

LANKA CERAMIC PLC

ANNUAL REPORT 2018/19

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

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

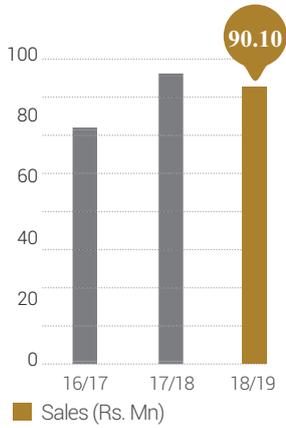




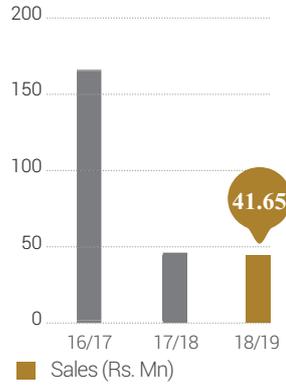
OVERVIEW

OPERATIONAL HIGHLIGHTS

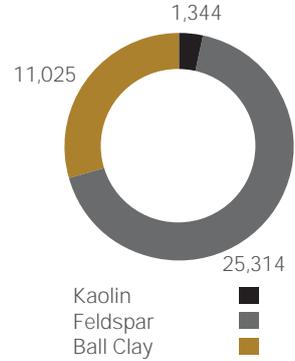
Owala Feldspar Mine



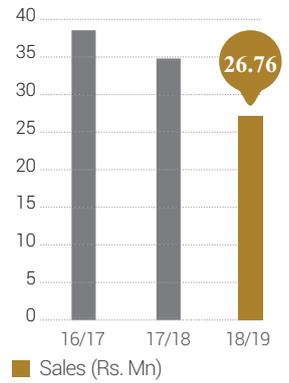
Dediyawala Ball Clay Mine



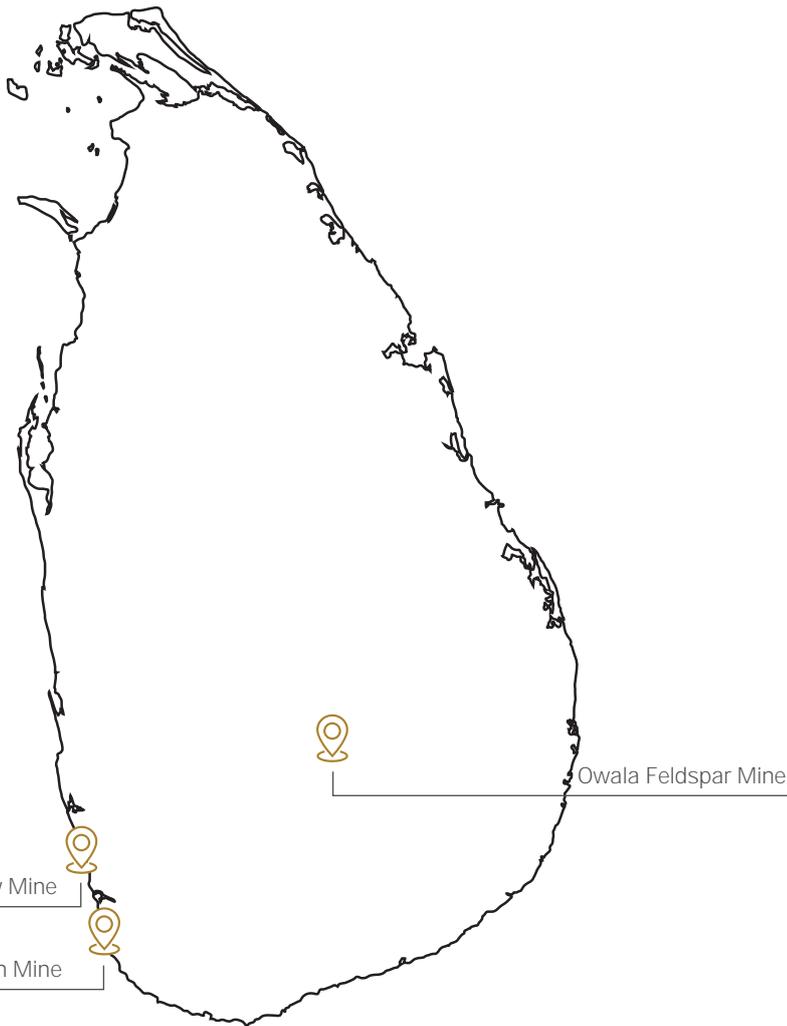
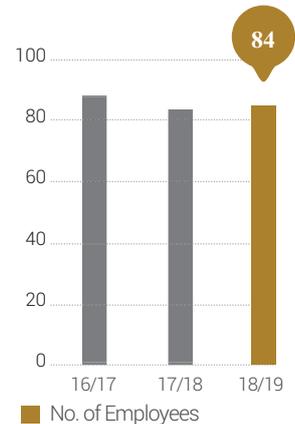
Mined Output Analysis MT



