trade debtors	- Related parties (8.1)	229,246,916	32,914,285	229,246,916	32,914,285
	- Other	7,162,324	3,515,762	7,162,324	3,515,762
		236,409,240	36,430,047	236,409,240	36,430,047
Other Receivables		5,499,642	43,736,306	5,499,642	43,736,306
Other debtors - Related parties (8.1)		-	-	290,194	144,240
Less: Allowances for doubtful debts*		-	(26,200,000)	-	(26,200,000)
		241,908,882	53,966,353	242,199,076	54,110,593
Advance and prepayments		11,964,724	38,276,475	11,964,724	38,276,475
Other Statutory Receivables		8,113,964	6,957,600	8,113,964	6,957,600
Total		261,987,570	99,200,428	262,277,764	99,344,668

*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 an amount due from the Corporation at the time of the take over of business. In the current year, the Board of Directors has decided to offset the remaining outstanding amount against the previously established provision.

8. TRADE AND OTHER RECEIVABLES CONTD.

8.1 Amounts due from related parties

		Group		Company	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
Trade					
Lanka Tiles PLC	Affiliated Company	26,998,835	9,811,070	26,998,835	9,811,070
Lanka Walltiles PLC	Affiliated Company	194,928,531	19,632,144	194,928,531	19,632,144
Rocell Bathware Ltd	Affiliated Company	6,255,630	2,109,233	6,255,630	2,109,233
Royal Ceramics Lanka PLC	Parent Company	1,063,920	1,361,838	1,063,920	1,361,838
		229,246,916	32,914,285	229,246,916	32,914,285
Other					
LC Plantation Projects Limited	Subsidiary Company	-	-	290,194	144,240
Total		229,246,916	32,914,285	229,537,110	33,058,525

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 not impaired < 3 Months	3- 12 Months	> 1 Year	Impaired	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2023	5,987,105	69,351,933	161,070,202	-	-	236,409,240
2022	18,126,727	16,621,671	140,028	1,541,621	-	36,430,047

9. STATED CAPITAL

9.1 Issued & fully paid

	Group/Company	
	2023	2022
	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

	Group/Company	
	2023	2022
	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	
	2023	2022
	Rs.	Rs.
Revaluation reserve (10.1)	248,020,161	269,279,025
	248,020,161	269,279,025

10.1 Revaluation reserve

	Group/Company	
	2023	2022
	Rs.	Rs.
On: Property plant & equipment		
As at 01st April	269,279,025	285,087,460
Transfer from revaluation reserve on disposal of land	-	(20,800,788)
Deferred Tax reversal on land disposal	-	4,992,353
Arise due to changes in tax rate	(21,258,864)	-
As at 31st March	248,020,161	269,279,025

11 INTEREST BEARING LIABILITIES

	Group/Company	
	2023	2022
	Rs.	Rs.
Non current		
Long term loans (11.1)	8,520,000	33,480,000
	8,520,000	33,480,000
Current		
Long term loans (11.1)	24,960,000	27,598,600
Short term loans (11.2)	149,553,988	-
	174,513,988	27,598,600
Total	183,033,988	61,078,600

11.1 Long term loans

	Group/Company	
	2023	2022
	Rs.	Rs.
At the beginning of the year	61,078,600	92,372,200
Repayments	(27,598,600)	(31,293,600)
At the end of the year	33,480,000	61,078,600
Amount payable within one year	24,960,000	27,598,600
Amount payable after one year	8,520,000	33,480,000
	33,480,000	61,078,600

11.2 Short term loans

	Group/Company	
	2023	2022
	Rs.	Rs.
At the beginning of the year	-	-
Loans obtained	273,061,858	-
Repayments	(123,507,870)	-
At the end of the year	149,553,988	-

11 INTEREST BEARING LIABILITIES (CONTD.)

11.3 Details of long term loans - Group/Company

Financial institution	Repayment terms	Principal	Interest rate per annum	Security	Balance as at 31.03.2023	Balance as at 31.03.2022
		Rs.			Rs.	Rs.
Hatton National Bank PLC	60 Monthly instalments (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 - 1.12P).	33,480,000	58,440,000
Hatton National Bank PLC (Saubagya Covid-19 Renaissance Facility relief package of CBSL)	18 monthly instalments with 6 months grace period	9,500,000	4%	Mortgage for Rs.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).	-	2,638,600
Total					33,480,000	61,078,600

