

LANKA CERAMIC PLC



Annual Report 2023/24

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

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



Lanka Ceramic PLC

OVERVIEW

ABOUT US

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OPERATIONAL HIGHLIGHTS

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FINANCIAL HIGHLIGHTS

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ABOUT US

Lanka Ceramic PLC (The Company) is a front-runner in mining and supplying of high quality raw materials to the ceramic industry of Sri Lanka.

▶ OUR CORE STRENGTHS

INDUSTRY EXPERTISE

The Lanka Ceramic Ltd. established in 1990, now known as Lanka Ceramic PLC was converted to a public limited Company on 07th April 1993.

- ▶ Immediate parent is Royal Ceramics Lanka PLC and ultimate parent is Vallibel One PLC
- ▶ Partially meeting the high quality raw material requirement of the two largest domestic tile manufacturers in Sri Lanka
- ▶ Structured and well-established processes, following all applicable standards covering multiple aspects such as safety in operations, employee well-being, environmental impact, etc.
- ▶ Owning an investment property in a prime location of the Country

▶ OUR CORE OPERATIONS

Mining

- ▶ Feldspar in Owala, Matale District of Central Province
- ▶ Kaolin in Meetiya Goda, 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

*Operations discontinued during the financial year ended 31st March 2024 as a part of the Company's strategic restructuring measures.

OUR FINANCIAL STRENGTH

TOTAL ASSETS

Rs. **1.5**Bn

TOTAL EQUITY

Rs. **1**Bn

REVENUE

Rs. **217**Mn

PROFIT BEFORE TAX

Rs. **100**Mn

NET ASSET VALUE PER SHARE

Rs. **174**

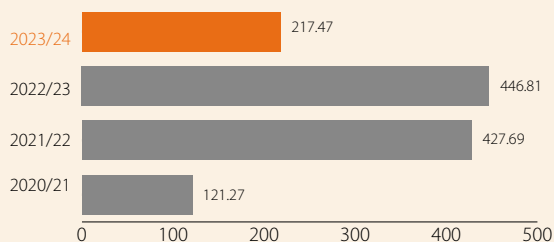
OUR EMPLOYEE BASE: 48

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.

OPERATIONAL HIGHLIGHTS

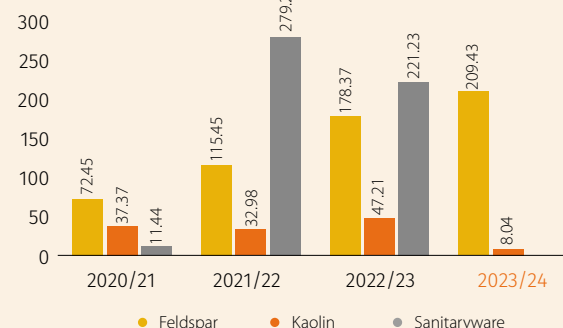
Revenue

(Rs. Mn)



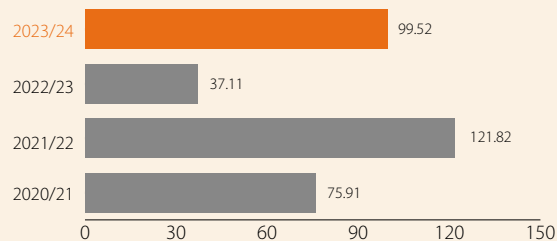
Composition of Revenue

(Rs. Mn)



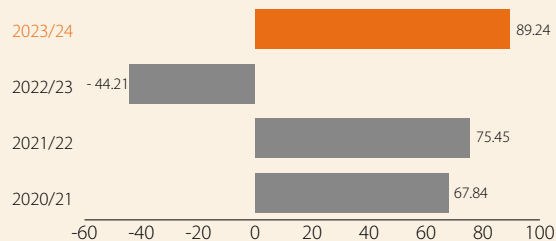
Profit before Tax

(Rs. Mn)



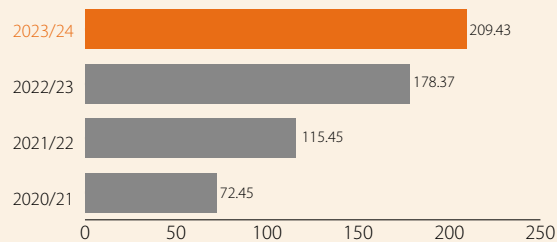
Profit After Tax

(Rs. Mn)



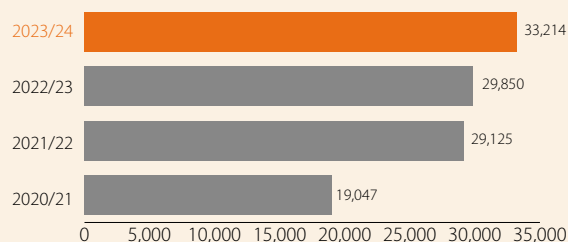
Feldspar Mine - Owala

Sales (Rs. Mn)



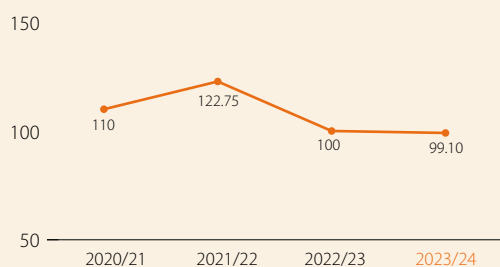
Mined Output - Owala

(MT)



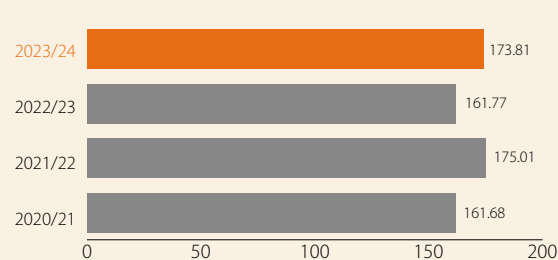
Share Price

(Rs.)



Net Asset Value Per Share

(Rs.)



FINANCIAL HIGHLIGHTS

GROUP AT A GLANCE

For the year ended 31st March	2023/24 Rs	2022/23 Rs	Variance %
PROFITABILITY			
Revenue	217,474,862	446,814,848	-51%
Gross Profit	67,967,849	94,906,648	-28%
Profit Before Tax	99,517,782	37,112,864	168%
Profit/(loss) After Tax	89,241,420	(44,209,974)	302%
FINANCIAL POSITION			
Investment Property	1,043,904,000	999,260,800	4%
Non-Current Assets	1,381,232,428	1,359,336,211	2%
Current Assets	146,104,918	272,615,540	-46%
Current Liabilities	118,927,292	314,699,908	-62%
KEY INDICATORS			
Dividend Pay-Out Ratio (%)	16.81	-	
Interest Cover (Times)	3.74	1.66	
Current Ratio	1.23:1	0.87:1	
Quick Asset Ratio	1.16:1	0.85:1	
Profit Before Tax to Revenue (%)	45.76	8.31	
SHARE PERFORMANCE			
No. of Shares	6,000,000	6,000,000	
Basic Earnings Per Share (Rs.)	14.87	(7.37)	
Market Price Per Share (Rs.)	99.10	100.00	
Dividend Per Share (Rs.)	3.70	-	



TOTAL ASSETS

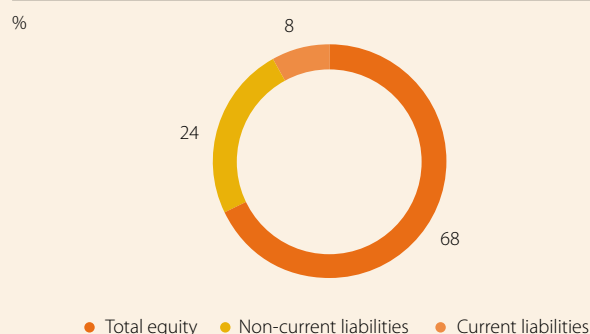
Rs.1.5Bn



REVENUE

Rs.217Mn

Composition of balance sheet funding



LEADERSHIP

REFLECTIONS FROM THE CHAIRMAN

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MANAGING DIRECTOR'S REVIEW

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REFLECTIONS FROM THE CHAIRMAN

“As we continue to re-shape ourselves in response to evolving conditions with the ultimate objective of optimizing returns to our shareholders, we draw deep strength from a number of factors unique to Lanka Ceramic PLC. Being in the same Group of the two larger tile manufacturers of Sri Lanka enables us to leverage the strengths and opportunities within the Group.”

Dear Shareholders,

It is my immense pleasure to warmly welcome you to the 33rd 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 2024. The Report reflects how we navigated a year of recovery marked by unique challenges whilst ensuring sustainable value generated to all our valued stakeholders.

OPERATING ENVIRONMENT

The Sri Lankan economy demonstrated resilience during the financial year under review, having weathered unprecedented shocks over the past few years. Inflation continued to decline in the aftermath of having reached historic highs in September 2022, stabilizing within the target mid-single digits levels. The Central Bank of Sri Lanka (CBSL) adopted relaxing monetary policy by reducing the policy rates viz. Standing Lending Facility Rate and Standing Deposit Facility Rate by seven percentage points. Resultantly market interest rates also reduced considerably. External sector performance improved with key indicators moving in the positive direction. The trade deficit reduced to USD 4,900 Mn one of the lowest levels in the Country's recent history, whilst the current account balance reached positive territories at USD 1,559 Mn. Exchange rate stabilized in the range of Rs. 325/- by end 2023 further improving to the Rs. 305/- range by the end of March 2024, however considerably higher than pre-economic crisis levels. The national economy contracted only by 2.3% during the year 2023 a notable improvement over the negative growth of 7.3% recorded in the prior year, yet far from its true potential.

At the sector level, construction sector remained under stress as the same is highly vulnerable to economic downturns, mainly due to the holdback of construction projects. The sector performance declined by 20.8% in 2023 and compared with a similar decline of 20.9% in 2022. Mining and quarrying also declined by 22.3% a clear demonstration of the challenges faced by the sector.

Macro-economic performance translated into mixed impacts on the performance of Lanka Ceramic PLC. Despite continued low demand for tiles in the market, Lanka Ceramic enjoyed healthy demand levels for Feldspar from its key customers engaged in the manufacturing of tiles. This enabled us to continue operations and maintain production capacity at intended levels at our Feldspar mine in Owala.

KEY STRATEGIC RESTRUCTURING OF OUR OPERATIONS

During the year, as a part of strategic restructuring of our operations, we implemented two major changes in our business model. Accordingly, we discontinued operations of our Kaolin mine in Meetiyagoda as the cost structures and demand levels for the mine's output were no longer viable as per our business plans. We also discontinued the importation of sanitaryware line of business, owing to high import cost of the goods and heavily reduced demand from the middle to low income target market segments which comprised our main customer base for sanitaryware. These restructuring initiatives are expected to shift the burden of losses from these operations and also allow the Company to focus on operation of the Feldspar mine in Owala and drive same towards greater efficiencies and returns.

ENDURING PERFORMANCE

With the discontinuation of two segments of our operations, which in the previous financial year made a collective contribution of 60% to total revenue, this year, our total revenue declined to Rs. 217 Mn, a year-on-year reduction of 51%. There was commensurate reduction in all costs and expenses categories, which led to a pre-tax profit of Rs. 99.5 Mn, a notable growth of 168%. Profitability at post tax level was Rs. 89.2 Mn an encouraging movement from the losses of Rs. 44.2 Mn reported in the prior year.

REFLECTIONS FROM THE CHAIRMAN

THE STRENGTH OF LANKA CERAMIC PLC

As we continue to re-shape ourselves in response to evolving conditions with the ultimate objective of optimizing returns to our shareholders, we draw deep strength from a number of factors unique to Lanka Ceramic PLC. Being in the same Group of the two larger tile manufacturers of Sri Lanka enables us to leverage the strengths and opportunities within the Group. Such strength derived has stood us in good stead through the most challenging times, in ensuring resilience and sound performance. Our dedicated staff base, their expertise and technical know-how are another major source of strength that has enabled sound performance.

A ROBUST GOVERNANCE FRAMEWORK

Lanka Ceramic PLC's time-tested governance frameworks proved invaluable as the Company persevered shocks in the external operating environment. The Board of Directors closely monitored developments in macro-economic, regulatory, political and social developments landscape and aptly assessed the impact of the same on the financial performance and operations of the Company. The collective acumen, expertise and invaluable contribution of the Board Directors in deciding on the best course of action for the Company ensured our sights and actions remained well aligned in delivering sound returns to our stakeholders. The Board was ably supported by three Board subcommittees, viz., Audit Committee, Remunerations Committee and Related Party Transactions Review Committee, which meticulously delivered on their set mandates.

EXPECTATIONS FOR BRIGHTER DAYS AHEAD

The Sri Lankan economy is anticipated to sustain its recovery and reach its potential in the coming years, supported by improved macroeconomic stability. With the continuous implementation of ambitious reforms and economic adjustments backed by the International Monetary Fund's (IMF) Extended Fund Facility (EFF) program, stability is expected across various fronts. We are however also cognizant of the persisting risks and challenges in the short-term, including high costs of our operations and our limited production capacities. In such a scenario in the near to medium term we will explore the possibilities of finding new mines to supply ball clay and other mineral where our expertise can be utilized and expanding our product range. We will also continue to consolidate our position and streamline our processes so as to be future-ready to take bold moves ahead, when the macro economic conditions warrant such moves.

ACKNOWLEDGMENT

I wish to express my sincere thanks to the fellow Board members for their individual and collective contribution in guiding Lanka Ceramic PLC ahead. I also wish to extend my deep appreciation to the Managing Director Mr. J.A.P.M. Jayasekera for his leadership and the entire Lanka Ceramic team for their continued support. I also take this opportunity to extend my gratitude and appreciation to the shareholders, customers and all other stakeholders who partner us in our mutual success and growth.



A.M. Weerasinghe
Chairman

30th May 2024

MANAGING DIRECTOR'S REVIEW

“The effects of lingering macro-economic challenges compelled us to re-strategize our course of business, which we achieved fastidiously, thereby ensuring the most optimum results to connected stakeholders.”

Dear Stakeholders,

It is my absolute pleasure to reach out to you at the conclusion of yet another financial year during which Lanka Ceramic PLC demonstrated agility and affirmed its resilience. The effects of lingering macro-economic challenges compelled us to re-strategize our course of business, which we achieved fastidiously, thereby ensuring the most optimum results to connected stakeholders.

As was elaborated in the Reflections from the Chairman on page 07, we discontinued two of our business operations, viz., the Kaolin mine in Meetiyagoda and importation of sanitaryware. These were the most prudent strategic courses of action to be adopted given the high cost structure, subdued demand and resultant losses the business operations were reporting.

ANALYSIS OF PERFORMANCE

Stemming from the aforementioned strategic business restructuring, total revenue of the Group posted a dramatic reduction by 51% to Rs. 217.5 Mn for the financial year ended 31st March 2024. It is however encouraging to note, that revenue from the Feldspar mine in Owala increased by 17% compared to the prior financial year. Enhanced performance in the Feldspar mine is attributable to the twin factors of consistently healthy demand levels from our key buyers throughout the year and increased output generated from the Feldspar Sorting Machine installed during the previous financial year. Additionally, the Company benefited from the fair value gain on its investment property situated at Galle Road Colombo 03, netting Rs. 44.6 Mn. Other income, comprising a range of miscellaneous income sources was Rs. 56.8 Mn, an increase of 9% over the prior year. Of these, the most significant was rental income earned from the investment property of Rs. 37.9 Mn for the year.

Our key costs posted corresponding reduction on a YoY basis, with selling and distribution expense reducing by 44% to Rs. 14.1 Mn and administrative expenses reducing by 41% to Rs. 40.3 Mn. Finance expenses took a similar downward trajectory, attributable to the dual factors of considerable reduction in interest bearing liabilities viz., borrowing and overdrafts and the overall reduction in market interest rates. Accordingly, finance expenses reduced by 35% to Rs. 36.3 Mn. Overall income was further bolstered by interest income of Rs. 20.9 Mn, which however was a reduction of 43% on a YoY basis.

The resultant pre-tax profitability of the Group was Rs. 99.5 Mn, a 168% increase over the prior year. Post tax profitability was Rs. 89.2 Mn an encouraging movement from post-tax losses reported in the prior year. Accordingly, the Group generated a return on equity of 9% and an earnings per share of Rs. 14.87 to our shareholders. Total assets of the Company closed in at Rs. 1.52 Bn with a net assets value per share of Rs. 173.81.

We paid an interim dividend of Rs. 2.50 per share in April 2024 and are pleased to announce a final dividend of Rs. 1.20 per share to be paid after shareholder's approval in delivering our commitment to enhanced shareholder value creation.

CONSISTENT VALUE GENERATED TO OUR STAKEHOLDERS

During the year, we made every effort to deliver meaningful value to our key stakeholders. We ensured a consistent supply of quality raw material to our customers all year round. Lanka Walltiles PLC and Lanka Tiles PLC remained to be our predominant customers, who collectively accounted for over 91% of our output. We take pride in being one of their major raw material suppliers and in powering their value chain, thereby enabling them to sustain respective market leader positions. We also ensured the all-round well-being of our employees via various modes. Interests of our suppliers of numerous inputs were safeguarded with timely payments and honouring contractual obligations. The tenants of our investment property also continued to benefit from the commercial and strategic significance of its location at No. 696, Galle Road, Colombo 03.

MANAGING DIRECTOR'S REVIEW

ENVIRONMENTAL RESPONSIBILITY

Given the substantial impact our business operations leave on the environment, we exercise extreme care and diligence on how we manage such environmental impact. The Meetiyagoda Kaolin mine where we discontinued operations during the year was subject to all required protocols when discontinuing operations. The installation of the Sorting Machine at the Feldspar mine in Owala during the previous financial year at a cost of Rs. 159 Mn continues to fortify our environmental commitment by enhancing the extraction levels of minerals thereby reducing waste and prolonging the lifespan of the mine. Furthermore, our mining operations are systematic, streamlined and in full compliance with all applicable laws and regulations on a consistent basis, which ensures that all interests of connected stakeholders are protected.