Meetiagoda Kaolin Mine



No. of Employees



FINANCIAL HIGHLIGHTS

Company at a Glance

For the year ended 31st March

2018/19

Rs.'000

2017/18

Rs.'000

Change %

Profitability

Revenue	163,772	178,932	-8%
Gross Profit	62,208	76,116	-18%
Profit Before Tax	144,919	248,377	-42%
Profit After Tax	137,590	182,199	-24%

Financial Position

Investment Property	908,445	827,600	10%
Non-Current Assets	1,035,557	952,249	9%
Current Assets	114,949	224,837	-49%
Total Assets	1,150,506	1,177,086	-2%

Key Indicators

Interest Cover (Times)	7.71	7.13
Current Ratio	2.05:1	1.14:1
Quick Asset Ratios	1.95:1	1.10:1
Profit Before Tax to Revenue (%)	88.49	138.81

Share Performance

As at 31st March

No. of Shares	6,000	6,000
Basic Earnings per Share (Rs.)	22.93	11.34
Market Price per Share (Rs.)	139.90	158.00

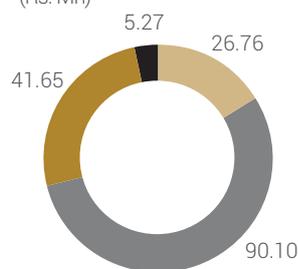


Rs.

163.7 Mn

Revenue

Composition of Income
(Rs. Mn)



Kaolin
Feldspar
Ball Clay
Sanitaryware



Rs.

137.6 Mn

Profit After Tax

CHAIRMAN'S MESSAGE



As your Chairman, it is with both pride and pleasure that I present to you the Lanka Ceramic PLC Annual Report for the financial year 2018/19. Given the prevailing irregularities in both the global and local business context the fiscal year under review was indeed a challenging one.

As your Chairman, it is with both pride and pleasure that I present to you the Lanka Ceramic PLC Annual Report for the financial year 2018/19. Given the prevailing irregularities in both the global and local business context the fiscal year under review was indeed a challenging one. The economic growth rate slowed under severe economic and political pressures which then led to unfavourable market conditions for ceramic and other industries.

OPERATING ENVIRONMENT

Weak domestic demand, continued tightening in monetary policy, contractionary fiscal measures, widening of the Balance of Payment trade deficit and political instability were all seen as the major causes for the drag on the growth rate in 2018. Sri Lanka's economy grew by a modest 3.2%

during 2018. The rupee depreciated by approximately 16% against the US\$ during 2018, demonstrating a rapid spike in the latter part of the year, relative to a 2% depreciation reported in 2017. The Construction industry suffered a setback due to liquidity issues, towards the end of 2018. The result was that overall consumers limited their discretionary spending, directly impacting the Sri Lankan economy. The slowdown in the Construction industry further weakened demand for ceramic products and tiles, which had a ripple effect on the demand for raw materials. Overall, the market was relatively flat year-on-year.

COMPANY PERFORMANCE

Some of the major challenges which the Company faced during the period under consideration was the implementation of stringent Government policies and red

tape in obtaining mining licenses, while the ad hoc changes made to existing policies and rising costs which tracked above the previous year, reflected a steep trajectory in overall costs.

During 2018/19, the Company's revenue fell by 8% to Rs. 164 Mn from the previous year's Rs. 179 Mn, however the Earnings per Share stood at Rs. 22.93 during the year compared to Rs. 11.34 recorded in the previous year. The decline in other Income from Rs. 160 Mn to Rs. 75 Mn during the year was mainly due to the drop in the dividend income. The share price ended the year at Rs. 139.9 in comparison to Rs. 158 in the previous year. The far-sighted strategy of restructuring the shareholding which was taken with the intention of enhancing stakeholder value and creating an even greater wealth in the future has indeed opened new avenues for the Company.