11.4 Details of Short Term loans - Group/Company

Financial institution	Principal	Security	Balance as at 31.03.2023	Balance as at 31.03.2022
	Rs.		Rs.	Rs.
Hatton National Bank PLC -Short term loan	100,000,000	Unsecured	100,000,000	-
Hatton National Bank PLC -Import loan	49,553,988	Mortgage for Rs.100 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).	49,553,988	-
Total			149,553,988	-

11.5 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	
	2023	2022	2023	2022	2023	2022	2023	2022
	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	241,908,882	53,966,353	241,908,882	53,966,353	242,199,076	54,110,593	242,199,076	54,110,593
Cash and cash equivalents	4,715,559	135,251,279	4,715,559	135,251,279	4,715,559	135,251,279	4,715,559	135,251,279
Total	303,291,201	245,884,392	303,291,201	245,884,392	246,914,635	189,361,872	246,914,635	189,361,872
Financial liabilities								
Current								
Trade and other payables	38,138,011	104,261,727	38,138,011	104,261,727	38,138,011	104,261,727	38,138,011	104,261,727
Interest bearing liabilities	183,033,988	61,078,600	183,033,988	61,078,600	183,033,988	61,078,600	183,033,988	61,078,600
Total	221,171,999	165,340,327	221,171,999	165,340,327	221,171,999	165,340,327	221,171,999	165,340,327

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 realization.

Fixed rate financial instruments

Fair Value of interest bearing borrowing at fixed interest rate is amounted to Rs.130.8Mn (2022 - Rs. 2.2Mn) 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 31st March 2023 and potential returns expected through its future operations. The fair value of unquoted equity investment is not materially different from their carrying values.

12. DEFERRED TAX LIABILITIES

	Group/Company	
	2023	2022
	Rs.	Rs.
At the beginning of the year	214,991,666	173,001,530
Charge/(reversal) arising during the year		
- Arising on during the year movement	47,065,813	46,369,607
- Due to change in tax rate	34,257,025	-
Deferred tax release on components of other comprehensive income		
- Arising on during the year movement	(982,140)	(4,379,471)
- Due to change in tax rate	21,411,920	-
At the end of the year	316,744,285	214,991,666

12.1 Statement of financial position

	2023	2022
Deferred tax liability		
Capital allowances	8,915,286	3,559,489
Revaluation surplus	106,293,499	85,034,799
Investment property	228,371,042	181,839,409
	343,579,827	270,433,697
Deferred tax assets		
Retirement benefit liability	1,913,635	1,375,562
Carried forward tax losses	24,060,184	40,883,079
Provision for obsolete and slow moving, consumables and spares	861,723	690,378
Allowances for doubtful debts	-	6,288,000
Unrealized exchange loss	-	6,205,012
	26,835,542	55,442,031
Net deferred tax liability	316,744,285	214,991,666

12.2 Statement of Comprehensive Income

Deferred Tax Charge/(Reversal)

	Group/Company	
	2023	2022
	Rs.	Rs.
Retirement benefit liability	(829,084)	612,882
Increase in deferred tax provision	21,258,864	-
Deferred tax reversal on land disposal	-	(4,992,353)
	20,429,780	(4,379,471)

Deferred tax has been computed at 30% (2022 - at 24%).

12.3 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. 224,382,494 /- (2022- Rs. 222,017,183/-) as at 31st March 2023 which can be carried forward up to the financial year of 2023/24.

12.4 Tax Losses

	Group/Company	
	2023	2022
	Rs.	Rs.
Tax loss brought forward (Provisional)	222,017,183	346,485,239
Loss during the Year	2,365,311	-
Utilized during the Year	-	(124,468,056)
Tax loss carried forward (Provisional)	224,382,494	222,017,183
(-) Tax losses for which no deferred tax asset has been recorded	(144,181,881)	(51,671,019)
Estimated tax loss claimable	80,200,613	170,346,164

The deferred tax asset of Rs. 24,060,184/- (2022- Rs. 40,833,079/-) has been recognized as at 31st March 2023 based on its recoverability assessed by Management on the estimated future taxable profits within the year of assessment 2023/24.