WAY FORWARD

Post restructuring of operations, our strategic priorities are now concentrated on the functioning of the Feldspar mine in Owala, franchise partnership with Lanka Tiles PLC engaged in sale of tiles and investment property management. We will continue to harness strength from these operations and optimize their contribution to Company profitability. Additionally, we will continue to expand our mining activities with planned commencement of operations at the new mine in Akuressa. All preliminary work towards the functioning of this mine, including obtaining regulatory clearances are duly underway towards envisaged commencement of operations during the 2024/25 financial year. Lanka Ceramic PLC will exclusively function the mine given its expertise, which is jointly owned by a consortium of Group Companies.

APPRECIATION

Perseverance, dedication and agility were some of the most outstanding traits that Lanka Ceramic PLC demonstrated through the year. The successes recorded, notwithstanding the unique challenges were made possible by diverse stakeholder groups who have partnered us in our mission. My gratitude goes out to the Chairman and fellow Board Directors for their leadership, counsel and seamless alignment with the management in guiding the Company forward. I remain deeply thankful to the management team and the entire Lanka Ceramic team for their untiring contribution in enabling the achievement of our various strategic aspirations. I also appreciate the continued trust and confidence our shareholders, customers, and all other stakeholders have placed in us over the years.



J.A.P.M. Jayasekera
Managing Director

30th May 2024

BOARD OF DIRECTORS

MR. A.M.WEERASINGHE

Chairman - Non-Executive

Mr. Weerasinghe is the Founder of Royal Ceramics Lanka PLC in 1990 and presently the Deputy Chairman of the Company. A Gem Merchant by profession he 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 Lanka Tiles PLC, Lanka Walltiles PLC, Singhe Hospitals PLC, Weerasinghe Property Development (Pvt) Ltd., Trade Huts (Pvt) Ltd. and Weerasinghe Gems (Pvt) Ltd.. He also serves as a Director of Swisstek (Ceylon) PLC and Swisstek Aluminium Limited.

Total No. of Directorships held - Seventeen

Executive Directorships - Royal Ceramics Lanka PLC, Rocell Bathware Limited and Singhe Hospitals PLC

Non-Executive Directorships - Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramic PLC, Tradehuts (Pvt) Ltd, Weerasinghe Gems (Pvt) Ltd., Weerasinghe Property Development (Pvt) Ltd., Ever Paint and Chemical Industries (Pvt) Ltd., Swisstek (Ceylon) PLC, Swisstek Aluminium Limited, Biscuit and Chocolate Company Ltd., Rocell Properties Limited, Royal Ceramics Distributors (Pvt) Ltd., CP Holdings (Pvt) Ltd. and LC Plantation Projects Limited.

MR. J.A.P.M. JAYASEKERA

Managing Director - Executive

Mr. 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 served as both Executive and Non-Executive Director of many other listed and unlisted Companies. He is also the President of the Colombo Young Men's Buddhist Association (YMBA).

He has an honours degree in Business Administration from the University of Sri Jayewardenepura and is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He holds a Master of Arts in Buddhist Studies from the University of Kelaniya.

He joined Lanka Ceramic PLC as a Director on 01st October 1997 and was appointed as the Managing Director on 01st November 2017 and continues to hold the same position at present.

Total No. of Directorships held - Sixteen

Executive Directorships - Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek (Ceylon) PLC, Lanka Ceramic PLC and Swisstek Aluminium Limited.

Non-Executive Directorships - Unidil Packaging Limited, Unidil Packaging Solutions Ltd, LWL Development (Pvt) Ltd., Beyond Paradise Collection Ltd, MN Properties (Pvt) Ltd., LTL Development Ltd., Swisstek Development (Pvt) Ltd., LW Plantation Investments Ltd., CP Holdings (Pvt) Ltd., LC Plantation Projects Limited and Swisstek Investments (Pvt) Ltd..

MR. THARANA THORADENIYA

Non-Executive Director

Mr. Tharana Thoradeniya has over two decades of senior management experience across diverse industries. He is currently the Group Director Marketing and Business Development at Royal Ceramics Lanka PLC and holds directorial positions in several prominent companies, including public listed entities such as Lanka Walltiles PLC and Lanka Tiles PLC. Additionally, he serves as a Director of Delmege Ltd., Vallibel Plantation Management Ltd., Dipped Products (Thailand) Ltd., Unidil Packaging (Pvt) Ltd., Fentons Ltd and Swisstek Aluminium Ltd., among others.

Recognized as a pioneer in business innovation, Mr. Thoradeniya's expertise spans in various sectors. He is a Chartered Marketer certified by the Chartered Institute of Marketing (UK), distinguishing himself as a skilled professional in marketing strategies and practices.

Total No. of Directorships held - Fourteen

Executive Directorships - Royal Ceramics Lanka PLC and Rocell Bathware Limited.

Non-Executive Directorships - Lanka Ceramic PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Fentons Limited, Greener Water Ltd, Biscuits and Chocolate Company Ltd., Rocell Properties Ltd., Royal Ceramics Distributors (Pvt) Ltd., Swisstek Aluminium Limited, Delmege Limited, Unidil Packaging Limited and Vallibel Plantation Management Limited.

BOARD OF DIRECTORS

MR. K.D.G. GUNARATNE

Independent Non-Executive Director

Mr. Gunaratne presently serves as Chairman of Lanka Hotels and Residencies (Pvt) Ltd (Sheraton Colombo) and Urban Investments and 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.

Previously he has served as the Vice Chairman of the National Water Supply and Drainage Board and was a member of the Western Provincial Council from 1989 to 2009.

Total No. of Directorships held - Nine

Executive Directorships - Non

Non-Executive Directorships - Lanka Hotels and Residencies (Pvt) Ltd. (Sheraton Colombo), Swisstek (Ceylon) PLC, Dipped Products PLC, Lanka Walltiles PLC, Horana Plantations PLC, Lanka Ceramic PLC, SLIT International (Pvt) Ltd., Lanka Tiles PLC and Hayleys PLC.

MS. A.M.L. PAGE

Independent Non-Executive Director

Ms. Anjalie Page holds a BSc (Honours) 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.

Her career includes working extensively in Sri Lanka and overseas in financial services and humanitarian development industries focusing on strategy, project management, stakeholder management and marketing. She is also a Board member of Public Listed Companies – Lanka Walltiles PLC and Lanka Tiles PLC.

Total No. of Directorships held - Three

Executive Directorships - Non

Non-Executive Directorships - Lanka Tiles PLC, Lanka Walltiles PLC and Lanka Ceramic PLC.

MR. J.D. NIHAL KEKULAWALA

Independent Non-Executive Director

Mr. Nihal Kekulawala has held senior positions in 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. Kekulawala is a fellow of the Institute of Chartered Accountants in England & Wales, a fellow of the Institute of Chartered Accountants of Sri Lanka and a fellow of the Chartered Institute of Bankers in England. He holds an MBA from the University of Manchester.

Total No. of Directorships held - Ten

Executive Directorships - Non

Non-Executive Directorships - Pan Asia Banking Corporation PLC, Kassapa Leisure Ltd., Jayscope (Pvt) Ltd., AMW Capital Leasing and Finance PLC, Imani Holdings (Pvt) Ltd., Lanka Ventures PLC, LVL Energy Fund Ltd., Lanka Walltiles PLC, Softlogic Holdings PLC and Lanka Ceramic PLC.

MR. D.J. SILVA

Independent Non-Executive 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, Mr. Silva 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..

Total No. of Directorships held - Three

Executive Directorships - Non

Non-Executive Directorships - Delmege Limited, Lanka Ceramic PLC and Rocell Bathware Ltd..

MR. S.M. LIYANAGE

Non-Executive Director

Mr. Sameera Madushanka Liyanage is a respected professional with over 11 years' experience and a record for exceptional performance. Mr. Liyanage has demonstrated transformational leadership in business transformation for the Companies under the Vallibel One PLC Group. He is the Managing Director of Unidil Packaging Limited.

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 the University of Kelaniya. He also 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 is also a Director of Royal Ceramics Lanka PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek Aluminium Limited and Horana Plantations 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.

Total No. of Directorships held – Seven

Executive Directorships - Uni Dil Packaging Limited

Non-Executive Directorships - Royal Ceramics Lanka PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Lanka Ceramic PLC, Swisstek Aluminium Limited and Horana Plantations PLC.

MR. M.W.R.N. SOMARATNE

Non-Executive Director

Mr. M.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 is responsible for the manufacturing operations of the Group.

Mr. Somaratne served in Ansell Lanka (Pvt) Ltd and in Central Engineering Consultancy Bureau (CECB) before joining Royal Ceramics Lanka PLC in 1993. He 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 an 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.

Total No. of Directorships held - Four

Executive Directorships - Non

Non-Executive Directorships - Hayleys Fabric PLC, Lanka Walltiles PLC, Ever Paint and Chemical Industries (Pvt) Ltd and Lanka Ceramic PLC.



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MANAGEMENT DISCUSSION AND ANALYSIS



OPERATING ENVIRONMENT

Throughout the financial year, the Sri Lankan economy displayed signs of recovery after enduring prolonged economic challenges due to numerous internal and external shocks. Concurrently, various aspects of the operating environment evolved, presenting both opportunities and threats to Lanka Ceramic PLC's operations. The Company demonstrated agility in recognizing these shifts, adjusting its strategy to mitigate potential risks, and strategically allocating resources to capitalize on available opportunities, thereby creating value.

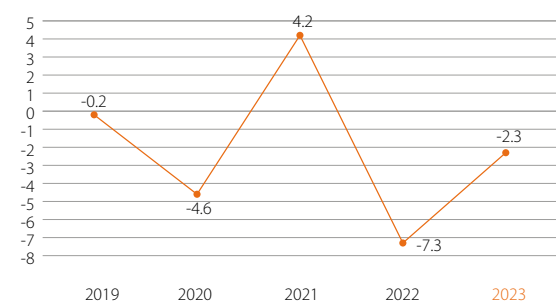
MACRO-ECONOMIC ENVIRONMENT

KEY INDICATORS

GDP growth

Stimulated by the CBSL's relaxing monetary policies and easing inflation, Sri Lanka's GDP growth entered positive territories during the third quarter of 2023 ending deep contraction, with growth recorded in all three sectors of Services, Industries and Agriculture. However on a yearly basis, GDP recorded a 2.3% contraction in 2023.

Annual GDP Growth

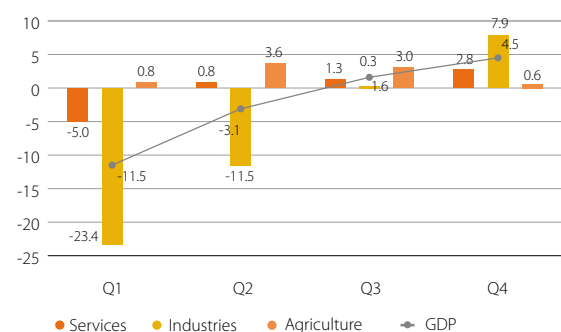


Construction and mining sector performance

Construction sector continued to face pressure, being particularly susceptible to economic downturns, primarily due to project delays. The sector experienced a decline in performance by 20.8% in 2023, similar to the 20.9% decline observed in 2022.

Similarly, the mining and quarrying sector also saw a decrease of 22.3%, highlighting the persistent challenges encountered by the industry.

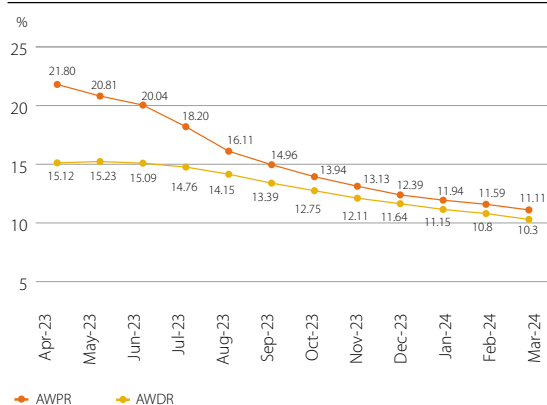
Quarterly GDP Growth Q1 - Q4 2023



Interest rates

The Central Bank of Sri Lanka (CBSL) relaxed its monetary policy commencing June 2023 and during the financial year ended 31st March 2024, the CBSL reduced the two main policy rates of Standing Deposit Facility Rate and Standing Lending Facility Rate by seven percentage points closing in at 8.50% and 9.50% respectively. Government security rates and commercial bank lending and deposit rates followed the macro rate directions and saw considerable reductions by the end of the financial year.

Commercial bank lending and deposit rates



EXTERNAL SECTOR STABILITY

Exchange Rate

The Sri Lankan rupee continued on its appreciating trend with a 7.6% appreciation against the US dollar during the year up to 28 March 2024. The Sri Lankan rupee also appreciated against other major currencies, such as the euro, the pound sterling, the Japanese yen, the Indian rupee, and the Australian dollar during the same period. Monthly average exchange rate for March 2024 was Rs. 305.66 for USD, the second lowest since the economic crisis in March 2022. The relative stabilization of the exchange rate allowed greater confidence in planning for businesses.

Gross official reserves

Gross official reserves continued to improve throughout the year. The merchandise trade deficit contracted during 2023 reaching one of the lowest levels in the past 15 years, resulting from lower expenditure on merchandise imports. Worker remittances which reached USD 6.0 Bn and earnings from tourism which reached USD 2.1 Bn bolstered gross official reserves, and the trend is expected to continue.

Impact

- ▶ Dis-inflationary movement easing pressure on cost of raw material and other inputs
- ▶ Lowering interest rates lifting pressure on cost of borrowed funds and benefiting overall cost of capital
- ▶ Gradual uptick in the economy stimulating more demand and enhanced repayment capacities across all customer segments

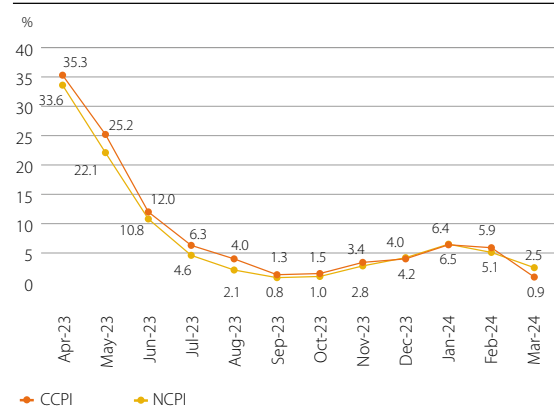
Company response

- ▶ The Company attuned its operations to leverage evolving favourable conditions thereby achieve greater cost reductions and strengthen the overall performance of the Company.

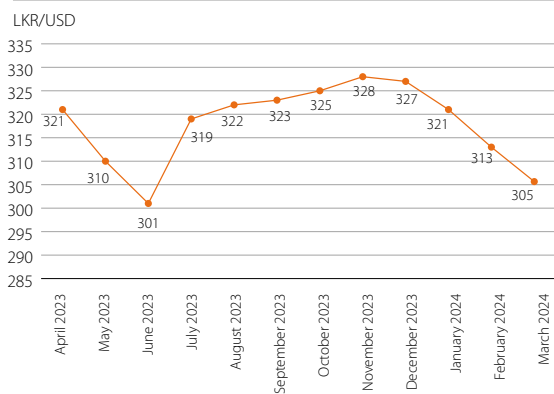
Inflation

Continued to ease out through the year in the aftermath of having reached historic highs in latter part of 2022. Inflation also ranged within the target mid-single digits level bringing in greater confidence on broader price levels within the economy.

Headline inflation



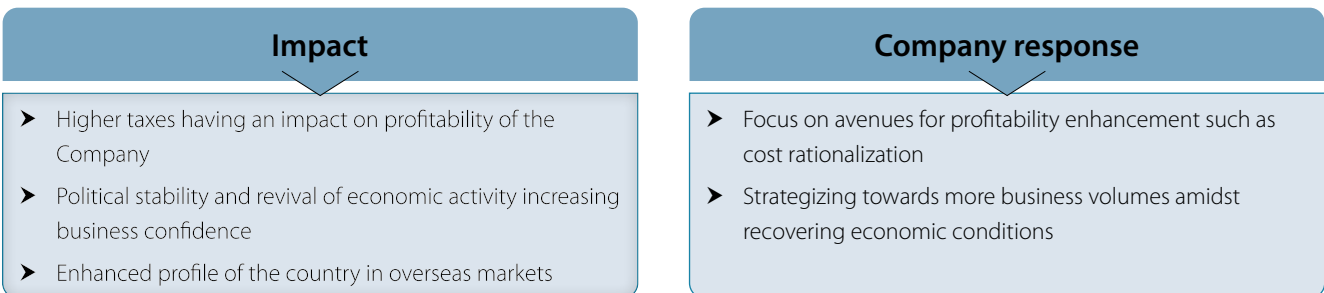
Monthly average exchange rate



MANAGEMENT DISCUSSION AND ANALYSIS

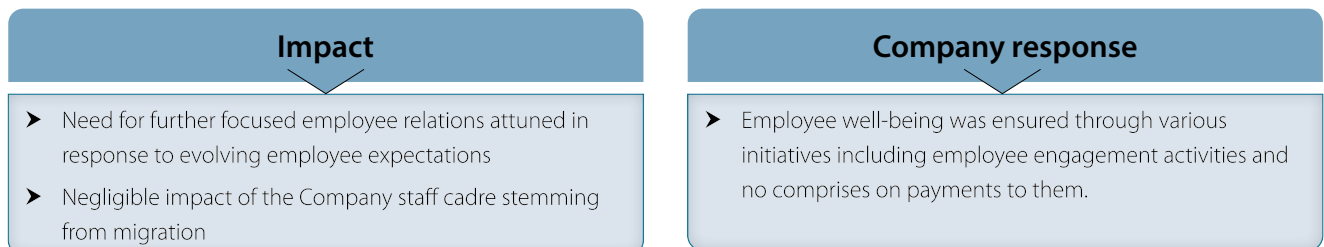
POLITICAL STABILITY AND GOVERNMENT POLICIES

The year under review was notable for political stability compared to the prior year. The monetary policy was effectively deployed in controlling key economic indicators, with the contractionary policy approach adopted ending in June 2023, given positive movement and stabilisation of inflation. The fiscal policy focused on enhancing fiscal revenue with upward revisions introduced to taxes applicable. The Government of Sri Lanka secured major foreign inflows during the year, including the second tranche of the Extended Fund Facility of the International Monetary Fund amounting to USD 337 Mn and other credit lines from the World Bank and the Asian Development Bank. Funds thus received have been channelled towards reviving various sectors of the economy.



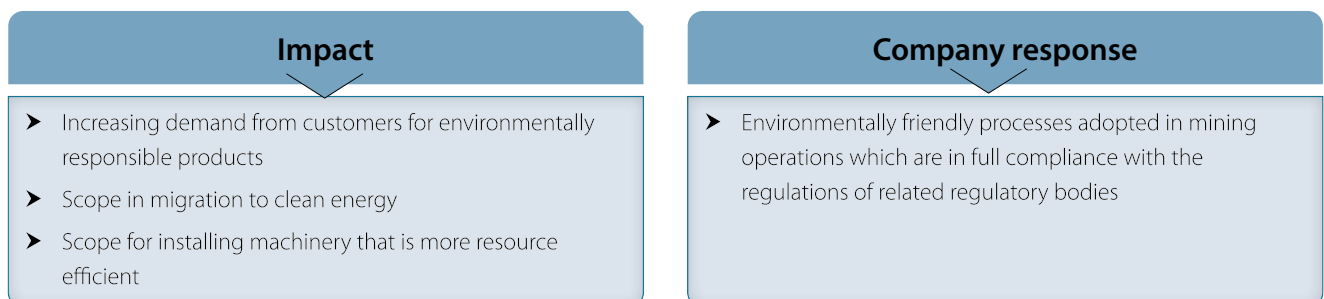
EVOLVING EMPLOYEE EXPECTATIONS

With the hardships faced by the economic crisis employee concerns were mostly concentrated on job security and certainty in remunerations and benefits. Mental well-being was also a key concern as employees were subject to various challenges stemming from high cost of living. The Country also continued to experience migration of labour to foreign countries in pursuit of more lucrative employment opportunities and better living conditions.



CLIMATE CHANGE

Businesses around the world are grappling with the impact of climate change in varying degrees. Impact could be direct, such as physical damage and closure of business from extreme and erratic weather conditions like floods, droughts, bushfires, etc. Indirect effects can include such weather conditions disrupting supply chain thereby affecting continuity of business operations. Additionally, businesses are coming under increased scrutiny to reduce their carbon footprint, reduce waste and align operations to environmentally friendly means.





FINANCIAL CAPITAL

During a year marked by unique challenges the Group continued to provide sustained, risk-adjusted returns to its shareholders through enhanced profitability and dividends.

Revenue and profitability

For the year ended 31st March	2023/24 Rs.000	2022/23 Rs.000	YoY change
Revenue	217,475	446,815	-51%
Cost of sales	(149,507)	(351,908)	-58%
Gross profit	67,968	94,907	-28%
Fair value gain on investment property	44,643	3,573	1,150%
Other income	56,765	51,954	9%
Selling and distribution costs	(14,085)	(25,187)	-44%
Administrative expenses	(40,341)	(68,790)	-41%
Finance expenses	(36,343)	(56,238)	-35%
Finance income	20,912	36,895	-43%
Profit before tax	99,518	37,113	168%
Income tax expense	(10,276)	(81,323)	-87%
Profit for the year	89,241	(44,210)	302%

Revenue

Stemming from the strategic restructuring of the Group's operations which saw operations in Kaolin mine in Meetiyaogoda and sanitaryware importation ceased during the year, revenue recorded a considerable reduction of 51% to Rs. 217.5 Mn compared to the previous financial year. Contribution to total revenue from the continuing Feldspar operation increased by 17% attributable to process efficiencies installed at the Feldspar mine in Owala, and also consistent demand for the product throughout the year. Mined output of the Feldspar mine increased to 33,214 MT in 2023/24 from 29,850 MT in the prior year. Kaolin operations made a marginal contribution of Rs. 8 Mn, before being discontinued in July 2023, whilst contribution from the sanitaryware arm was zero.

The 51% reduction in the revenue is a close reflection of the fact that in the previous year, 49.5% of the revenue was originated by the sanitaryware arm.

During the year prices of Feldspar and Kaolin remained unchanged.

Rs. **217.5** Mn

REVENUE

Rs. **99.5** Mn

PROFIT BEFORE TAX

Rs. **89.2** Mn

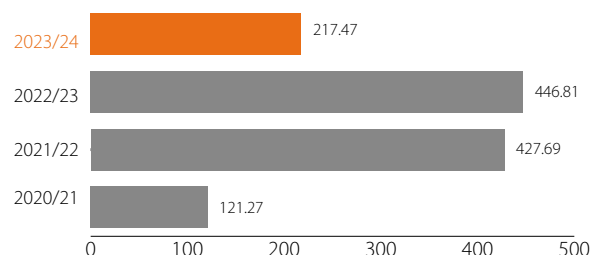
PROFIT AFTER TAX

Rs. **44.6** Mn

FAIR VALUE GAIN ON INVESTMENT PROPERTY

Revenue

(Rs. Mn)



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL CAPITAL

Cost of sales

In tandem with reduced operations and sales volumes, cost of sales declined by 58% to Rs. 149.5 Mn. Gross profit margin for the year was 31% compared with 21% of the prior year.

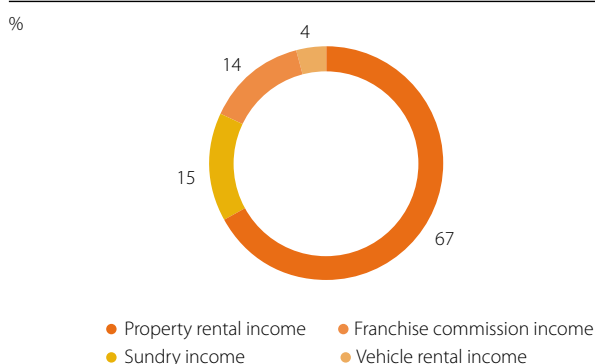
Fair value gain on investment property

This income category recorded a marked improvement of 1,150% to Rs. 44.6 Mn on account of the revaluation of the investment property including land and building in Galle Road, Colombo 03, of an extent of 1R - 1.12 P. Additionally, rental income earned from this investment property during the year amounted to Rs. 37.86 Mn. (2023 - Rs. 37.31 Mn). This investment property continues to yield the Group a consistent source of income immune to macro-economic challenges.

Other income

This comprised a number of other income categories all of which recorded a growth over the prior year of 9%, netting Rs. 56.8 Mn.

Composition of Other Income



Expenses

Selling and distribution expenses and administrative expenses both declined during the year, again attributable to the cessation of operations of the Kaolin mine and sanitaryware arm as previously mentioned. The decline is also partly attributable to the strong cost disciplines maintained across the Group in both capital and discretionary expenses.

Finance expenses

Finance expenses reported a notable decline of 35%, benefitting overall profitability of the Group in a year of negative top line growth. Reduction in finance expenses was driven by two major factors, one the considerable reduction in interest rates in the market as elaborated under the operating environment and two, the considerable reduction in the interest bearing liabilities of the Group. The resultant finance expenses was Rs. 36.3 Mn.

As at 31st March	2024 Rs.000	2023 Rs.000	YoY decline
Interest bearing liabilities	8,520	183,034	-95%
Bank overdraft	56,858	102,048	-44%

Accordingly, interest cover improved to 3.74 (times) from 1.66 (times) in the prior year.

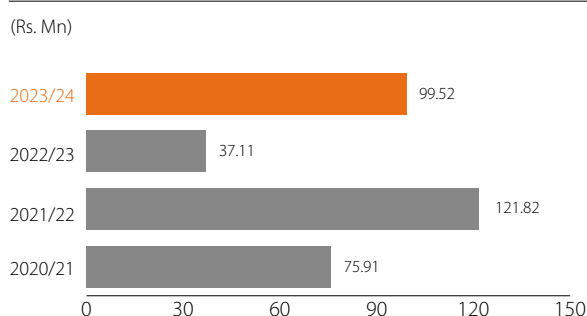
Finance income

This income category reported a YoY decline to Rs. 20.9 Mn predominantly attributable to the reduction in market interest rates.

Profitability and taxation

Pre-tax profit for the year was Rs. 99.5 Mn, an encouraging growth of 168% from the prior year. This led to a deferred income tax expense of Rs. 10.3 Mn and an effective deferred tax rate of 10%. Resultant post tax profitability was Rs. 89.2 Mn, again a notable achievement, which compares with a net loss of Rs. 44.2 Mn in 2023.

Profit before Tax



Balance sheet performance

Assets

Total assets recorded a decline of 6% to close in at Rs. 1.5 Bn. Decline in property, plant and equipment and current assets mainly drove the dip in total assets. The increase in investment property by 4% is on account of the revaluation of the property in Colombo 03 as previously discussed.

As at 31st March

2024 **2023**

6% **29%**

GEARING RATIO

As at 31st March

2024 **2023**

RS.174 **RS.162**

NET ASSETS VALUE PER SHARE

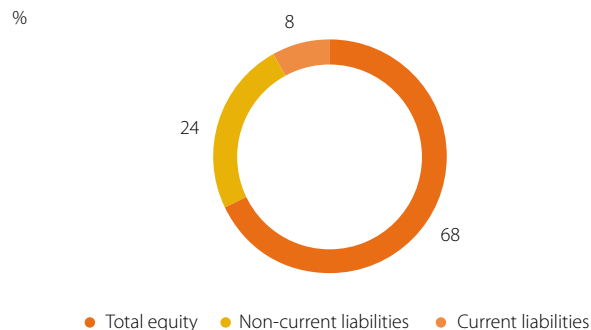
As at 31st March	2024 Rs.000	2023 Rs.000	YoY change
Total assets	1,527,337	1,631,952	-6%
Non-current assets	1,381,232	1,359,336	2%
Property, plant and equipment	269,422	303,409	-11%
Investment property	1,043,904	999,261	4%
Other equity investments	67,907	56,667	20%
Current assets	146,105	272,616	-46%
Inventories	8,304	5,912	40%
Trade and other receivables	135,316	261,988	-48%
Cash and cash equivalents	2,485	4,716	-47%

Balance sheet funding

As at 31st March	2024 Rs.000	2023 Rs.000	YoY change
Total equity	1,042,859	970,609	7%
Total liabilities	484,479	661,343	-27%
Non-current liabilities	365,551	346,643	5%
Current liabilities	118,927	314,700	-62%

The Group continued to be well capitalized with 68% of the funding coming from equity capital. Total equity crossed the Rs. 1.0 Bn mark during the year with a 7% YoY growth. Retained earnings drove total equity with a total retained earnings value of Rs. 497.2 Mn, a 18% YoY growth.

Composition of balance sheet funding



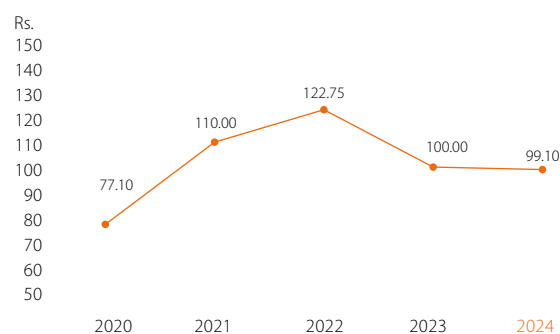
Total liabilities saw a reduction of 27% to Rs. 485 Mn, mainly driven by the payoff of non-current interest bearing liabilities and considerable reduction in current interest bearing liabilities and bank overdrafts.

Shareholder return metrics

Given healthy profits, the Group was able to generate sound returns to the shareholders.

Key shareholder return indicator	2023/24	2022/23
ROE - %	9%	-5%
Earnings per share – Rs.	14.87	-7.37
Pre-tax ROA - %	7%	2%
Net asset value per share – Rs.	173.81	161.77
Closing share price – Rs.	99.10	100
Price to book value	0.57	0.62
Price earning (PE) ratio - Times	6.66	-
Dividend per share	3.70	-
Dividend payout ratio	16.81%	-

Share Price Movement





HUMAN CAPITAL



Team strength
48 employees

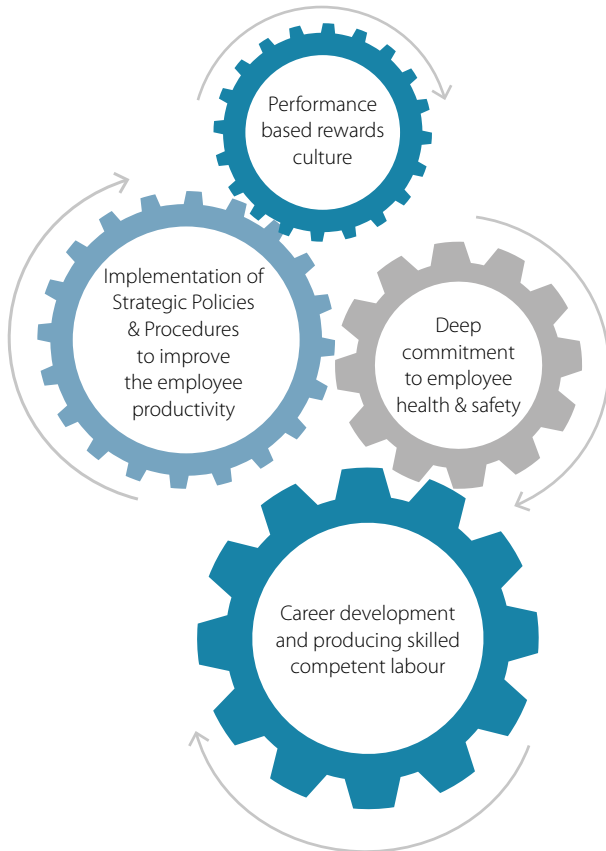
Our philosophy in caring for our team

- 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

Lanka Ceramic Code of Conduct

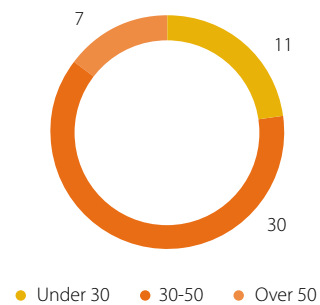
Lanka Ceramic Code of Conduct is the formal document that conveys our ethical expectations to guide our employees' behaviour towards their colleagues, supervisors and the Company in alignment with our values. The Code outlines that employees should always uphold the Company's standards by acting ethically 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.

Key cogs in ensuring a rewarding workplace to our employees



Team profile

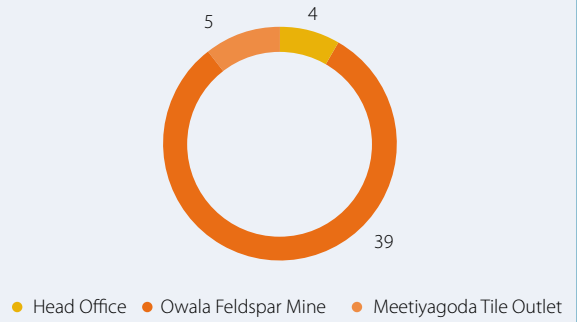
Employees by age group



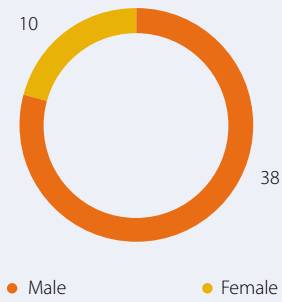
Employees by Designation



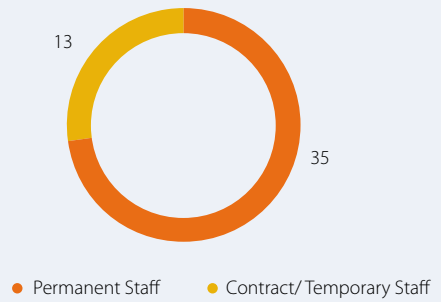
Employees by Location



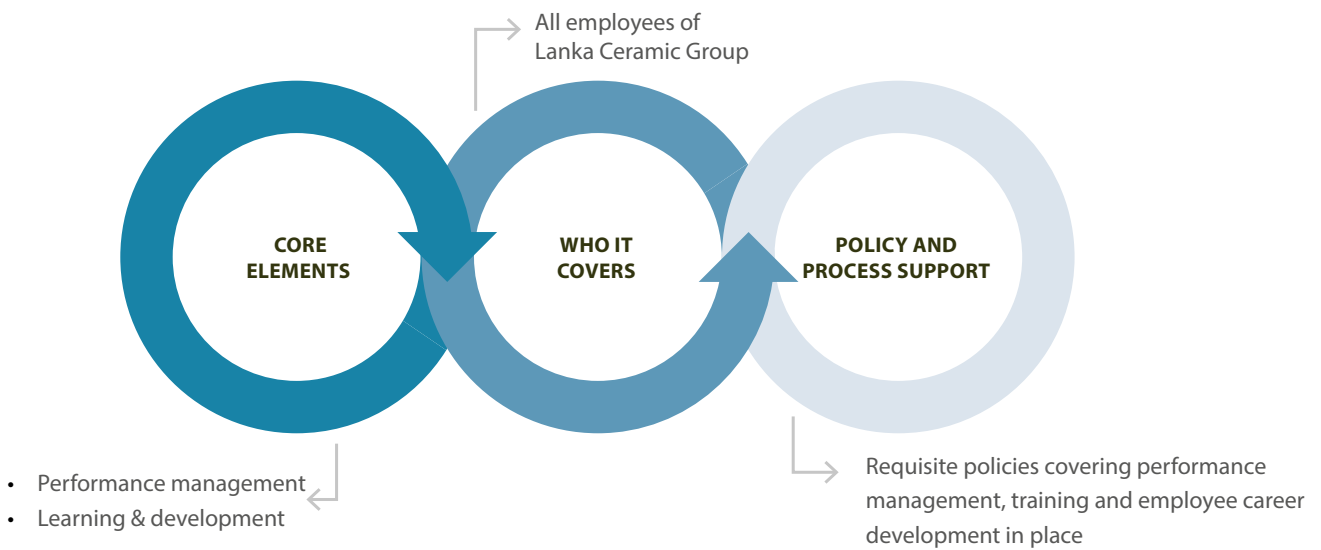
Employees by Gender



Employees by Category



TALENT MANAGEMENT



MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN CAPITAL

Talent attraction, management and development

At Lanka Ceramic Group, we understand that our success hinges on having the appropriate individuals in the correct positions at the appropriate times. Our recruitment procedures adhere to a comprehensive Company-wide policy centered on principles of fairness and equity. Vacancies are filled through internal lateral moves or external hires as appropriate.