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

Revenue growth rate used in determining the taxable profit of 2023/24 is - 24 % and If the forecasted revenue is reduced by 10%, the deferred tax asset gets written-off by Rs. 10.16 Mn representing 42% of deferred tax asset relating to tax loss as at the reporting date.

13. RETIREMENT BENEFIT LIABILITY

	Group/Company	
	2023	2022
	Rs.	Rs.
At the beginning of the year	5,731,507	8,840,343
Net interest on the net defined benefit liability	859,727	663,026
Current service cost for the year	757,893	533,779
Past service cost	-	(674,742)
	1,617,620	522,063
Net actuarial (gain)/loss for the year	720,673	(2,553,674)
Payments made during the Year	(1,691,016)	(1,077,225)
	(970,343)	(3,630,899)
At the end of the year	6,378,784	5,731,507

13. RETIREMENT BENEFIT LIABILITY (CONTD.)

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

	Group/Company	
	2023	2022
	Rs.	Rs.
Discount rate as at 31st March		
Effect on DBO due to decrease in the discount rate by 1%	240,844	386,016
Effect on DBO due to increase in the discount rate by 1%	(262,923)	(346,240)
Salary escalation rate as at 31st March		
Effect on DBO due to decrease in the salary escalation rate by 1%	(310,152)	(383,621)
Effect on DBO due to increase in the salary escalation rate by 1%	287,634	423,064

13.2 Distribution of present value of define benefit obligation

	Less than a year	Between 1-2 years	Between 2- 5 years	Over year 5	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
As at 31st March 2023	1,808,727	637,981	1,662,228	2,269,848	6,378,784
As at 31st March 2022	488,694	663,221	2,145,902	2,433,689	5,731,507

Weighted Average duration of defined benefit obligation (Years)	4.7 (2022 - 7.28)

The Group uses market yields (at the end of the reporting period) on treasury bonds issued by the Government of Sri Lanka (T-bonds) to determine the discount rate, as disclosed in its accounting policy (refer Note 2.3.11). However, due to the economic conditions prevailing in the country as at the period end, the exceptionally high T-bond market yields would not be a reasonable reflection of the time value of money. Therefore, period end T-bond market yields have been adjusted for the credit risk spread to derive the rate used to discount the defined benefit obligation.

Such adjustment has been made based on the method set out in illustration 1 of the Frequently Asked Questions (FAQs) on Use of Discount Rate under the uncertain economic conditions issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). Credit risk spread has been calculated based on Sovereign Default and Recovery Rates published by Moody's. Adjusted discount rates have been calculated for tenors available, and estimated using the yield curve for any remaining maturities and corresponds with the remaining average working life of the employees of the Group.

13.3 Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Lanka Ceramic PLC of the defined benefit plan gratuity as at 31st March 2023.

The principal assumptions used are as follows:

		Group/Company	
		2023	2022
Discount rate (per annum)		19%	15%
Salary scale (per annum)	- Executives	12%	10%
	- Non executives	12%	10%
Staff turnover rate		11%	6%
Retirement age		60 Years	60 Years

14. OTHER NON-CURRENT LIABILITIES

	Group/Company	
	2023	2022
	Rs.	Rs.
Refundable deposit	15,000,000	15,000,000
Total	15,000,000	15,000,000

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Trade creditors - other	1,024,912	80,192,789	1,024,912	80,192,789
Other creditors - related parties [15.1]	84,390	1,032,657	84,390	1,032,657
	1,109,302	81,225,446	1,109,302	81,225,446
Sundry creditors including accrued expenses	37,028,709	23,036,281	37,028,709	23,036,281
Total	38,138,011	104,261,727	38,138,011	104,261,727