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 training

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.

The Group 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.

Types of training we provide

- ▶ Sales training to our staff at the Lanka Tiles sales outlet
- ▶ Fork-lift, excavators, other heavy machinery operations training linked to NVQ certifications offered by qualified parties
- ▶ Mining operations covering the full process commencing from blasting of mine to end output generation
- ▶ Training on safety, first-aid aspects

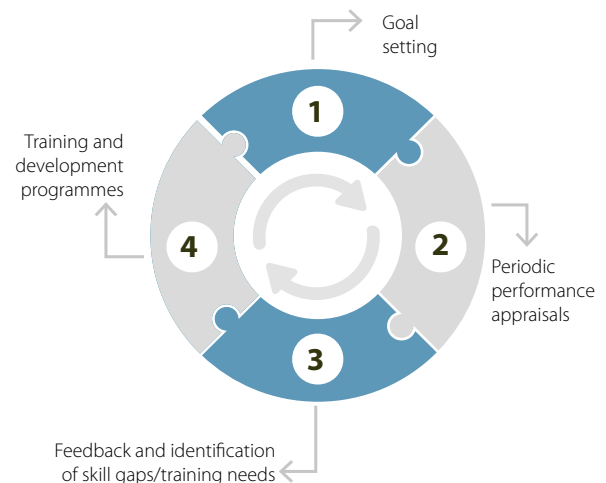
Our trainings comprise both on the job training and other modes of training, and trainings are strongly aligned in converting unskilled labour into skilled and competent human resources

PERFORMANCE MANAGEMENT

At Lanka Ceramic Group, our performance management system aims to foster an environment where employees can actively contribute to achieving organizational and career development goals. Both Executive and Non-Executive staff engage in the Company's annual performance management process, which is underpinned by continuous, regular feedback and transparent communication between managers and team members. This approach has enhanced the management's ability to recognize, acknowledge, and reward individual contributions, while also empowering employees to take ownership of their career progression.

The performance management process at the Group follows a structured framework characterized by open discussions between employees and supervisors, facilitating constructive feedback to support the employees' learning and development journey.

Annual performance appraisal cycle

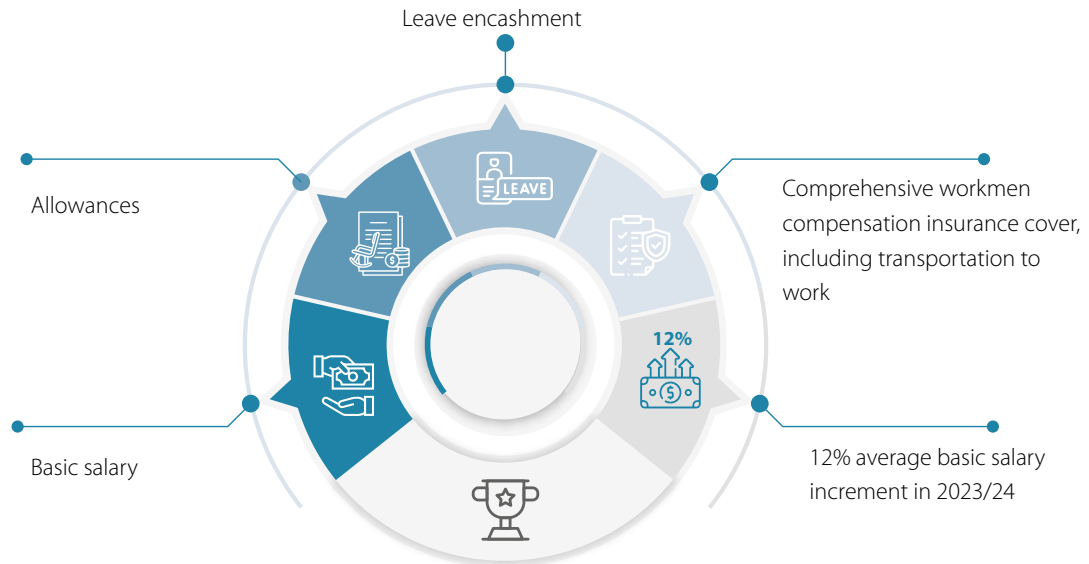


Number of promotions during the year - 06



EMPLOYEE BENEFITS

Our employees are extended following benefits in ensuring their financial well-being



EQUAL OPPORTUNITIES, GENDER DIVERSITY AND INCLUSIVITY

The Group upholds its commitment as an equal opportunity employer, fostering a work culture characterized by inclusivity, diversity, and respect for all employees from various backgrounds. We ensure that employees with similar job responsibilities receive equitable pay and benefits, regardless of gender, regularly reviewing and updating our compensation and benefit plans to maintain competitiveness with market standards. Moreover, we strive to cultivate an inclusive workplace that embraces individuals with diverse values, motivations, and skills, irrespective of gender, race, nationality, or physical disability.

We are dedicated to cultivating a diverse talent pool and continually enhancing our HR policies and procedures to ensure all employees receive fair and equitable treatment within a supportive environment. Our policy framework encompasses equal opportunity, anti-sexual harassment measures, and a specialized grievance handling system, all aimed at promoting diversity and gender parity.

WORKPLACE HEALTH AND SAFETY

The Group maintains a robust health and safety policy aimed at providing a hazard-free environment for all employees. Throughout the year, the following initiatives were undertaken in line with occupational health and safety standards and included sufficient medical and insurance coverage:

1. Distribution of personal protective equipment to mitigate workplace hazards
2. Conducting risk assessments to ensure compliance with government regulations pertaining to health and safety
3. Organization of safety committee meetings involving employees and line managers to uphold employee safety standards consistently
4. Conducting training on safety related aspects including fire training and first-aid

These measures were implemented to prioritize the well-being and safety of our workforce, aligning with our commitment to maintaining a secure and healthy work environment.



MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN CAPITAL

Our unblemished track-record on work place safety

- ▶ Full compliance with applicable statutes around employee safety and health and work place safety
- ▶ Voluntary adoption of specifications coming under ISO standards although processes are yet to be ISO certified
- ▶ Facilitation and support extended to Government officials who are present in factory premises for safety audits
- ▶ Zero fatalities in the past forty years
- ▶ Incidents of any nature, including near-misses captured in an incidents registry and data used for learning and future improvements

EMPLOYEE ENGAGEMENT INITIATIVES

Camaraderie and togetherness are promoted among the closely knitted team of the Group 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.

TRADE UNION RELATIONSHIPS

The Company does not have any collective bargaining agreements in place. There is cordial relationship between the staff members and the Management. The open door policy allows the employees to reach out to Management at any time, concerning any matters. Employees are consulted and their views are heard when implementing critical initiatives in the Company.





◀◀ WAY FORWARD ▶▶

Expectations on the macro-economic performance of Sri Lanka

- **Stable Economic Growth:** Sri Lankan economy is set to achieve stable and sustainable economic growth, supported by increased investment, productivity, and consumption under the International Monetary Fund's Extended Fund Facility netting USD 3 Bn.
- **Inflation Control:** Measures to control inflationary pressures, ensuring that prices remain stable and affordable for consumers will be a prime focus for the regulators. Inflation is expected to remain in mid-single digits as a result of decisive policy intervention.
- **Market interest rates:** The Central Bank of Sri Lanka (CBSL) will closely monitor economic indicators and decide on interest rates depending on various factors, including global economic trends and domestic financial stability. Interest rates are expected to remain at current levels or lower to stimulate economic growth.
- **Foreign Exchange Stability:** Maintaining stability in the foreign exchange market to ensure a competitive exchange rate and facilitate international trade and investment will also be a core focus area for regulators, enabling greater confidence for both domestic businesses and international investors and business partners.
- **Environmental Sustainability:** Efforts to promote environmental sustainability through policies aimed at mitigating climate change, conserving natural resources, and promoting green technologies and practices will accelerate across all sectors of the economy.

Future plans for Lanka Ceramic PLC

- 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 2024/25.
- Further increase in output expected from the Feldspar Sorting Machine installed at the Owala mine thereby gear the Company to meet escalated demand with envisaged economic revival.
- All significant capital investments and expansion plans to be deferred till further revival of the economy as any growth plans are to be pursued in close congruence with macro-economic performance.
- Strengthening the training initiatives for staff members
- Initiating community engagement initiatives
- All operations to continue in compliance with all applicable laws and regulations, and also in accordance with industry best practices, in ensuring minimum negative impact on the environment.



CORPORATE GOVERNANCE

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RISK MANAGEMENT

INTRODUCTION

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



RISK GOVERNANCE

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



RISK ENVIRONMENT

Sri Lanka's economy has shown preliminary signs of recovery with improved fiscal and external balances after almost two years of monetary tightening and implementation of structural reforms supported by recovery in remittances, improved earnings from tourism and the continued debt service suspension.

The economy recorded a negative growth of 2.3% in 2023 compared to the negative growth of 7.8% in the year 2022. The key sectors continued to contract were construction and mining, IT and financial services and textile manufacturing driven by weak demand, tight private credit and shortages of inputs. However, a year-on-year growth of 1.6% and 4.5% recorded in the GDP in the third and fourth quarters of 2023 respectively which was mainly driven by growth in transport, accommodation and food and beverage services resulting from rebound of tourism. This revival of growth is expected to continue over the next two years along with the progress of International Monetary Fund (IMF) Extended Fund Facility program approved in March 2023.

The Headline Inflation has decelerated to single digit levels and remained benign compared to the record high level of 69.8% reached in September 2022 supported by currency appreciation and improved supply. The exchange rate, which appreciated by around 12% against the US dollar in 2023, continued to show an appreciation so far in 2024. The market interest rates began to decline, reflecting monetary easing, improved liquidity conditions and clarity on domestic debt restructuring.

The Construction Industry which has a spiral effect over the demand of the products of the Company shrank by 20.8% during the year under review, is resuming but will be tempered by the increase in the value added tax, which raises raw material prices further and will dampen housing construction. However, in this economic backdrop with the strength of the being in the same group as the two larger tile manufacturers of Sri Lanka we have identified a range of risks relevant to the challenging environment in which the Company 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 2023/24

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 etc.	Lanka Ceramic PLC is a member of Ceylon Ceramic and Glass Council, Employers' 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 will 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 into new export markets. Attempts to diversify the existing product portfolio.
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 mineral resources in Sri Lanka. Difficulties in locating commercially exploitable mineral resources. Lands with deposits already occupied for residential and cultivational 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 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 Regulations 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 adhere to 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 entrants 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.

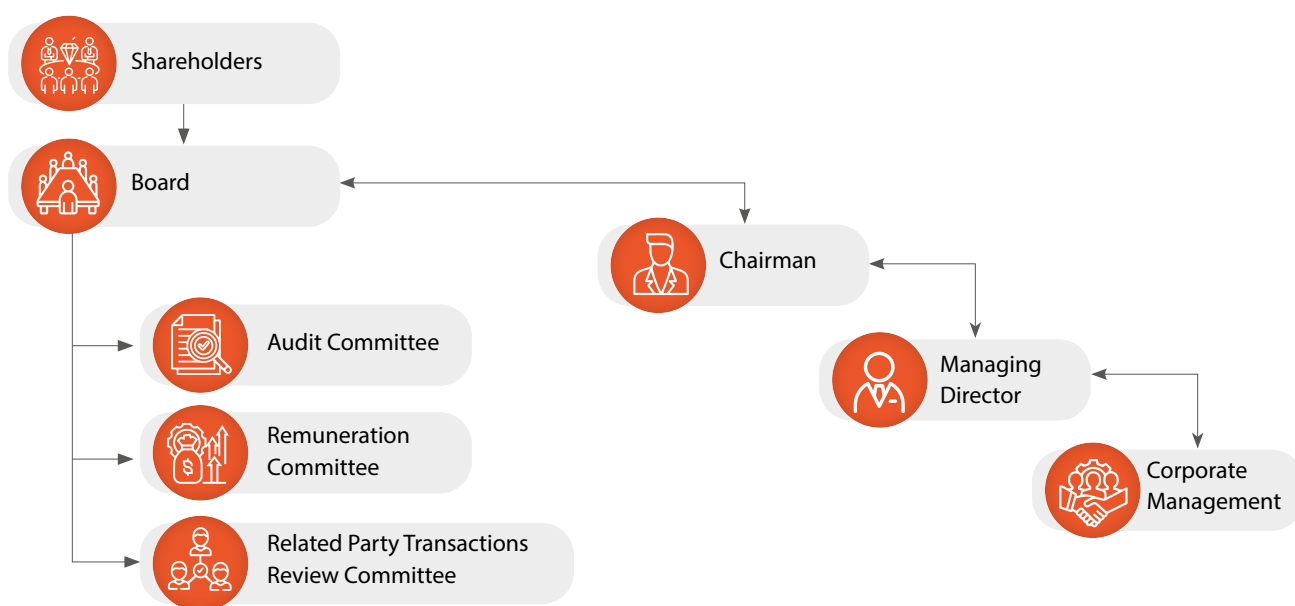
KEY RISKS	IMPACT	RISK INDICATORS	MITIGATING FACTORS
Financial Risk	<p>Higher borrowing costs, lower investment yields or decreased asset values that result in financial risks.</p> <p>Movements in prices, rates, indices and such affect the value of the Company's financial assets and stock price, which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

CORPORATE GOVERNANCE

Lanka Ceramic PLC, manages its affairs in accordance with appropriate standards for good corporate governance, risk and compliance. The Board is committed to enhance 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 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.

The Company is compliant and will continue to ensure fully compliance with Section 9 of the Listing Rules on corporate governance issued by the Colombo Stock Exchange during the year on its effective dates.

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.

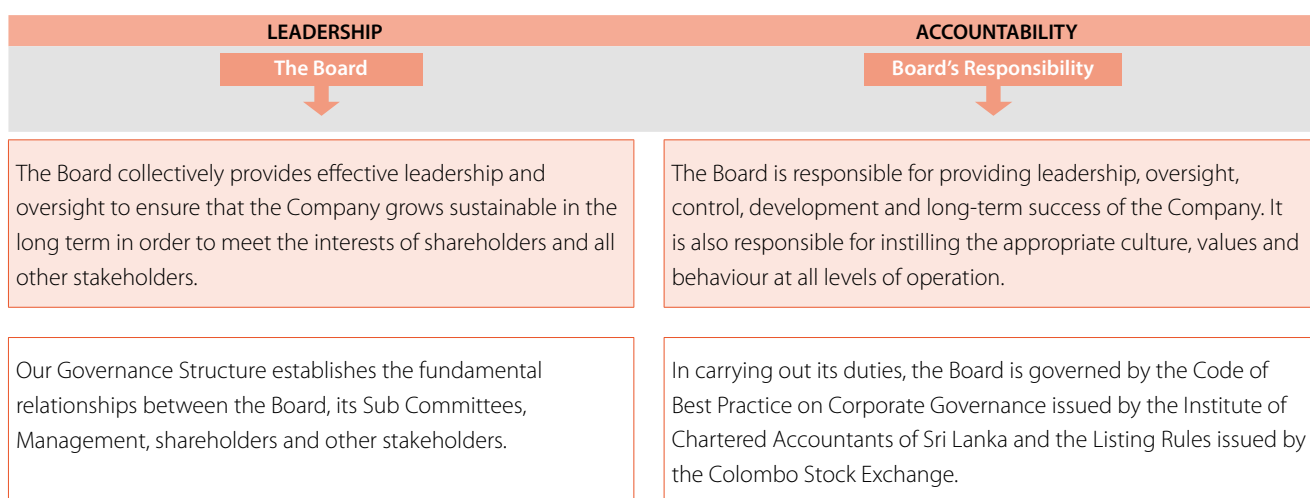
Strategies are subjected to a comprehensive annual review by the Board and are discussed further as necessary during the year. The Corporate Management has been delegated authority to formulate strategies, seek approval for such strategies and implement them within the policy framework established by 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, comprises 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.



MEETINGS AND ATTENDANCE

Meetings for the year ended 31.03.2024 and the attendance at the same are given below.

Name	Directorship Status	Board Meetings	Audit Committee	Related Party Transactions Review Committee
Mr. A.M. Weerasinghe	Chairman - Non-Executive	6	N/A	N/A
Mr. J.A.P.M. Jayasekera	Managing Director - Executive	6	N/A	N/A
Mr. T.G. Thoradeniya	Non-Executive	2	N/A	N/A
Ms. A.M.L. Page	Independent Non-Executive	3	3	3
Mr. K.D.G. Gunaratne	Independent Non-Executive	5	3	3
Mr. D.J. Silva	Independent Non-Executive	1	N/A	N/A
Mr. J.D.N. Kekulawala	Independent Non-Executive	5	4	4
Mr. S.M. Liyanage	Non-Executive	6	N/A	N/A
Mr. M.W.R.N. Somaratne	Non-Executive	6	N/A	N/A
Total No. of Meetings		6	4	4

CHAIRMAN & MANAGING DIRECTOR

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

CORPORATE GOVERNANCE

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. The Managing Director and Directors over 70 shall not be subject to retirement by rotation.

MATERIAL BUSINESS RELATIONSHIPS

None of the Directors or close family members have any material business relationships with other Directors of the Company .

DETERMINING INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

For 2023/24, the Independence of the Directors is determined by the Board based on the annual declarations submitted by the Non-Executive Directors in accordance with the Listing Rule 7 of the Colombo Stock Exchange. This is replaced by the Corporate Governance Rule 9 and provisions relating to the new criteria for independence become effective on 1st October 2024 which will necessitate changes in the classification of Independent Directors due to age related provisions. The reclassification will be carried out by the date specified in Rule 9.

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.

The Company will appoint a Nominations and Governance Committee in accordance with the Listing Rules 9.11 which will be effective from the 01st of October 2024. The composition and roles of the Sub Committees already appointed 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 Company.

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. Kekulawela – Chairman Ms. A.M.L. Page Mr. K.D.G. Gunaratne	Monitor and supervise Management's financial reporting process in-ensuring: <ul style="list-style-type: none"> ➤ The integrity of financial statements in accordance with Sri Lanka Financial Reporting Standards. ➤ The compliance with legal and regulatory requirements of the 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 51 for the Audit Committee Report

BOARD COMMITTEE & COMPOSITION	MANDATE	FURTHER INFORMATION
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 52 Remuneration Committee report
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	Subject to the exceptions given under the Listing rules, review in advance all proposed related party transactions. <ul style="list-style-type: none"> ▶ 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 53 for Related Party Transactions Review Committee report

RELATIONSHIP WITH 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 requirements. Shareholders are provided with the Annual Report, which the Company considers as its principal communication with them and other stakeholders.

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 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. 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.

EXTERNAL AUDITOR

The External Auditor is appointed by the shareholders at the Annual General Meeting. The Audit Committee evaluates the External Auditor's independence, objectivity and the effectiveness of the audit process considering relevant professional and regulatory requirements.

Assignment of non-audit services to External Auditors is also reviewed by the Audit Committee who determine the whether the potential impairment of independence and objectivity of the External Auditor in carrying out his duties and responsibilities.

CORPORATE GOVERNANCE

COMPLIANCE

The Company's status of compliance in accordance with the CSE Listing Rules – Section 9 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 /CSE LISTING RULES	CORPORATE GOVERNANCE PRINCIPLE	HOW WE COMPLY	COMPLIANCE STATUS
A.DIRECTORS			
A.1	The Board		
A.1.1	Board Meetings	The Board met six times during the year under review.	<input checked="" type="checkbox"/>
A.1.2	Role of the Board	The Board is responsible for, <ul style="list-style-type: none"> 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. 	<input checked="" type="checkbox"/>
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.	<input checked="" type="checkbox"/>
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.	<input checked="" type="checkbox"/>
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.	<input checked="" type="checkbox"/>
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.	<input checked="" type="checkbox"/>
A.1.7	Calls for resolutions	Resolutions are passed for all Board approvals and minutes are kept.	<input checked="" type="checkbox"/>

REFERENCE TO ICASL CODE /CSE LISTING RULES	CORPORATE GOVERNANCE PRINCIPLE	HOW WE COMPLY	COMPLIANCE STATUS
A.1.8	Appropriate training for Directors	All Directors have considerable experience in managing Companies in the manufacturing industry. Relevant training opportunities are made available to all Directors.	<input checked="" type="checkbox"/>
A.2 9.6.1	Segregation of Roles of Chairman & CEO	Please refer Chairman's and Managing Director's Message on pages 07 to 10.	<input checked="" type="checkbox"/>
A.3	Chairman's role	Ensure good corporate governance and facilitate effective discharge of Board functions. The Chairman is responsible for the efficient conduct of Board meetings. The Chairman maintains close contact with all Directors and holds informal meetings with Non-Executive Directors whenever necessary.	<input checked="" type="checkbox"/>
A.4	Financial Acumen	Availability of sufficient financial acumen and knowledge. The Board includes Directors who possess the necessary knowledge and competence to offer the Board guidance on financial matters. The Managing Director is a Chartered Accountant.	<input checked="" type="checkbox"/>
A.5 9.8	Board Balance	The Board should have an adequate number of Directors with balance of Executive and Non-Executive Directors of sufficient calibre along with Independent Directors.	<input checked="" type="checkbox"/>
A.5.1/ A.5.2/A.5.3 & A.5.5 9.8.1 - 2	Presence of Non-Executive Directors/ Independence of Non-Executive Directors	<p>The Board comprises nine members, eight of whom including the Chairman are Non-Executive Directors. The Board has determined that four of such Non-Executive Directors are independent as per the Listing Rules of the Colombo Stock Exchange.</p> <p>Directors' status during the financial year was as follows:</p> <p>Mr. A.M. Weerasinghe (Chairman) - Non-Executive Mr. J.A.P.M. Jayasekera (Managing Director) - Executive Mr. T.G. Thoradeniya - Non-Executive Mr. D.J. Silva - Independent Non-Executive Mr. K.D.G. Gunaratne - Independent Non-Executive Ms. A.M.L. Page - Independent Non-Executive Mr. J.D.N. Kekulawala - Independent Non-Executive Mr. S.M. Liyanage - Non-Executive Mr. M.W.R.N. Somaratne – Non-Executive</p> <p>Mr. D.J. Silva is a Director of Rocell Bathware Ltd.. However, after taking into consideration the fact that he is not actively involved in the management of this Company the Board is of the view that his independence is not compromised. Ms. A.M.L. Page holds the power of Attorney for Mr. A.A. Page (the holder of 12.5% of the shares of the Company) together with two other family members. Notwithstanding the section 9.8.3 of the Listing Rules, the Board has determined that the independence of Ms. A.M.L. Page is not compromised. Accordingly, the Board has determined that Mr. K.D.G. Gunaratne, Ms. A.M.L. Page, Mr. D.J. Silva and Mr. J.D.N. Kekulawala are 'Independent Directors' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.</p>	<input checked="" type="checkbox"/>

CORPORATE GOVERNANCE

REFERENCE TO ICASL CODE /CSE LISTING RULES	CORPORATE GOVERNANCE PRINCIPLE	HOW WE COMPLY	COMPLIANCE STATUS
A.6	Supply of Information		
A.6.1	Obligation of the Management to provide appropriate and timely information	Relevant information and agenda to be circulated in a timely manner to the Board.	<input checked="" type="checkbox"/>
A.6.2	Board papers to be provided 7 days prior to Board Meeting	Board papers are circulated a week prior to the Board meetings with an adequate briefing on relevant information.	<input checked="" type="checkbox"/>
A.7	Appointments to the Board		
A.7.1 / A.7.2 / A.7.3 / A.7.10.3 (d) 9.10.2 - 3 9.11.1	Nomination Committee and the assessment of composition of the Board and disclosure of appointment of a new Director	The appointment to the Board is undertaken by the Nomination Committee of Vallibel One PLC, taking into consideration the Board composition required and the strategic input required. All Board appointments are informed to the CSE as per the existing regulations.	<input checked="" type="checkbox"/>
A.8	Re-election		
A.8.1 /A.8.2	Re-election of Directors at regular intervals	As per the Articles of Association one-third of the Directors for the time being retire from office and offer themselves for re-election, each year by the shareholders.	<input checked="" type="checkbox"/>
A.9	Appraisal of Board Performance		
A.9.1/A.9.2/ A.9.3/A.9.4	Appraisals of the Board and the sub committees	Board should periodically appraise its own performance in order to ensure that responsibilities are carried out in accordance with 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 9.10.4	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 11 to 13.	<input checked="" type="checkbox"/>
A.11	Appraisal of the Chief Executive Officer		
A.11.1/A.11.2	Setting of the annual targets and the appraisal of the CEO	The Managing Director is evaluated each year as per the yearly targets that have been agreed with the annual budget.	<input checked="" type="checkbox"/>

REFERENCE TO ICASL CODE /CSE LISTING RULES	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.	<input checked="" type="checkbox"/>
B.2	The Level and Make-up of Remuneration		
B.2.1/B.2.2/ B.2.3/B.2.4	The level and makeup of the remuneration of Directors and comparison of remuneration with other Companies	Remuneration levels have been designed to attract, retain and motivate Directors and Senior Management required to run the Company successfully, while remaining within the industry's remuneration standards.	<input checked="" type="checkbox"/>
B.3	Disclosure of Remuneration		
B.3.1	Disclosure of Remuneration	Details of the Remuneration Committee and the Statement of Remuneration Policy are provided in the Annual Report. The aggregate remuneration paid to Executive and Non-Executive Directors is disclosed on page 93 of this Report.	<input checked="" type="checkbox"/>
C. RELATIONS WITH SHAREHOLDERS			
C.1	Constructive use of AGM and Conduct of Meeting		
C.1.1 9.4.2	Dispatch of Notice of AGM and related papers to shareholders	The Board should use the Annual General Meeting to communicate with shareholders. The active participation of shareholders at the AGM is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders of Lanka Ceramic PLC.	<input checked="" type="checkbox"/>
C.2	Communications with Shareholders		
C.2.1 to C.2.7 9.4.2	Communications with shareholders	The Board has implemented an effective communication with the shareholders. Policies and processes to receive and respond to matters are in place and the Company Secretary is the contact person to communicate with shareholders officially.	<input checked="" type="checkbox"/>
C.3	Major & Material Transactions		
C.3.1 & C.3.2	Disclosure of Major Transactions	The transactions during the year under review, which fall within the definition of major transactions in terms of the Companies Act are adequately and properly disclosed.	<input checked="" type="checkbox"/>

CORPORATE GOVERNANCE

REFERENCE TO ICASL CODE /CSE LISTING RULES	CORPORATE GOVERNANCE PRINCIPLE	HOW WE COMPLY	COMPLIANCE STATUS
D. ACCOUNTABILITY & AUDIT			
D.1.1	Financial Reporting	Refer Independent auditors' report on pages 56 to 58 in the Annual Report.	<input checked="" type="checkbox"/>
D.2	Risk Management & Internal Control	The Board has taken necessary steps to ensure the integrity of the Company's accounting, financial reporting and internal control systems and also review and monitor on a periodic basis.	<input checked="" type="checkbox"/>
D.3	Audit Committee	The Audit Committee Report on page 51 of the report addresses this section in full.	<input checked="" type="checkbox"/>
D.3.1	Audit Committee Report	The Audit Committee Report on page 51 of the report addresses this section in full.	<input checked="" type="checkbox"/>
D.4	Related Party Transactions Review Committee		
D.4.1/ D.4.2/D.4.3 9.14.1-4	Related Party Transactions Review Committee	The details are given in the Related Party Transactions Review Committee Report on page 53 of this report.	<input checked="" type="checkbox"/>
D.5	Code of Business Conduct and Ethics		
D.5.1	Board declaration for compliance with Code	The Code of Best Practices issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission is adopted by the Directors, who then ensure that the Company and the employees behave ethically.	<input checked="" type="checkbox"/>
D.6	Corporate Governance Disclosures	The Corporate Governance Report on pages 34 to 44 comply with this requirement.	<input checked="" type="checkbox"/>
E. SHAREHOLDERS			
E.1	Institutional Investors	All Institutional shareholders are encouraged to participate and their views are communicated to all concerned parties.	<input checked="" type="checkbox"/>
E.2	Evaluations of Governance Disclosure	This report contains the Company's Corporate Governance process and structure for investor's attention.	<input checked="" type="checkbox"/>
E.3	Investing/Divesting Decision	The Annual Report contains sufficient information to make an informed decision. The report is hosted on the Colombo Stock Exchange website along with the quarterly reports to facilitate investors and shareholders to make informed decisions.	<input checked="" type="checkbox"/>
E.4	Shareholder Voting	All shareholders are encouraged to participate at the Annual General Meeting/Extraordinary General Meeting and cast their votes. AGMs are noticed in advance as per the Companies Act and held in an accessible area to ensure shareholders can participate effectively.	<input checked="" type="checkbox"/>

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

The extent of adherence to corporate governance rules under Section 9 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
9.8.1 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.	☑
9.8.2. 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.	☑
9.8.3 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 9.18.4 below.	☑
9.8.5 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.	☑
9.12	Remuneration Committee		
9.12.6 Composition of Remuneration Committee	The Remuneration Committee shall comprise of at least three Directors in which a majority shall be independent. This is to be effective from 01st October 2024.	As per the Remuneration Committee report given on page 52 the Remuneration Committee comprises three Independent Non-Executive Directors of the Parent Company, Royal Ceramics Lanka PLC.	☑
9.12.7 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 52 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
9.12.8 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 52 sets out the names of the Directors in the Remuneration Committee and aggregate remuneration paid to all Directors is given on page 93 in Note 26.2.	<input checked="" type="checkbox"/>
9.13	Audit Committee		
9.13.3 Composition of Audit Committee	The audit committee shall comprise of at least three Directors a majority of whom shall be independent. This is to be effective from 01st October 2024.	The Audit Committee consists of three Independent Non-Executive Directors.	<input checked="" type="checkbox"/>
9.13.4 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 51 of the Annual Report explains the functions of the Audit Committee which has executed the above function.	<input checked="" type="checkbox"/>
9.13.5 Disclosure in the Annual Report relating to Audit committee	The Audit Committee shall prepare an Audit Committee Report which shall be included in the Annual Report with required disclosures.	The Audit Committee report in page 51 has addressed this requirement.	<input checked="" type="checkbox"/>
9.16	Additional disclosures by Board of Directors Declaration on following		
	<ul style="list-style-type: none"> - All material interests in contracts and have refrained from voting on matters in which they were materially interested - Reviewed of the internal controls covering financial, operational and compliance controls and risk management and obtained reasonable assurance of their effectiveness and successful adherence, and, if unable to make any of these declarations an explanation on why it is unable to do so; - Made themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions; - Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the entity has operations. 		<input checked="" type="checkbox"/>

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

The Directors of Lanka Ceramic PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company and the Group for the year ended 31st March 2024.

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 under the registered number PQ 157.

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 2024 were mining, processing and sales of raw materials to the ceramic industry, holding investments, managing investment property 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 59 to 96.

AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company and its subsidiary are given on pages 56 to 58.

ACCOUNTING POLICIES

The accounting policies adopted by the Company in the preparation of the Financial Statements are given on pages 64 to 75. 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 11 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. Somaratne - 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. S.M. Liyanage and Mr. M.W.R.N. Somarathne 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 2024 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 93.

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 49. 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 50.

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 legally permitted non audit services.

A total amount of Rs. 923,290 /- is payable by the Company to the Auditors for the year under review comprising Rs. 576,000 /- as audit fees and Rs. 347,290 /- for non audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 22nd May 2024 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 2024. 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 2024 and 31st March 2023 are as follows.

	Shareholding as at 31.03.2024	Shareholding as at 31.03.2023
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. Somaratne	-	-

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 1,663 shareholders registered as at 31st March 2024 (1,668 shareholders as at 31st March 2023). The details of distribution are given on page 99 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 99 to 100 and page 97 under the Shareholder and Investor Information and the Company Ten Year Summary.

EMPLOYMENT POLICY

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

As at 31st March 2024, 48 persons were in employment (77 persons as at 31st March 2023).

RESERVES

The reserves of the Company with the movements during the year are given in Note 10 to the Financial Statements on page 82.

LAND HOLDINGS

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

Freehold Lands

Location	No. of Buildings	Land Extent	Fair Value as at 31.03.2024
			Rs.'000
Land at Owala	4	26A-3R-05.50P	24,011
Land at Meetiyagoda	8	48A-1R-11.17P	69,760
	12	75A-0R-16.67P	93,771

Investment Property

Location	No. of Buildings	Land Extent	Fair Value as at 31.03.2024
			Rs.'000
Land at Kollupitiya	1	0A-1R-1.12P	945,760

PROPERTY, PLANT & EQUIPMENT

Details and movements of Property, Plant and Equipment are given under Note 3 to the Financial Statements on pages 76 to 78.

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2024 are given in Note 6 to the Financial Statements on page 80.

DONATIONS

The Company made donations amounting to Rs. 20,000/- in total, during the year under review.

DIVIDENDS

The Company declared an interim dividend of Rs.2.50 per share for the financial year ending 31st March 2024.

The said dividend was paid on 22nd April 2024.

A final dividend of Rs.1.20 per share was recommended by the Board and will be paid following the Annual General Meeting, subject to being approved by the shareholders.

RISK MANAGEMENT

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

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 30 to 33.

STATUTORY PAYMENTS

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

CONTINGENT LIABILITIES

As disclosed in Note 27.2 to the Financial Statements on page 94, there were no 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 94 there are no material events as at the date of the Auditor's Report which require adjustment to, or disclosure in the Financial Statements.

FIT AND PROPER ASSESSMENT OF DIRECTORS

In terms of Rule 9.7.4 of the Listing Rules of the Colombo Stock Exchange, Declarations were obtained from the Directors who confirmed that they have continuously satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules during the financial year under review and as at the date of such declarations.

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

ADDITIONAL DISCLOSURES PERTAINING TO DIRECTORS

(I) Material Business Relationships

None of the Directors or close family members have any material business relationship with other Directors of the Company.

(II) Other Directorships held by the Directors

Other Directorships held by Directors are disclosed on pages 11 to 13.

BOARD SUB COMMITTEES

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

Mr. S.H. Amarasekera - Chairman
Mr. R.N. Asiriwatham
Mr. 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 2024.

CORPORATE GOVERNANCE

The Board of Directors confirm that the Company is compliant with Section 9 of the Listing Rules of the Colombo Stock Exchange.

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 34 to 44 explains the measures adopted by the Company during the year.

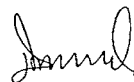
ANNUAL GENERAL MEETING

The Notice of the Thirty Third (33rd) Annual General Meeting appears on page 101.