15.1 Other creditors - Related Parties

		Group		Company	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
Company	Relationship				
Royal Ceramics Lanka PLC	Parent Company	84,390	91,970	84,390	91,970
Swisstek Aluminium Limited	Affiliated Company	-	617,581	-	617,581
Delmege Forsyth & Co. Ltd	Affiliated Company	-	323,106	-	323,106
		84,390	1,032,657	84,390	1,032,657

16. REVENUE

Revenue from Contracts with Customers

	Group/Company	
	2023	2022
	Rs.	Rs.
Types of goods		
Feldspar	178,368,466	115,454,678
Kaolin	47,211,483	32,981,926
Sanitaryware	221,234,899	279,252,743
Total revenue from contract with customers	446,814,848	427,689,347
Timing of revenue recognition		
Goods transferred at a point in time	446,814,848	427,689,347

17. OTHER INCOME

	Group/Company	
	2023	2022
	Rs.	Rs.
Property rental income	37,306,800	36,750,000
Vehicle rental income	1,640,600	-
Disposal gain on property, plant and equipment	-	10,349,000
Franchise commission income	6,492,974	5,337,381
Sundry income	6,513,727	8,571,502
	51,954,101	61,007,883

18. FINANCE COST

	Group/Company	
	2023	2022
	Rs.	Rs.
Interest expense on overdrafts	18,214,837	49,606
Interest expense on bank loans	38,022,779	5,960,928
	56,237,616	6,010,534

19. FINANCE INCOME

	Group/Company	
	2023	2022
	Rs.	Rs.
Interest income	36,894,775	1,440,485
	36,894,775	1,440,485

20. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

Is stated after Charging/(Crediting)

	Group/Company	
Year ended 31st March	2023	2022
	Rs.	Rs.
Included in cost of sales		
Depreciation and amortisation	18,690,441	9,980,377
Defined benefit plan costs - gratuity	808,364	347,368
Defined contribution plan costs - EPF & ETF	2,975,916	3,444,763
Other staff cost	36,902,940	38,285,375
Provision for Leasehold rights over mining lands	-	475,007
Included in administration expenses		
Depreciation and amortisation	426,616	106,745
Defined benefit plan costs - gratuity	787,159	156,076
Defined contribution plan costs - EPF & ETF	2,234,816	1,077,114
Other staff cost	17,807,823	14,158,154
Auditors remuneration		
- Audit fees	487,600	424,000
- Non Audit fees	219,650	191,000
Rent, Rates and taxes	1,760,154	1,728,050
Included in selling & distribution expenses		
Depreciation and amortisation	1,986,728	1,724,988
Defined benefit plan costs - gratuity	22,096	18,620
Defined contribution plan costs - EPF & ETF	185,770	197,200
Other staff cost	2,559,611	2,477,376
Rent, Rates and taxes	1,383,686	1,282,050

21. INCOME TAX EXPENSES

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

		Group		Company	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
a)	**Current income tax**				
	Current income tax charge	-	-	-	-
b)	**Deferred income tax**				
	Deferred taxation charge	81,322,838	46,369,607	81,322,838	46,369,607
	Income tax charged reported in the income statement	81,322,838	46,369,607	81,322,838	46,369,607
	Deferred tax expense reported in the OCI				
	Actuarial gain/(loss) on retirement benefit liability	(829,084)	612,882	(829,084)	612,882
	Deferred tax reversal on land disposal	-	(4,992,353)	-	(4,992,353)
	Increase In deffered tax provision	21,258,864	-	21,258,864	-
		20,429,780	(4,379,471)	20,429,780	(4,379,471)
		101,752,618	41,990,136	101,752,618	41,990,136

21. INCOME TAX EXPENSES (CONTD.)

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

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Accounting profit before income tax from continuing operation	37,112,864	121,816,753	37,258,817	121,960,993
Income considered as separate source of income	(79,414,775)	(38,190,485)	(79,414,775)	(38,190,485)
Non deductible expenses	38,904,464	47,081,103	38,758,511	46,936,863
Deductible Items	(74,810,039)	(44,429,800)	(74,810,039)	(44,429,800)
Business (loss)/income	(78,207,486)	86,277,571	(78,207,486)	86,277,571
Investment income	75,842,175	38,190,485	75,842,175	38,190,485
Taxable profit/(loss)	(2,365,311)	124,468,056	(2,365,311)	124,468,056
Tax losses utilised	-	(124,468,056)	-	(124,468,056)
Current income tax expense				
Taxation - 30% (2022 - 24%)	-	-	-	-