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

30th May 2024

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	206,872,272	Based on commercial rates
		Receiving of commission income	5,669,778	Based on commercial rates
		Reimbursement of expenses	596,956	Actual expenses incurred
		Rental income	2,849,118	Based on commercial rates
			215,988,124	
Lanka Walltiles PLC	Affiliated Company	Sale of raw materials	14,311,498	Based on commercial rates
		Receiving of commission income	1,595,719	Based on commercial rates
		Reimbursement of expenses	21,820,212	Actual expenses incurred
			37,727,429	
Royal Ceramics Lanka PLC	Parent Company	Dividend payment	11,033,475	Interim dividend of Rs.2.50 per share
		Services obtained	92,746	Actual expenses incurred
			11,126,221	
Rocell Bathware Ltd.	Affiliated Company	Sale of raw materials	7,358,282	Based on commercial rates
			7,358,282	
Horana Plantations PLC	Affiliated Company	Purchase of goods	19,200	Based on commercial rates
			19,200	
Swisstek Aluminium Ltd.	Affiliated Company	Payment of rent expenses	1,951,493	Based on commercial rates
		Reimbursement of expenses	(509,097)	Actual expenses incurred
			1,442,396	
LC Plantation Projects Ltd.	Subsidiary Company	Reimbursement of expenses	200,049	Actual expenses incurred
			200,049	

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 56 to 58.

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 2024/25 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
30th May 2024

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 assesses the adequacy of the risk management framework of the Company, assesses 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 Secretaries, functions as the Secretary to the Committee.

FUNCTIONS OF THE AUDIT COMMITTEE

The Audit Committee examined the preparation, presentation and adequacy of disclosure in compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and whether the financial reporting requirements were in accordance with the Companies Act No.07 of 2007 and other relevant financial reporting related regulations and requirements.

The Audit Committee reviewed and approved the annual and interim financial statements prior to the final approval by the Board. In all instances, the Audit Committee obtained relevant declarations from the Managing Director and Company Secretary stating that the respective financial statements are in conformity with the applicable Accounting Standards, Company Law and other statutes including Corporate Governance Rules and that the presentation of such Financial Statements are consistent with those of the previous quarterly statements of the 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	(3/4)

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

EXTERNAL AUDIT

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

The Audit Committee, recommended to the Board of Directors that Messrs. Ernst & Young Chartered Accountants 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

30th May 2024

REMUNERATION COMMITTEE REPORT

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

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

POLICY

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

SCOPE

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

FEES

All Non-Executive Directors receive a fee for attendance at Board Meetings and serving on sub-committees. They do not receive any performance or incentive payments. The total remuneration to Directors is shown in Note 26.2 on page 93.

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

30th May 2024

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 Secretaries 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	(3/4)
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 2023/24. 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.

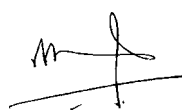
In relation to the non-recurrent related party transactions entered during the year the Company has complied with the requirements stipulated by the Securities and Exchange Commission of Sri Lanka.

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 93 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 45 to 48 of this Annual Report.



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

30th May 2024

FINANCIAL INFORMATION

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FINANCIAL CALENDAR - 2023/24

1st Quarter 2023/24 Interim Financial Report (Unaudited)	31st July 2023
2nd Quarter 2023/24 Interim Financial Report (Unaudited)	03rd November 2023
3rd Quarter 2023/24 Interim Financial Report (Unaudited)	22nd January 2024
Interim Dividend 2023/24	19th March 2024
4th Quarter 2023/24 Interim Financial Report (Unaudited)	29th May 2024
Final Dividend 2023/24	29th May 2024
Annual Report 2023/24	30th May 2024
33rd Annual General Meeting	28th June 2024

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
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 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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 2024, 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 for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key Audit Matter	How our audit addressed the key audit matter
<p>Assessment of fair value of land and buildings</p> <p>Property, Plant and Equipment and Investment Property include land and buildings carried at fair value. The fair value of land and buildings were determined by external valuers engaged by the Group.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> ◆ The materiality of the reported fair value of land and buildings which amounted to Rs. 1194 Mn representing 78% of the Group's total assets as of the reporting date; and ◆ the degree of assumptions, judgements and estimation uncertainties associated with fair Valuation of land and buildings using the market approach. 	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> ◆ assessed the competence, capability and objectivity of the external valuers engaged by the Group ◆ read the external valuer's report and understood the key estimates made and the valuation approaches taken by the valuer in determining the valuation of each property

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

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shaktivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

Key Audit Matter	How our audit addressed the key audit matter
<p>Key areas of significant judgments, estimates and assumptions used in assessing the fair value of land and buildings, as disclosed in Note 3(d) and 5.1 to the financial statements, included judgements involved in ascertaining the appropriate valuation techniques and estimates such as:</p> <ul style="list-style-type: none"> ◆ Estimate of per perch value of the land ◆ Estimate of the per square foot value of the buildings 	<ul style="list-style-type: none"> ◆ assessed the reasonableness of significant assumptions, judgements and estimates made by the valuer such as per perch value of land and per square foot value of buildings and valuation technique, as relevant in assessing the fair value of each property <p>We also assessed the adequacy of the disclosures made in notes 2.2.2, 2.3.7 and 2.3.9 to the financial statements.</p>

Other information included in the Group's 2023/24 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. 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 judgement and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

INDEPENDENT AUDITOR'S REPORT

- ◆ 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 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, actions taken to eliminate threats or safeguards applied.

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 1697.

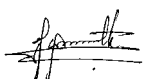


30th May 2024
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group		Company	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	3	269,421,673	303,408,651	269,421,673	303,408,651
Leasehold rights over mining lands	4	-	-	-	-
Investment property	5	1,043,904,000	999,260,800	1,043,904,000	999,260,800
Other equity investments	6.1	67,906,755	56,666,760	-	-
Investment in subsidiary	6.2	-	-	56,666,760	56,666,760
		1,381,232,428	1,359,336,211	1,369,992,433	1,359,336,211
Current assets					
Inventories	7	8,303,713	5,912,411	8,303,713	5,912,411
Trade and other receivables	8	135,315,916	261,987,570	135,806,159	262,277,764
Cash and cash equivalents	24	2,485,289	4,715,559	2,485,289	4,715,559
		146,104,918	272,615,540	146,595,161	272,905,734
Total assets		1,527,337,346	1,631,951,751	1,516,587,594	1,632,241,945
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
Reserves	10	245,695,344	248,020,161	237,827,347	248,020,161
Retained earnings		497,163,254	422,588,613	497,653,497	422,878,807
Total equity		1,042,858,598	970,608,774	1,035,480,844	970,898,968
Non-current liabilities					
Interest bearing liabilities	11	-	8,520,000	-	8,520,000
Deferred tax liabilities	12	325,986,993	316,744,285	322,614,995	316,744,285
Retirement benefit liability	13	5,064,463	6,378,784	5,064,463	6,378,784
Other non-current liabilities	14	34,500,000	15,000,000	34,500,000	15,000,000
		365,551,456	346,643,069	362,179,458	346,643,069
Current liabilities					
Trade and other payables	15	53,549,151	38,138,011	53,549,151	38,138,011
Interest bearing liabilities	11	8,520,000	174,513,988	8,520,000	174,513,988
Bank overdraft	24	56,858,141	102,047,909	56,858,141	102,047,909
		118,927,292	314,699,908	118,927,292	314,699,908
Total equity and liabilities		1,527,337,346	1,631,951,751	1,516,587,594	1,632,241,945

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 64 to 96 form an integral part of the financial statements.

30th May 2024

Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31st March	Note	Group		Company	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
Revenue	16	217,474,862	446,814,848	217,474,862	446,814,848
Cost of sales		(149,507,013)	(351,908,200)	(149,507,013)	(351,908,200)
Gross profit		67,967,849	94,906,648	67,967,849	94,906,648
Fair value gain on investment property	5	44,643,200	3,572,600	44,643,200	3,572,600
Other income	17	56,764,880	51,954,101	56,764,880	51,954,101
Selling and distribution expenses		(14,085,439)	(25,187,163)	(14,085,439)	(25,187,163)
Administrative expenses		(40,341,114)	(68,790,481)	(40,141,065)	(68,644,528)
Finance expenses	18	(36,343,229)	(56,237,616)	(36,343,229)	(56,237,616)
Finance income	19	20,911,635	36,894,775	20,911,635	36,894,775
Profit before tax	20	99,517,782	37,112,864	99,717,831	37,258,817
Income tax expense	21.1	(10,276,362)	(81,322,838)	(10,276,362)	(81,322,838)
Profit/(loss) for the year		89,241,420	(44,209,974)	89,441,469	(44,064,021)
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	(845,019)	(720,673)	(845,019)	(720,673)
Deferred tax relating to actuarial gain/(loss)	12.2	37,304	829,084	37,304	829,084
Increase in deferred tax provision	12.2	-	(21,258,864)	-	(21,258,864)
Deferred tax reversal on land disposal	12.2	342,281	-	342,281	-
Revaluation loss on land	3	(13,420,227)	-	(13,420,227)	-
Deferred tax relating to revaluation loss on land	12.2	4,026,068	-	4,026,068	-
Change in fair value of non-listed investment	6.1	11,239,995	-	-	-
Deferred tax relating to change in fair value of non-listed investment	12.1	(3,371,999)	-	-	-
Net other comprehensive income/(loss) that will not be reclassified to profit/(loss) in subsequent periods:		(1,991,596)	(21,150,453)	(9,859,593)	(21,150,453)
Total comprehensive income/(loss) for the year		87,249,824	(65,360,427)	79,581,876	(65,214,474)
Earnings per share - from continuing operations	22	14.87	(7.37)	14.91	(7.34)
Dividend per share	23	2.50	2.60	2.50	2.60

The accounting policies and notes on pages 64 to 96 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31st March	Group				Total
	Stated capital	Revaluation reserve	Fair value reserve	Retained earnings/(loss)	
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 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
Profit for the year	-	-	-	89,241,420	89,241,420
Other comprehensive income/(loss)	-	(9,051,878)	7,867,997	(807,715)	(1,991,596)
Total comprehensive income	-	(9,051,878)	7,867,997	88,433,705	87,249,824
Transfer from revaluation reserve to retained earnings on disposal of land	-	(1,140,936)	-	1,140,936	-
Dividend payment	-	-	-	(15,000,000)	(15,000,000)
Balance as at 31st March 2024	300,000,000	237,827,347	7,867,997	497,163,254	1,042,858,598

The accounting policies and notes on pages 64 to 96 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 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
Profit for the year	-	-	89,441,469	89,441,469
Other comprehensive income/(loss)	-	(9,051,878)	(807,715)	(9,859,593)
Total comprehensive income/(loss)	-	(9,051,878)	88,633,754	79,581,876
Transfer from revaluation reserve to retained earnings on disposal of land	-	(1,140,936)	1,140,936	-
Dividend payment	-	-	(15,000,000)	(15,000,000)
Balance as at 31st March 2024	300,000,000	237,827,347	497,653,497	1,035,480,844

The accounting policies and notes on pages 64 to 96 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the Year ended 31st March	Note	Group		Company	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax from continuing operations		99,517,782	37,112,864	99,717,831	37,258,817
Adjustments for					
Depreciation	3	27,888,924	21,103,785	27,888,924	21,103,785
(Profit)/ loss on sale of property, plant and equipment	17	(142,570)	-	(142,570)	-
Finance expenses	18	36,343,229	56,237,616	36,343,229	56,237,616
Finance income	19	(20,911,635)	(36,894,775)	(20,911,635)	(36,894,775)
Write off of property, plant and equipment		-	414,005	-	414,005
Provision for retirement benefit obligations	13	1,640,098	1,617,620	1,640,098	1,617,620
Revaluation gain on investment property	5	(44,643,200)	(3,572,600)	(44,643,200)	(3,572,600)
Operating profit before working capital changes		99,692,628	76,018,515	99,892,677	76,164,468
Working capital adjustments					
(Increase)/ decrease in inventories		(2,391,302)	(1,715,358)	(2,391,302)	(1,715,358)
(Increase)/ decrease in trade and other receivables		126,671,655	(162,787,142)	126,471,606	(162,933,094)
Increase /(decrease) in trade and other payables		15,411,140	(64,637,782)	15,411,140	(64,637,782)
Cash generated from operations		239,384,121	(153,121,766)	239,384,121	(153,121,766)
Finance expenses paid	18	(36,343,229)	(56,237,616)	(36,343,229)	(56,237,616)
Retirement benefit plan cost paid	13	(3,799,438)	(1,691,016)	(3,799,438)	(1,691,016)
Net cash flows from operating activities		199,241,454	(211,050,398)	199,241,454	(211,050,398)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	3	(11,978,740)	(164,783,394)	(11,978,740)	(164,783,394)
Proceeds from sale of property, plant and equipment		4,799,137	-	4,799,137	-
Finance income	19	20,911,635	36,894,775	20,911,635	36,894,775
Net cash flows from/(used in) investing activities		13,732,032	(127,888,619)	13,732,032	(127,888,619)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Proceeds from interest bearing borrowings	11	40,000,000	273,061,858	40,000,000	273,061,858
Repayment of interest bearing borrowings	11	(214,513,988)	(151,106,470)	(214,513,988)	(151,106,470)
Refundable deposit	14	19,500,000	-	19,500,000	-
Dividend paid	23	(15,000,000)	(15,600,000)	(15,000,000)	(15,600,000)
Net cash flows from/(used in) financing activities		(170,013,988)	106,355,388	(170,013,988)	106,355,388
Net increase/(decrease) in cash and cash equivalents		42,959,498	(232,583,629)	42,959,498	(232,583,629)
Cash and cash equivalents at the beginning of the year	24	(97,332,350)	135,251,279	(97,332,350)	135,251,279
Cash and cash equivalents at the end of the year	24	(54,372,852)	(97,332,350)	(54,372,852)	(97,332,350)

The accounting policies and notes on pages 64 to 96 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, managing an investment property 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. 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 2024 was authorised for issue in accordance with a resolution of the Board of Directors dated 30th May 2024.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

1. Lands and buildings
2. Investment property

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

2.1.2 Statement of compliance

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

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

2.1.3 Going concern

In determining the basis of preparing the financial statements for the year ended 31st March 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 2023.

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

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 01st January 2023. Earlier application is permitted.

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 01st January 2023.

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 01st January 2023.

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 01st January 2023.

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

2.1.5 *Comparative information*

The accounting policies have been consistently applied by the 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.

NOTES TO THE FINANCIAL STATEMENTS

2.1.6 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31st March 2024. 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 31st March 2024. The valuation of investment property, management requires 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 Notes 6.1 and 14.

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

NOTES TO THE FINANCIAL STATEMENTS

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 derecognised, modified or impaired.

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

Derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

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 analysed. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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 classified as loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification:

Financial liabilities at amortised cost (Loans and borrowings)

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognised as well

as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs those are an integral part of the EIR. The EIR amortization is included in finance expenses in the statement of comprehensive income.

Derecognition

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

2.3.7 Property, plant and equipment

Property, plant and equipment is stated at cost or valuation, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred if the recognition criteria are met. When each major inspection is performed, its cost is 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 derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

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

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

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

A revaluation surplus is 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 substitution right, then the asset is not identified.
 - * The Group has right to obtain substantially all of the economic benefits of asset throughout the period of use; and
 - * The Group has right to direct the use of the asset. The Group has this right when it has decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;

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

NOTES TO THE FINANCIAL STATEMENTS

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 derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is 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 31st March 2024.

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%/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.

NOTES TO THE FINANCIAL STATEMENTS

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 of 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 industry 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 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 Profit or Loss and Other 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.

Classification of Liabilities as Current or Non-current - Amendment to LKAS 1

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 01st January 2024.

Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 01st January 2024.

Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2024.

SLFRS 17 Insurance Contracts

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. 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 2026, 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.

International Tax Reform Pillar Two Model Rule - Amendments to LKAS 12

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual periods beginning on or after 01st January 2024.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT & EQUIPMENT - GROUP/COMPANY

	Balance as at 01.04.2023	Additions	Disposals	Revaluation	Balance as at 31.03.2024
	Rs.	Rs.	Rs.	Rs.	Rs.
a) Gross carrying amounts					
At cost					
Plant and machinery	195,732,991	11,656,740	(8,115,816)	-	199,273,915
Tools, implements, furniture & fittings and electrical appliances and computer software	15,013,829	322,000	(119,600)	-	15,216,229
Transport & communication equipment	17,041,595	-	(100,000)	-	16,941,595
	227,788,415	11,978,740	(8,335,416)	-	231,431,739
At valuation					
Freehold and mining lands	111,409,650	-	(4,218,750)	(13,420,227)	93,770,673
Buildings	79,858,400	-	-	-	79,858,400
	191,268,050	-	(4,218,750)	(13,420,227)	173,629,073
Total	419,056,465	11,978,740	(12,554,166)	(13,420,227)	405,060,812
	Balance as at 01.04.2023	Charge for the year	Disposals	Revaluation	Balance as at 31.03.2024
	Rs.	Rs.	Rs.	Rs.	Rs.
b) Depreciation					
At cost					
Plant and machinery	73,798,599	17,807,175	(7,700,000)	-	83,905,774
Tools, implements, furniture & fittings and electrical appliances and computer software	11,348,163	992,613	(119,600)	-	12,221,176
Transport & communication equipment	16,204,292	-	(78,000)	-	16,126,292
	101,351,054	18,799,788	(7,897,600)	-	112,253,242
At valuation					
Freehold and mining lands	7,430,089	4,222,939	-	-	11,653,028
Buildings	6,866,672	4,866,197	-	-	11,732,869
	14,296,761	9,089,136	-	-	23,385,897
Total	115,647,815	27,888,924	(7,897,600)	-	135,639,139
		2024	2023		
		Rs.	Rs.		
c) Net book value of assets					
At cost					
Plant and machinery		115,368,141	121,934,392		
Tools, implements, furniture & fittings and electrical appliances and computer software		2,995,053	3,665,667		
Transport & communication equipment		815,303	837,304		
At valuation					
Freehold and mining lands		82,117,645	103,979,560		
Buildings		68,125,531	72,991,728		
Net assets value		269,421,673	303,408,651		

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-1R-02P	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	38A-0R-38.91P	Mr. A.A.M. Fathihu	31st March 2021	Market based evidence	Rs. 100,000/- to Rs. 2,600,000/- per acre	40,676,173	17,050,571
Land situated at Meetiyagoda	10A-0R-12.26P	Mr. A.A.M. Fathihu	31st March 2021	Market based evidence	Rs. 100,000/- to Rs. 3,500,000/- per acre	29,083,500	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.