21.3 Reconciliation between tax expense and the product of accounting profit

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Adjusted accounting profit chargeable to income taxes	37,112,864	121,816,753	37,258,817	121,960,993
Tax effect on chargeable profits	11,133,859	29,236,021	11,177,645	29,270,638
Tax effect on permanent and temporary differences	70,188,978	17,133,585	70,145,194	17,908,969
	81,322,838	46,369,606	81,322,838	46,369,606
21.4 Tax Losses				
Tax loss brought forward (Provisional)	222,017,183	346,485,239	222,017,183	346,485,239
Loss during the year	2,365,311	-	2,365,311	-
Utilized during the year	-	(124,468,056)	-	(124,468,056)
Tax loss carried forward (Provisional)	224,382,494	222,017,183	224,382,494	222,017,183

21.5 Components of deferred income tax expense

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Capital allowances	5,355,799	(498,010)	5,355,799	(498,010)
Retirement benefit liability	291,010	133,556	291,010	133,556
Carried forward tax losses	16,822,895	42,275,921	16,822,895	42,275,921
Provision for obsolete and slow moving, consumables and spares	(171,510)	-	(171,510)	-
Investment property - revaluation surplus	46,531,632	10,663,152	46,531,632	10,663,152
Allowances for doubtful debts	6,288,000	-	6,288,000	-
Unrealized exchange loss	6,205,012	(6,205,012)	6,205,012	(6,205,012)
	81,322,838	46,369,607	81,322,838	46,369,607
Effective income tax rate	219.12%	38.02%	218.26%	38.02%

22. EARNINGS PER SHARE

Earnings per share - basic from continuing operations

Basic earnings per share is calculated by dividing the net profit /(loss) 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	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Amounts used as the numerator:				
Profit /(loss) attributable to equity holders for basic earnings per share	(44,209,974)	75,447,146	(44,064,021)	75,591,386
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
Earnings per share	(7.37)	12.57	(7.34)	12.60

23. DIVIDEND PER SHARE

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Dividends paid	15,600,000	5,400,000	15,600,000	5,400,000
No. of shares	6,000,000	6,000,000	6,000,000	6,000,000
Dividend per share	2.60	0.9	2.60	0.9

24. CASH & CASH EQUIVALENT

	Group/Company	
	2023	2022
	Rs.	Rs.
Favourable cash and cash equivalents balance		
Cash and bank balances	4,715,559	135,251,279
	4,715,559	135,251,279
Unfavourable cash and cash equivalent balance		
Bank overdrafts (12)	(102,047,909)	-
	(102,047,909)	-
Total cash and cash equivalents for the purpose of cash flow statement	(97,332,350)	135,251,279

25. ASSETS PLEDGED

Except as disclosed in note 11.3 and 11.4, there are no other assets that have been pledged as security as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

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

	Group				Company			
	Parent		Group Companies		Parent		Group Companies	
	2023	2022	2023	2022	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Nature of transaction								
Sale of goods	13,031,180	10,561,379	467,904,069	436,526,539	13,031,180	10,561,379	467,904,069	436,526,539
Commission income	-	-	5,728,571	4,204,634	-	-	5,728,571	4,204,634
Purchase of goods/ services	-	-	45,400	63,200	-	-	45,400	63,200
Reimbursement of expense net of fund transfer	13,323,197	15,367,435	(314,394,174)	(436,104,489)	13,323,197	15,367,435	(314,248,221)	(435,960,249)
Dividend paid	11,474,814	3,972,051	-	-	11,474,814	3,972,051	-	-
Included under;								
Due from related parties	1,063,920	1,361,838	229,246,916	31,552,447	1,063,920	1,361,838	229,392,869	31,696,687
Due to related parties	84,390	91,970	84,390	940,687	84,390	91,970	84,390	940,687

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, Swisstek Aluminium Limited and LC Plantation Projects Limited.

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

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.

	Group/Company	
	2023	2022
Key Management personnel compensation	Rs.	Rs.
Short term employment benefits	6,017,626	5,523,702
	6,017,626	5,523,702

27. COMMITMENTS AND CONTINGENCIES

27.1 Capital commitments

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

The Group and Company's commitment for acquisition of Property, Plant and Equipment incidental to the Ordinary course of business as at 31st March as follows.

	Group/Company	
	2023	2022
	Rs.	Rs.
Contracted but not provided for	-	83,950,740

No provision has been made in these Financial Statements in this regard as at 31st March 2023.

27.2 Contingencies

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

28. EVENTS OCCURRING AFTER THE REPORTING PERIOD

All material events occurring after the reporting period are considered, disclosed and adjusted where applicable..

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 programs and adherence to the Group'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 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' borrowings comprise 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.

	Group/Company	
	Change in interest rate	Change in profit before tax
Interest rate sensitivity		Rs.
2022/23	6%	(3,374,257)
	4%	(2,249,505)
	2%	(1,124,752)
	-2%	1,124,752
	-4%	2,249,505
	-6%	3,374,257
2021/22	6%	(360,632)
	4%	(240,421)
	2%	(120,211)
	-2%	120,211
	-4%	240,421
	-6%	360,632

29. FINANCIAL RISK MANAGEMENT (CONTD.)

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. Methods 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.
2022/23	Nil	Nil	Nil	Nil
2021/22	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

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 current economic conditions of the country the group 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 2023	Rs.	Rs.	Rs.	Rs.	Rs.
Bank borrowings	170,093,418	20,539,430	8,750,795	Nil	Nil
Trade and other payables	35,767,440	nill	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 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

Capital management risk

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

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

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

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

	Group	
	2023	2022
	Rs.	Rs.
Borrowings	285,081,897	61,078,600
Total equity	970,608,774	1,050,083,266
Gearing ratio Debt to Equity	29%	6%

	Company	
	2023	2022
	Rs.	Rs.
Borrowings	285,081,897	61,078,600
Total equity	970,898,968	1,050,227,506
Gearing ratio Debt to Equity	29%	6%

COMPANY TEN YEAR SUMMARY

	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Operating Results										
Revenue	**446,815**	427,689	121,330	166,132	163,772	178,932	282,830	236,534	163,271	184,878
Gross profit	**94,907**	103,841	52,671	57,603	62,208	76,116	152,954	89,017	70,246	68,594
Fair value gain on investment property	**3,573**	44,430	40,762	2,052	80,845	121,600	178,750	-	-	-
Other income	**88,849**	62,448	53,553	45,504	75,072	160,457	282,134	285,990	261,095	103,323
Administration expenses	**68,645**	67,544	54,043	51,674	43,375	56,166	52,302	36,991	46,376	47,752
Selling & distribution expenses	**25,187**	15,204	8,886	11,470	8,232	14,153	30,022	7,766	1,430	1,659
Finance cost	**56,238**	6,011	8,150	13,757	21,599	40,498	37,584	30,659	35,258	64,582
Profit before tax	**37,259**	121,961	75,907	28,257	144,919	248,377	499,654	301,212	249,711	58,576
Profit/(loss) after tax	**(44,064)**	75,591	67,843	23,201	137,590	182,199	485,321	290,764	244,362	58,576
Total comprehensive income /(loss)	**(65,215)**	82,525	135,005	24,385	136,972	97,192	485,241	309,532	243,897	57,676
Assets & Liabilities										
Non current assets	**1,359,336**	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
Current assets	**272,906**	238,793	124,081	139,401	114,949	224,837	105,903	252,698	141,653	98,209
Total assets	**1,632,242**	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
Current liabilities	**314,700**	131,860	53,909	64,342	55,998	197,655	106,167	236,594	92,727	100,734
Non current liabilities	**346,643**	269,203	257,920	252,655	276,010	297,905	215,167	275,360	315,183	380,042
Retirement benefit obligation	**6,379**	5,732	8,840	7,157	10,335	9,996	9,399	8,850	7,521	6,942
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	**248,020**	269,279	285,087	216,766	216,766	218,370	303,292	303,292	283,320	283,320
Accumulated profit	**422,879**	480,948	385,002	326,117	301,732	163,156	698,453	164,676	145,116	43,719
Key Indicators										
Earnings per share (Rs.)	**(7.34)**	12.60	11.31	3.87	22.93	11.34	16.18	9.69	8.15	1.95
Dividend per share (Rs.)	**2.60**	0.9	1.30	-	-	-	8.00	9.00	4.75	-
Net assets value per share (Rs.)	**161.82**	175.04	161.68	140.48	136.42	113.59	43.39	25.60	24.28	20.90
Dividend yield (%)	**2.60**	0.73	1.18	-	-	-	6.96	6.92	4.07	-
Dividend payout ratio (%)	**(35.42)**	7.16	11.49	-	-	-	49.45	92.86	58.32	-
Interest cover (times)	**1.66**	20.29	10.31	3.05	7.71	7.13	14.29	10.82	8.08	1.91
Current ratio	**0.87:1**	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
Quick asset ratio	**0.85:1**	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
Profit before tax to revenue (%)	**8.34**	28.52	62.56	17.01	88.49	138.81	176.66	127.34	152.94	31.68