The fair value of the lands and buildings were determined by A.A.M. Fathihu a chartered independent valuer (Valuation report dated 31st March 2021). 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

	Group/Company	
	2024	2023
	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 Statements had the assets been carried at cost less depreciation is as follows,**

	Group/Company			Net carrying amount 2023
	Cost	Accumulated depreciation	Net carrying amount	
	2024	2024	2024	
	Rs.	Rs.	Rs.	Rs.
Freehold land and clay mining lands	35,197,937	4,354,000	30,843,937	33,290,572
Freehold building	74,300,568	40,429,987	33,870,581	38,736,778
	109,498,505	44,783,987	64,714,518	72,027,350

g) During the financial year, the Group/Company acquired property, plant and equipment to the aggregate value of Rs. 11,978,740/- (2023 -Rs. 164,783,395/-). Cash payments amounting to Rs. 11,978,740/- (2023 -Rs. 164,783,395/-). 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. 88,045,740 - (2023 - Rs. 77,850,392/-).

4. LEASEHOLD RIGHT OVER MINING LANDS

	Group/Company	
	2024	2023
	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)
Net book value at the end of the year	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	
	2024	2023
	Rs.	Rs.
At the beginning of the year	999,260,800	995,688,200
Change in fair value	44,643,200	3,572,600
Balance at the end of the year	1,043,904,000	999,260,800

As at 31st March 2024, the investment property includes land and building at No 696,696/1,696/2,696/3,696/4, Galle Road, Colombo 03 (1R - 1.12 P).

5.1 Fair value of investment property

The fair value of the investment property was determined by A.A.M. Fathihu a chartered independent valuer (Valuation report dated 31st March 2024). The basis of valuations are depreciated replacement cost method using the depreciated value of the building and market approach using the current open market value of the land.

	Fair value measurement using significant unobservable inputs (Level 3)	Fair value measurement using significant unobservable inputs (Level 3)
	2024	2023
	Rs.	Rs.
Date of valuation	31st March 2024	31st March 2023
Land	945,760,000	899,500,000
Building	98,144,000	99,760,800
Significant unobservable input :		
Price per perch	23,000,000	21,875,000
Price per sq.ft	Rs. 13,500/- - Rs. 9,000/-	Rs. 13,000/- - Rs. 8,500/-
Depreciation of building	72%	70%

Significant increases/ (decrease) in estimated price per perch/ price per sq.ft 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. 37.86 Mn. (2023 - Rs. 37.31 Mn). Direct operating expenses incurred by the Group/Company amounted to Rs. 3.91 Mn.(2023- Rs. 1.75 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.
2023-2024	74,216,400	74,216,400	74,304,720	74,393,040	74,393,040	-
2022-2023	37,306,800	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

6. OTHER EQUITY INVESTMENT AND INVESTMENT IN SUBSIDIARY

6.1 Other equity investments

	Holding		Group	
	2024	2023	Fair Value*	Cost
	%	%	2024	2023
			Rs.	Rs.
CP Holding (Pvt) Ltd.				
Unquoted Equity Investments				
At the beginning of the year	16.67	16.67	56,666,760	56,666,760
Change in fair value			11,239,995	-
Balance at the end of the year	16.67	16.67	67,906,755	56,666,760

* Non-listed investment consists of investment made by the Company in CP Holding (Pvt) Ltd through its subsidiary, LC Plantation Projects Ltd. The fair value of the above investment was categorized under level 3 of fair value measurement hierarchy.

6.2 Investment in subsidiary

	Holding		Company	
	2024	2023	2024	Cost
	%	%	Rs.	2023
			Rs.	Rs.
LC Plantation Projects Limited	100	100	56,666,760	56,666,760

7. INVENTORIES

	Group/Company	
	2024	2023
	Rs.	Rs.
Finished goods	597,400	58,531
Consumables and spares	8,079,672	8,635,998
Allowances for obsolete and slow moving inventory	(373,359)	(2,782,118)
Total	8,303,713	5,912,411

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Trade debtors - Related parties (8.1)	107,639,367	229,246,916	107,639,367	229,246,916
- Non-related parties	2,429,301	7,162,324	2,429,301	7,162,324
	110,068,668	236,409,240	110,068,668	236,409,240
Other receivables	244,802	5,499,642	244,802	5,499,642
Other debtors - Subsidiary Company (8.1)	-	-	490,243	290,194
	110,313,470	241,908,882	110,803,713	242,199,076
Advances and prepayments	12,195,336	11,964,724	12,195,336	11,964,724
Other statutory receivables	12,807,110	8,113,964	12,807,110	8,113,964
Total	135,315,916	261,987,570	135,806,159	262,277,764

8. TRADE AND OTHER RECEIVABLES (CONTD.)

8.1 Amounts due from related parties

		Group		Company	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
Trade					
Lanka Tiles PLC	Affiliated Company	32,646,343	26,998,835	32,646,343	26,998,835
Lanka Walltiles PLC	Affiliated Company	74,946,376	194,928,531	74,946,376	194,928,531
Rocell Bathware Ltd	Affiliated Company	-	6,255,630	-	6,255,630
Royal Ceramics Lanka PLC	Parent Company	46,648	1,063,920	46,648	1,063,920
		107,639,367	229,246,916	107,639,367	229,246,916
Other					
LC Plantation Projects Limited	Subsidiary Company	-	-	490,243	290,194
Total		107,639,367	229,246,916	108,129,610	229,537,110

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			Impaired	Total
		< 3 Months	3- 12 Months	> 1 Year		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2024	1,878,787	38,521,451	18,057,823	51,610,609	-	110,068,668
2023	5,987,105	69,351,933	161,070,202	-	-	236,409,240

9. STATED CAPITAL

9.1 Issued & fully paid

	Group/Company	
	2024	2023
	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	
	2024	2023
	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.

NOTES TO THE FINANCIAL STATEMENTS

10 RESERVES

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Revaluation reserve (10.1)	237,827,347	248,020,161	237,827,347	248,020,161
Fair value reserve (10.2)	7,867,997	-	-	-
	245,695,344	248,020,161	237,827,347	248,020,161

10.1 Revaluation reserve

	Group/Company	
	2024	2023
	Rs.	Rs.
On: Property plant & equipment		
Balance as at 01st April	248,020,161	269,279,025
Transfer to retained earnings on disposal of land	(1,140,936)	-
Deferred tax reversal on land disposal	342,281	-
Arise due to changes in tax rate	-	(21,258,864)
Revaluation loss on land	(13,420,227)	-
Deferred tax relating to revaluation loss on land	4,026,068	-
Balance as at 31st March	237,827,347	248,020,161

10.2 Fair value reserve

	Group	
	2024	2023
	Rs.	Rs.
Equity investments designated at fair value through OCI		
Balance at the beginning of the year	-	-
Change in fair value	11,239,995	-
Deferred tax on change in fair value	(3,371,999)	-
Balance at the end of the year	7,867,997	-

11 INTEREST BEARING LIABILITIES

	Group/Company	
	2024	2023
	Rs.	Rs.
Non current		
Long term loans (11.1)	-	8,520,000
	-	8,520,000
Current		
Long term loans (11.1)	8,520,000	24,960,000
Short term loans (11.2)	-	149,553,988
	8,520,000	174,513,988
Balance as at 31st March	8,520,000	183,033,988

11.1 Long term loans

	Group/Company	
	2024	2023
	Rs.	Rs.
At the beginning of the year	33,480,000	61,078,600
Repayments	(24,960,000)	(27,598,600)
At the end of the year	8,520,000	33,480,000
Amount payable within one year	8,520,000	24,960,000
Amount payable after one year	-	8,520,000
At the end of the year	8,520,000	33,480,000

11.2 Short term loans

	Group/Company	
	2024	2023
	Rs.	Rs.
At the beginning of the year	149,553,988	-
Loans obtained	40,000,000	273,061,858
Repayments	(189,553,988)	(123,507,870)
At the end of the year	-	149,553,988

11.3 Details of long term loans - Group/Company

Financial institution	Repayment terms	Principal	Interest rate per annum	Security	Balance as at 31.03.2024	Balance as at 31.03.2023
		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 696,696/1,696/ 2/,696/3,696/4, Galle Road, Colombo 03 (1R - 1.12 P).	8,520,000	33,480,000
Total					8,520,000	33,480,000

11.4 Details of short term loans - Group/Company

Financial institution	Principal	Security	Balance as at 31.03.2024	Balance as at 31.03.2023
	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 696,696/1,696/ 2/,696/3,696/4, Galle Road, Colombo 03 (1R - 1.12 P).	-	49,553,988
Total			-	149,553,988

NOTES TO THE FINANCIAL STATEMENTS

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/Company'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	
	2024	2023	2024	2023	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets								
Current								
Trade and other receivables	110,313,470	241,908,882	110,313,470	241,908,882	110,803,713	242,199,076	110,803,713	242,199,076
Cash and cash equivalents	2,485,289	4,715,559	2,485,289	4,715,559	2,485,289	4,715,559	2,485,289	4,715,559
Total	112,798,759	246,624,441	112,798,759	246,624,441	113,289,002	246,914,6345	113,289,002	246,914,635
Financial liabilities								
Current								
Trade and other payables	48,927,038	35,767,440	48,927,038	35,767,440	48,927,038	35,767,440	48,927,038	35,767,440
Interest bearing liabilities	65,378,141	285,081,897	65,378,141	285,081,897	65,378,141	285,081,897	65,378,141	285,081,897
Total	114,305,179	320,849,337	114,305,179	320,849,337	114,305,179	320,849,337	114,305,179	320,849,337

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 instruments approximates to the carrying value as at the reporting date.

12. DEFERRED TAX LIABILITIES

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	316,744,285	214,991,666	316,744,285	214,991,666
Charge / (reversal) arising during the year				
- Arising on during the year movement	10,276,362	47,065,813	10,276,362	47,065,813
- Due to change in tax rate	-	34,257,025	-	34,257,025
Deferred tax release on components of other comprehensive income				
- Arising on during the year movement	(1,033,654)	(982,140)	(4,405,652)	(982,140)
- Due to change in tax rate	-	21,411,920	-	21,411,920
At the end of the year	325,986,993	316,744,285	322,614,995	316,744,285

12.1 Statement of financial position

Deferred tax liability				
Capital allowances	11,147,171	8,915,286	11,147,171	8,915,286
Revaluation surplus	101,925,150	106,293,499	101,925,150	106,293,499
Investment property	241,764,002	228,371,042	241,764,002	228,371,042
Change in fair value of non-listed investment	3,371,999	-	-	-
	358,208,322	343,579,827	354,836,323	343,579,827
Deferred tax assets				
Retirement benefit liability	1,519,338	1,913,635	1,519,338	1,913,635
Carried forward tax losses	30,589,982	24,060,184	30,589,982	24,060,184
Provision for obsolete and slow moving, consumables and spares	112,008	861,723	112,008	861,723
	32,221,328	26,835,542	32,221,328	26,835,542
Net deferred tax liability	325,986,993	316,744,285	322,614,995	316,744,285

12.2 Statement of Comprehensive Income

Deferred Tax Charge/(Reversal)

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Retirement benefit liability	(37,304)	(829,084)	(37,304)	(829,084)
Increase in deferred tax provision	-	21,258,864	-	21,258,864
Deferred tax reversal on land disposal	(342,281)	-	(342,281)	-
Deferred tax relating to revaluation loss on land	(4,026,068)	-	(4,026,068)	-
Deferred tax relating to change in fair value of non-listed investment	3,371,999	-	-	-
	(1,033,654)	20,429,780	(4,405,653)	20,429,780

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.176,143,012/- (2023- Rs.224,382,494/-) as at 31st March 2024 which can be carried forward up to the financial year of 2029/2030 based on year of loss incurred.

NOTES TO THE FINANCIAL STATEMENTS

12.4 Tax Losses

	Group/Company	
	2024	2023
	Rs.	Rs.
Tax loss brought forward (Provisional)	224,382,494	222,017,183
Loss during the Year	-	2,365,311
Utilized during the Year	(48,239,482)	-
Tax loss carried forward (Provisional)	176,143,012	224,382,494
(-) Tax losses for which no deferred tax asset has been recorded	(74,176,407)	(144,181,881)
Estimated tax loss claimable	101,966,605	80,200,613

The deferred tax asset of Rs. 30,589,982/ (2023- Rs. 24,060,184/-) has been recognized as at 31st March 2024 based on its recoverability assessed by Management on the estimated future taxable profits within the six year of assessment based on the year of loss incurred.

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 2024/25 is 15% and If the forecasted revenue is reduced by 10%, the deferred tax asset gets written-off by Rs.1.6Mn representing 5% of deferred tax asset relating to tax loss as at the reporting date.

13. RETIREMENT BENEFIT LIABILITY

	Group/Company	
	2024	2023
	Rs.	Rs.
At the beginning of the year	6,378,784	5,731,507
Net interest on the net defined benefit liability	1,211,969	859,727
Current service cost for the year	428,129	757,893
	1,640,098	1,617,620
Net actuarial (gain)/loss for the year	845,019	720,673
Payments made during the year	(3,799,438)	(1,691,016)
	(2,954,419)	(970,343)
At the end of the year	5,064,463	6,378,784

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	
	2024	2023
	Rs.	Rs.
Discount rate as at 31st March		
Effect on DBO due to decrease in the discount rate by 1%	197,416	240,844
Effect on DBO due to increase in the discount rate by 1%	(183,083)	(262,923)
Salary escalation rate as at 31st March		
Effect on DBO due to decrease in the salary escalation rate by 1%	(210,153)	(310,152)
Effect on DBO due to increase in the salary escalation rate by 1%	223,277	287,634

13.2 DISTRIBUTION OF PRESENT VALUE OF DEFINE BENEFIT OBLIGATION

	Less than a year	Between 1-2 years	Between 2- 5 years	Over 5 year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
As at 31st March 2024	1,036,686	779,059	1,706,520	1,542,199	5,064,463
As at 31st March 2023	1,808,727	637,981	1,662,228	2,269,848	6,378,784
Weighted Average duration of defined benefit obligation (Years) - 4 (2023 - 4.7)					

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 2024.

The principal assumptions used are as follows:

	Group/Company	
	2024	2023
Discount rate (per annum)	12%	19%
Salary scale (per annum)		
- Executives	10%	12%
- Non executives	10%	12%
Staff turnover rate	21%	11%
Retirement age	60 Years	60 Years

14. OTHER NON-CURRENT LIABILITIES

	Group/Company	
	2024	2023
	Rs.	Rs.
Balance at the beginning of the year	15,000,000	15,000,000
Increase in refundable deposit	19,500,000	-
Balance at the end of the year	34,500,000	15,000,000

	Group/Company	
	2024	2023
	Rs.	Rs.
Fair value of refundable deposit	19,787,327	15,000,000
Deferred Interest	14,712,673	-
Total	34,500,000	15,000,000

The fair value of the refundable deposit was measured using significant observable inputs categorised under level 3 of fair value measurement hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

15. TRADE AND OTHER PAYABLES

	Group/Company	
	2024	2023
	Rs.	Rs.
Trade creditors - other	901,277	1,024,912
Other creditors - related parties [15.1]	84,390	84,390
	985,667	1,109,302
Sundry creditors including accrued expenses	52,563,484	37,028,709
Total	53,549,151	38,138,011

15.1 Other creditors - Related parties

		Group/Company	
		2024	2023
		Rs.	Rs.
Company	Relationship		
Royal Ceramics Lanka PLC	Parent Company	84,390	84,390
		84,390	84,390

16. REVENUE

Revenue from contracts with customers

	Group/Company	
	2024	2023
	Rs.	Rs.
Types of goods		
Feldspar	209,425,989	178,368,466
Kaolin	8,048,873	47,211,483
Sanitaryware	-	221,234,899
Total revenue from contract with customers	217,474,862	446,814,848
Timing of revenue recognition		
Goods transferred at a point in time	217,474,862	446,814,848

17. OTHER INCOME

	Group/Company	
	2024	2023
	Rs.	Rs.
Property rental income	37,863,600	37,306,800
Vehicle rental income	2,461,440	1,640,600
Disposal gain on property, plant and equipment	142,570	-
Franchise commission income	7,765,158	6,492,974
Sundry income	8,532,112	6,513,727
	56,764,880	51,954,101

18. FINANCE EXPENSES

	Group/Company	
	2024	2023
	Rs.	Rs.
Interest expense on overdrafts	17,341,799	18,214,837
Interest expense on bank loans	19,001,430	38,022,779
	36,343,229	56,237,616

19. FINANCE INCOME

	Group/Company	
	2024	2023
	Rs.	Rs.
Interest income	20,911,635	36,894,775
	20,911,635	36,894,775

20. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

Is stated after Charging/(Crediting)

Year ended 31st March	Group/Company	
	2024	2023
	Rs.	Rs.
Included in cost of sales		
Depreciation and amortisation	26,090,132	18,690,441
Defined benefit plan costs - gratuity	1,285,897	808,364
Defined contribution plan costs - EPF & ETF	2,115,475	2,975,916
Other staff cost	31,447,891	36,902,940
Compensation paid under VRS	5,359,495	-
Included in administration expenses		
Depreciation and amortisation	363,996	426,616
Defined benefit plan costs - gratuity	302,856	787,159
Defined contribution plan costs - EPF & ETF	967,437	2,234,816
Other staff cost	13,100,906	17,807,823
Compensation paid under VRS	3,423,705	-
Auditors remuneration		
- Audit fees	644,000	487,600
- Non audit fees	347,290	219,650
Rent, rates and taxes	1,330,569	1,760,154
Included in selling & distribution expenses		
Depreciation and amortisation	1,434,796	1,986,728
Defined benefit plan costs - gratuity	51,346	22,096
Defined contribution plan costs - EPF & ETF	199,949	185,770
Other staff cost	4,326,375	2,559,611
Rent, rates and taxes	1,688,345	1,383,686

NOTES TO THE FINANCIAL STATEMENTS

21. INCOME TAX EXPENSES

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

Year ended 31st March	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
a) Current income tax				
Current income tax charge	-	-	-	-
b) Deferred income tax				
Deferred taxation charge	10,276,362	81,322,838	10,276,362	81,322,838
Income tax charged reported in the income statement	10,276,362	81,322,838	10,276,362	81,322,838
Deferred tax expense reported in the OCI				
Actuarial gain/ (loss) on retirement benefit liability	(37,304)	(829,084)	(37,304)	(829,084)
Deferred tax reversal on land disposal	(342,281)	-	(342,281)	-
Deferred tax relating to revaluation loss on land	(4,026,068)	-	(4,026,068)	-
Increase in deferred tax provision	-	21,258,864	-	21,258,864
Deferred tax relating to change in fair value of non-listed investment	3,371,999	-	-	-
	(1,033,654)	20,429,780	(4,405,652)	20,429,780
	9,242,708	101,752,618	5,870,710	101,752,618

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

Year ended 31st March	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Accounting profit before income tax from continuing operation	99,517,782	37,112,864	99,717,831	37,258,817
Income considered as separate source of income	(105,879,875)	(79,414,775)	(105,879,875)	(79,414,775)
Non deductible expenses	29,748,888	38,904,464	29,548,839	38,758,511
Deductible items	(36,383,988)	(74,810,039)	(36,383,988)	(74,810,039)
Business (loss) / income	(12,997,193)	(78,207,486)	(12,997,193)	(78,207,486)
Investment income	61,236,675	75,842,175	61,236,675	75,842,175
Taxable profit/(loss)	48,239,482	(2,365,311)	48,239,482	(2,365,311)
Tax losses utilised	(48,239,482)	-	(48,239,482)	-
Current income tax expense - 30% (2023 - 30%)	-	-	-	-

21.3 Reconciliation between tax expense and the product of accounting profit

Year ended 31st March	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Adjusted accounting profit chargeable to income taxes	99,517,782	37,112,864	99,717,831	37,258,817
Tax effect on chargeable profits	29,855,332	11,133,859	29,915,347	11,177,645
Tax effect on permanent and temporary differences	(19,578,972)	70,188,978	(19,638,986)	70,145,194
	10,276,362	81,322,838	10,276,362	81,322,838

21. INCOME TAX EXPENSES (CONTD.)

21.4 Tax Losses

Year ended 31st March	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Tax loss brought forward (Provisional)	224,382,494	222,017,183	224,382,494	222,017,183
Loss during the year	-	2,365,311	-	2,365,311
Utilized during the year	(48,239,482)	-	(48,239,482)	-
Tax loss carried forward (Provisional)	176,143,012	224,382,494	176,143,012	224,382,494

21.5 Components of deferred income tax expense

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Capital allowances	2,231,885	5,355,799	2,231,885	5,355,799
Retirement benefit liability	431,600	291,010	431,600	291,010
Carried forward tax losses	(6,529,798)	16,822,895	(6,529,798)	16,822,895
Provision for obsolete and slow moving, consumables and spares	749,715	(171,510)	749,715	(171,510)
Investment property - revaluation surplus	13,392,960	46,531,632	13,392,960	46,531,632
Allowances for doubtful debts	-	6,288,000	-	6,288,000
Unrealized exchange loss	-	6,205,012	-	6,205,012
	10,276,362	81,322,838	10,276,362	81,322,838

22. EARNINGS PER SHARE

22.1 Basic earnings per share 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	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Amounts used as the numerator:				
Profit /(loss) attributable to equity holders for basic earnings per share	89,241,419	(44,209,974)	89,441,469	(44,064,021)
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
Earning Per Share	14.87	(7.37)	14.91	(7.34)

NOTES TO THE FINANCIAL STATEMENTS

23. DIVIDEND PER SHARE

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Dividends paid	15,000,000	15,600,000	15,000,000	15,600,000
No. of shares	6,000,000	6,000,000	6,000,000	6,000,000
Dividend per share	2.50	2.60	2.50	2.60

24. CASH & CASH EQUIVALENT

	Group/Company	
	2024	2023
	Rs.	Rs.
Favourable cash and cash equivalents balance		
Cash and bank balances	2,485,289	4,715,559
	2,485,289	4,715,559
Unfavourable cash and cash equivalent balance		
Bank overdrafts	(56,858,141)	(102,047,909)
	(56,858,141)	(102,047,909)
Total cash and cash equivalents for the purpose of cash flow statement	(54,372,852)	(97,332,350)

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.

26. RELATED PARTY DISCLOSURES

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

26.1 Transactions with the related entities

Nature of transaction	Group				Company			
	Parent		Group Companies		Parent		Group Companies	
	2024	2023	2024	2023	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sale of goods	-	13,031,180	228,542,052	467,904,069	-	13,031,180	228,542,052	467,904,069
Commission income	-	-	7,265,497	5,728,571	-	-	7,265,497	5,728,571
Purchase of goods/ services	-	-	19,200	45,400	-	-	19,200	45,400
Net of fund transfers received after reimbursement of expense	(831,780)	(13,323,197)	(361,017,588)	(314,394,174)	(831,780)	(13,323,197)	(361,017,588)	(314,248,221)
Dividend paid	11,033,475	11,474,814	-	-	11,033,475	11,474,814	-	-
Included under;								
Due from related parties	46,648	1,063,920	107,639,367	229,246,916	46,648	1,063,920	107,639,367	229,392,869
Due to related parties	84,390	84,390	-	84,390	84,390	84,390	-	84,390

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 Horana Plantations PLC .

The Company carried out above transactions under ordinary course of business at commercial rates. These balances are unsecured and nor any guarantees given or received.

There is no provisions made or expense recognised during the period in respect of bad or doubtful debts due from related parties.

Net of fund transfer received after reimbursement of expenses represents sales proceeds received after deducting payments made by the Company from/to the Parent and Group Companies.

26.2 Transactions with key management personnel of the Group/Company

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

Key Management personnel compensation	Group/Company	
	2024	2023
	Rs.	Rs.
Short term employment benefits	5,780,904	6,017,626
	5,780,904	6,017,626

NOTES TO THE FINANCIAL STATEMENTS

27. COMMITMENTS AND CONTINGENCIES

27.1 Capital commitments

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

27.2 Contingencies

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

28. EVENTS OCCURRING AFTER THE REPORTING PERIOD

A final dividend of Rs.1.20 per share was recommended by the Board on 30th May 2024 and will be paid following the Annual General Meeting, subject to being approved by the shareholders.

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 programmes 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.

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's borrowings comprise borrowings from financial institutions. The group's interest rate risk objective is to manage an acceptable level of rate fluctuation on the interest expense. In order to achieve this objective, the 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.

	Group/Company	
	Change in interest rate	Change in profit before tax
Interest rate sensitivity		Rs.
2023-2024	6%	(249,825)
	4%	(166,550)
	2%	(83,275)
	-2%	83,275
	-4%	166,550
	-6%	249,825
2022-2023	6%	(672,876)
	4%	(448,584)
	2%	(224,292)
	-2%	224,292
	-4%	448,584
	-6%	672,876

29. FINANCIAL RISK MANAGEMENT (CONTD.)

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 2024	Rs.	Rs.	Rs.	Rs.	Rs.
Bank borrowings	6,407,052	2,299,714	Nil	Nil	Nil
Trade and other payables	48,927,038	Nil	Nil	Nil	Nil

Group/Company	Less than 3 months	Between 3 months and 1 year	Between year 1 and year 2	Between year 2 and year 5	Over 5 years
At 31st March 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	Nil	Nil	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS

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	
	2024	2023
	Rs.	Rs.
Borrowings	65,378,141	285,081,897
Total equity	1,042,858,598	970,608,774
Gearing ratio ; Debt to Equity	6%	29%

	Company	
	2024	2023
	Rs.	Rs.
Borrowings	65,378,141	285,081,897
Total equity	1,035,480,844	970,898,968
Gearing ratio ; Debt to Equity	6%	29%

COMPANY TEN YEAR SUMMARY

	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Operating Results										
Revenue	217,475	446,815	427,689	121,330	166,132	163,772	178,932	282,830	236,534	163,271
Gross profit	67,968	94,907	103,841	52,671	57,603	62,208	76,116	152,954	89,017	70,246
Fair value gain on investment property	44,643	3,573	44,430	40,762	2,052	80,845	121,600	178,750	-	-
Other income	77,677	88,849	62,448	53,553	45,504	75,072	160,457	282,134	285,990	261,095
Administration expenses	40,141	68,645	67,544	54,043	51,674	43,375	56,166	52,302	36,991	46,376
Selling & distribution expenses	14,085	25,187	15,204	8,886	11,470	8,232	14,153	30,022	7,766	1,430
Finance expenses	36,343	56,238	6,011	8,150	13,757	21,599	40,498	37,584	30,659	35,258
Profit before tax	99,718	37,259	121,961	75,907	28,257	144,919	248,377	499,654	301,212	249,711
Profit after tax	89,441	(44,064)	75,591	67,843	23,201	137,590	182,199	485,321	290,764	244,362
Total comprehensive income	79,582	(65,215)	82,525	135,005	24,385	136,972	97,192	485,241	309,532	243,897
Assets & Liabilities										
Non current assets	1,369,992	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
Current assets	146,595	272,906	238,791	124,081	139,401	114,949	224,837	105,903	252,698	141,653
Total assets	1,516,588	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
Current liabilities	118,927	314,700	131,859	53,909	64,342	55,998	197,655	106,167	236,594	92,727
Non current liabilities	362,179	346,643	269,203	257,920	252,655	276,010	297,905	215,167	275,360	315,183
Retirement benefit obligation	5,064	6,379	5,732	8,840	7,157	10,335	9,996	9,399	8,850	7,521
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	237,827	248,020	269,203	285,087	216,766	216,766	218,370	303,292	303,292	283,320
Accumulated profit	497,653	422,879	480,948	385,002	326,117	301,732	163,156	698,453	164,676	145,116
Key Indicators										
Earnings per share (Rs.)	14.91	(7.34)	12.60	11.31	3.87	22.93	11.34	16.18	9.69	8.15
Dividend per share (Rs.)	3.70	-	0.9	1.30	-	-	-	8.00	9.00	4.75
Net Assets value per share (Rs.)	172.58	161.82	175.04	161.68	140.48	136.42	113.59	43.39	25.60	24.28
Dividend yield (%)	3.73	-	0.73	1.18	-	-	-	6.96	6.92	4.07
Dividend payout ratio (%)	24.82	-	7.16	11.50	-	-	-	49.45	92.86	58.32
Interest cover (times)	3.74	1.66	20.29	10.31	3.05	7.71	7.13	14.29	10.82	8.08
Current ratio	1.23:1	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
Quick asset ratio	1.16:1	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
Profit before tax to revenue (%)	45.85%	8.34	28.52	62.56	17.01	88.49	138.81	176.66	127.34	152.94

GROUP VALUE ADDED STATEMENT

	2023/24			2022/23		
	Rs.	Rs.	%	Rs.	Rs.	%
Gross turnover	251,979,453			510,729,305		
Fair value gain, finance & other income	122,319,715			92,421,476		
	374,299,168			603,150,781		
Less: Cost of material & services bought in	104,021,880			445,839,737		
	270,277,288			157,311,044		
Value Allocated to Employees						
Salaries & wages and other benefits	53,801,721	53,801,721	20%	66,894,442	66,894,442	43%
To Government						
VAT/SSCL/Royalty/Mineral tax/Others	62,668,774	62,668,774	23%	55,689,829	55,689,829	35%
To providers of capital						
Dividends	15,000,000			15,600,000		
Finance expenses	36,343,229	51,343,229	19%	56,237,616	71,837,616	46%
To expansion and Growth						
Retained in business	74,574,640			(58,215,628)		
Depreciation	27,888,924	102,463,564	38%	21,103,785	(37,113,844)	-24%
		270,277,288	100%		157,311,044	100%

SHAREHOLDER AND INVESTOR INFORMATION

SHARE DISTRIBUTION AS AT 31ST MARCH 2024

From	To	No. of Holders	No. of Shares	%
1	1,000	1,495	263,768	4.40
1,001	10,000	153	308,092	5.13
10,001	100,000	13	264,750	4.41
100,001	1,000,000	1	750,000	12.50
	Over 1,000,000	1	4,413,390	73.56
		1,663	6,000,000	100.00

Categories of Shareholders

Local Individuals	1,613	1,434,020	23.90
Local Institutions	46	4,565,143	76.09
Foreign Individuals	4	837	0.01
Foreign Institutions	-	-	-
	1,663	6,000,000	100.00

25 MAJOR SHAREHOLDERS OF THE COMPANY

Name	31.03.2024		31.03.2023	
	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	37,233	0.621	35,857	0.598
4 Mr. R.S. Ingram	32,952	0.549	20,800	0.347
5 Bimputh Finance PLC	28,818	0.480	28,818	0.480
6 TRL Holdings (Pvt) Limited	25,595	0.427	25,200	0.420
7 Vyjanthi & Company Limited	20,000	0.333	20,000	0.333
8 Mrs. A. Kailasapillai	19,658	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 Mr. U.I. Suriyabandara	9,108	0.152	8,697	0.145
18 Miss. S. Subramaniam	6,413	0.107	6,413	0.107
19 Mrs. K.A.U. Kodithuwakku	6,369	0.106	6,325	0.105
20 Mr. P.U.A. Abeykoon Mudiyansele	6,000	0.100	2,500	0.042
21 DFCC Bank PLC/P. Gagendra	5,699	0.095	5,699	0.095
22 Mr. N. Mohamed Makeen	5,000	0.083	5,000	0.083
23 Mr. D.M.G. Perera (Deceased)	5,000	0.083	5,000	0.083
24 Mrs. J. Aloysius	5,000	0.083	5,000	0.083
25 Citizens Development Business Finance PLC/N. Anoshan	4,729	0.079	-	-
Sub Total	5,491,458	91.524	5,468,886	91.147
Others	508,542	8.476	531,114	8.853
Issued Capital	6,000,000	100.000	6,000,000	100.000

SHAREHOLDER AND INVESTOR INFORMATION

DIRECTORS' SHAREHOLDING AS AT 31ST MARCH 2024

	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

	As at	As at
Market Price Per Share	31.03.2024	31.03.2023
Highest during the year	Rs. 117.00	Rs. 138.00
Lowest during the year	Rs. 82.50	Rs. 94.00
As at end of the year	Rs. 99.10	Rs. 100.00

PUBLIC HOLDING AS AT 31ST MARCH 2024

The Percentage of shares held by the public -13.256%

No of shareholders representing the above percentage - 1,657

The float adjusted market capitalization as at 31st March 2024 - Rs. 78,820,869.70

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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty Third (33rd) Annual General Meeting of Lanka Ceramic PLC will be held on the 28th day of June 2024 at 12.30 p.m. at "The Kingsbury" Colombo, No.48, Janadhipathi Mawatha, Colombo 01 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 2024 and the Report of the Auditors thereon.
2. To declare a Final Dividend of One Rupee and Cents twenty (Rs. 1.20) per share for the year ended 31st March 2024 as recommended by the Board of Directors.
3. To re-elect Mr. S.M. Liyanage, who retires by rotation in terms of Articles 102 and 103 of the Articles of Association, as a Director of the Company.
4. To re-elect Mr. M.W.R.N. Somaratne, who retires by rotation in terms of Articles 102 and 103 of the Articles of Association, as a Director of the Company.
5. To re-appoint Messrs. Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.
6. To authorize the Directors to determine payments for the year 2024/25 for charitable and other purposes as set out in the Companies Donations Act.

By Order of the Board
LANKA CERAMIC PLC



P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

At Colombo
30th May 2024

Notes:

1. A shareholder entitled to attend and/or vote at the Annual General meeting (AGM) is entitled to appoint a Proxy to participate and/or vote on his/her behalf (as applicable) by completing the Form of Proxy enclosed for this purpose.
2. A Proxy need not be a shareholder of the Company.
3. Shareholders who are unable to participate at the meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to represent them at the Annual General Meeting.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 23, Narahenpita Road, Nawala not less than 48 hours before the time appointed for holding the meeting.
5. Any Shareholder or Proxy Holder attending the meeting is kindly requested to bring his National Identity Card or Passport for identification purposes.

FORM OF PROXY

*I/We.....holder of NIC No.....
of.....being a *Shareholder/Shareholders of Lanka Ceramic PLC, do hereby appoint
.....holder of NIC no.....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 28th June 2024 at 12.30 p.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

		FOR	AGAINST
1)	To declare a Final Dividend of One Rupee and Cents twenty (Rs. 1.20) per share for the year ended 31st March 2024 as recommended by the Board of Directors.	<input type="checkbox"/>	<input type="checkbox"/>
2)	To re-elect Mr. S.M. Liyanage, who retires by rotation in terms of Articles 102 and 103 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3)	To re-elect Mr. M.W.R.N. Somaratne, who retires by rotation in terms of Articles 102 and 103 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4)	To re-appoint Messrs. Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5)	To authorise the Directors to determine payments for the year 2024/25 for charitable and other purposes as set out in the Companies Donations Act.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this..... day of Two Thousand and Twenty-Four.

.....

Signature

- 1) *Please delete the inappropriate words.
- 2) Instructions as to completion are noted on the reverse hereof.

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 notially 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 at the Registered Office of the Company, No.23, Narahenpita Road, Nawala or must be emailed to kasun@lcl.lk, not later than 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

COMPANY REGISTERED OFFICE

No. 23, Narahenpita Road, Nawala

Telephone: +94 11 4504610, +94 11 4504612

Facsimile: +94 11 4504614

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. Somaratne

COMPANY SECRETARIES

P W Corporate Secretarial (Pvt) Ltd

3/17, Kynsey Road, Colombo 8

Tel: +94 11 4640360

COMPANY REGISTRARS

Central Depository Systems (Pvt) Limited

Ground Floor, M & M Center, 341/5, Kotte Road, Rajagiriya.

Tel: +94 11 2356491 | Fax: +94 11 2440396 | Web: www.cds.lk

AUDITORS

Ernst & Young

Chartered Accountants

Rotunda Towers, No. 109, Galle Road, P.O. Box 101, Colombo 03

Telephone: +94 11 2463500 | Facsimile: +94 11 7687869

BANKERS

Hatton National Bank PLC

People's Bank

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