GROUP VALUE ADDED STATEMENT

	2022/23			2021/22		
	Rs.	Rs.	%	Rs.	Rs.	%
Gross turnover	510,729,305			461,904,495		
Finance & other income	92,421,476			106,878,169		
	603,150,781			568,782,664		
Less: cost of material & services bought in	458,587,503			370,945,931		
	144,563,278			197,836,733		
Value allocated to employees						
Salaries & wages and other benefits	66,894,442	66,894,442	46%	59,329,681	59,329,681	30%
To government						
Income Tax	-	-	-	-	-	-
VAT	42,943,063	42,943,063	30%	19,482,615	19,482,615	10%
To providers of capital						
Dividends	15,600,000			5,400,000		
Finance cost	56,237,616	71,837,616	50%	6,010,534	11,410,534	6%
To expansion and growth						
Retained in business	(58,215,628)			95,802,726		
Depreciation	21,103,785	(37,113,844)	-26%	11,811,176	107,613,902	54%
		144,563,278	100%		197,836,733	100%

SHAREHOLDER AND INVESTOR INFORMATION

SHARE DISTRIBUTION AS AT 31ST MARCH 2023

From	To	No. of Holders	No. of Shares	%
1	1,000	1,491	261,728	4.36
1,001	10,000	162	324,020	5.40
10,001	100,000	13	250,862	4.18
100,001	1,000,000	1	750,000	12.50
Over 1,000,000		1	4,413,390	73.56
		1,668	**6,000,000**	**100.00**

Categories of Shareholders			
Local Individuals	1,616	1,434,059	23.90
Local Institutions	47	4,563,708	76.06
Foreign Individuals	5	2,233	0.04
Foreign Institutions	-	-	-
	1,668	**6,000,000**	**100.00**

25 MAJOR SHAREHOLDERS OF THE COMPANY

	Name	31.03.2023		31.03.2022	
		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	35,857	0.598	35,000	0.583
4	Bimputh Finance PLC	28,818	0.480	28,818	0.480
5	TRL Holdings (Pvt) Limited	25,200	0.420	21,328	0.355
6	Mr. R.S. Ingram	20,800	0.347	13,787	0.230
7	Vyjanthi & Company Limited	20,000	0.333	20,000	0.333
8	Mrs. A. Kailasapillai	19,693	0.328	19,693	0.328
9	Mr. R. Maheswaran	18,735	0.312	18,735	0.312
10	Miss. M.P. Radhakrishnan	15,135	0.252	15,135	0.252
11	Miss. A. Radhakrishnan	15,134	0.252	15,134	0.252
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	8,697	0.145	7,840	0.131
19	Miss. S. Subramaniam	6,413	0.107	6,413	0.107
20	Mrs. K.A.U. Kodithuwakku	6,325	0.105	4,184	0.070
21	DFCC Bank PLC/P. Gagendra	5,699	0.095	5,699	0.095
22	Mr. D.M.G. Perera (Deceased)	5,000	0.083	5,000	0.083
23	Mrs. J. Aloysius	5,000	0.083	5,000	0.083
24	Mr. N. Mohamed Makeen	5,000	0.083	5,000	0.083
25	Mr. Y.A.H. Rajkotwala	5,000	0.083	5,000	0.083
	Sub Total	5,480,547	91.341	5,465,807	91.095
	Others	519,453	8.659	534,193	8.905
	Issued Capital	6,000,000	100.000	6,000,000	100.000

DIRECTORS' SHAREHOLDING AS AT 31ST MARCH 2023

	No. of Shares	%
Mr. A.M. Weerasinghe	-	-
Mr. J.A.P.M. Jayasekera	20	0.00033
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. Somaratne	-	-

SHARE PRICES

Market Price Per Share	As at 31.03.2023	As at 31.03.2022
Highest during the year	Rs. 138.00	Rs. 190.00
Lowest during the year	Rs. 94.00	Rs. 105.50
As at end of the year	Rs. 100.00	Rs. 122.75

Public Holding as at 31st March 2023

The percentage of shares held by the public -13.256%

No of shareholders representing the above percentage - 1,662

The float adjusted market capitalization as at 31st March 2023 - Rs. 79,536,700.00

The float adjusted market capitalization of the Company falls under Option 2 of Rule 7.14.1 (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 Second (32nd) Annual General Meeting of Lanka Ceramic PLC will be held by way of electronic means on the 30th day of June 2023 at 8.30 a.m. centered at the Board Room of Royal Ceramics Lanka PLC, No.20, R A de Mel Mawatha, Colombo 03, for the following purposes.

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 2023 and the Report of the Auditors thereon.

2. To re-elect Mr. J.D.N. Kekulawala, who retires by rotation in terms of Articles 102 and 103 of the Articles of Association, as a Director of the Company.

3. To re-elect Mr. D.J. Silva, who retires in terms of Articles 102 and 103 of the Articles of Association, as a Director of the Company.

4. To re-appoint Messrs. Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.

5. To authorize the Directors to determine payments for the year 2023/24 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
02nd June 2023

Notes:

1. A shareholder entitled to participate and vote at the above virtual meeting is entitled to appoint a Proxy to participate and vote in his/her place by completing the Form of Proxy enclosed herewith.

2. A Proxy need not be a shareholder of the Company.

3. Shareholders who are unable to participate in the above virtual meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to participate and vote on their behalf.

4. For more information on how to participate by virtual means in the above virtual meeting, please refer Guidelines and Registration Process enclosed herewith.

NOTES

NOTES

FORM OF PROXY

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

do hereby appoint ……………………………………….…......of ………………………………………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 her*
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. Somaratne	

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 30th June 2023 at 8.30 a.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

		FOR	AGAINST
1)	To re-elect as a Director Mr. J.D.N. Kekulawala, who retires by rotation in terms of Article 102 and 103 of the Articles of Association as a Director of the Company.		
2)	To re-elect as a Director Mr. D.J. Silva who retires by rotation in terms of Article 102 and 103 of the Articles of Association as a Director of the Company.		
3)	To re-appoint Messrs. Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.		
4)	To authorise the Directors to determine payments for the year 2023/24 for charitable and other purposes as set out in the Companies Donations Act (Cap 147).		

Signed this…………… day of ………………………. Two Thousand and Twenty Three

……………………

Signature

1) *Please delete the inappropriate words.

2) Instructions as to completion are noted on the reverse here of.

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 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. Jayasekera – Managing Director
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

COMPANY SECRETARIES
P W Corporate Secretarial (Pvt) Ltd
3/17, Kynsey Road, Colombo 8
Tel: +94 11 4640360

REGISTERED OFFICE
No. 23, Narahenpita Road, Nawala
Telephone: +94 11 4504610, +94 11 4504612
Facsimile: +94 11 4504614

AUDITORS
Ernst & Young
Chartered Accountants
No. 201, De Seram Place, Colombo 10,

BANKERS
Hatton National Bank PLC
People's Bank

Designed & produced by
emagewise
Printing by Nethu Print Solutions

Lanka Ceramic PLC