We remain optimistic about our Company's future prospects while expecting competition to grow in the local market due to the demand of both raw materials and finished ceramic products.

STEWARDSHIP

We continue to support all our stakeholders via ethical operations underscored by our commitment to good governance. As the market leader in the mining industry supplying raw materials to the ceramic industry, our Company continues to cooperate with Government authorities for improvements that will benefit the industry.

FUTURE OUTLOOK

We remain optimistic about our Company's future prospects while expecting competition to grow in the local market due to the demand of both raw materials and finished ceramic products. We are confident that our products, people and business strategies will position us for long-term sustained success in the market. The size of the local market, the rate of growth and the

regulations which surround this industry can be expected to be constraints to the Company's growth. We intend to place greater emphasis on growth segments such as exports through our sanitary ware business which was re-ignited during the year along with positioning Sri Lanka as the prime market for United States through Chinese investments. We will demonstrate a renewed focus on strengthening our relationship with our various channel partners while continuing to practice disciplined expense management.

APPRECIATION

I take this opportunity to thank my colleagues on the Board for their active participation in all Board matters. I wish to thank our Managing Director Mr. Mahendra Jayasekera and his team for their hard work in delivering moderate

results amidst the challenging market conditions in the current financial year. I also would like to extend my heartfelt thanks to all our stakeholders for the continuous trust and support they have placed in us and our services.

A.M. Weerasinghe
Chairman

06th June 2019

MANAGING DIRECTOR'S REVIEW



The current financial year has been a significant one in the history of Lanka Ceramic PLC due to the initiation of many changes and improvements across the width and breadth of the Company.

This year, Lanka Ceramic PLC continued its business transformation, taking great strides in aligning business processes, with an effective people strategy. The Company which, has been a pioneer in supplying raw materials to the ceramic industry (ball clay, kaolin and feldspar) locally has a reputation for being the forerunner in producing high quality sanitary ware for many decades, and has persisted in its mission. While on a financial footing achievement may not seem positive, as a company of a diversified group we are keen to build a solid framework which we have no doubt will reap positives in the years to come. Therefore, it is with great pride that I present to you our achievements thus far.

As a company, Lanka Ceramic PLC experienced a downturn during all four quarters of 2018/19. This was mainly due to work disruptions and realignment of the manufacturing process within the factory premises along with external factors such as regulatory issues which crop up time to time due to delays from relevant authorities. However, on a positive note, the Company is happy to announce that during the year under review. The Company went back to its roots and revived the pioneering business arm of sanitaryware. Further, in order to provide superior quality products into the local market, the Company has outsourced production to China to provide deluxe brand sanitaryware, thus availing our local customers of a top-notch product line.

STRONGER FOOTING

The restructure of the Company was indeed a strategic move taken by the Board which recognised the potential growth in foreign investments trickling

into the country. Also, with anti-dumping bans being introduced, it was viewed that the anti-dumping policies which were introduced by the US against China in turn saw China looking to invest in other countries from which they would export as a product made by the host country. Hence the restructure would position the Company on a stronger footing to attract these investments, given its stability, stature and structure.

Yet another initiative which the Company is striving towards with vigour is the production of refined kaolin for the export market. While the Meetiyagoda mine located in Ambalangoda contained the main kaolin mining and refining process of the Company, in order to attract the correct buyers, it is necessary to upgrade the refining process to 'increase whiteness', which will ensure profitability of this mine and its entire operations. Therefore, the Company has sought the necessary approval for these processes and the upgrading of the holistic refining

process, which is still pending from the regulatory authorities. This in turn has hampered the business activities of this mine, which is currently at a near-dormant phase.

The service tile sector is yet another growing business which has been identified by the Company. This sector which consists mainly of wall and floor tiles, has seen an upward trend, which could be a direct reflection of the upward surge seen in the construction industry. The Owala feldspar mine out of which the raw materials for these tiles are produced has been a positive contributor to the Company's bottom line in the year under review, with its year-on-year sales growth.

With the intention of increasing the mining capacity of ball clay, the Company is looking at the possibility of acquiring an extent of 300 acres in Akuressa, which comprises a ball clay reserve. This venture will be funded by the Group, comprising Royal Ceramics Lanka PLC along with its subsidiaries manufacturing tiles. This initiative has been embarked to meet the future requirement of raw materials for tile industry which will be mined and supplied by Lanka Ceramic PLC.

GOVERNANCE, RISK AND COMPLIANCE

With regard to governance and risk management, the Company has maintained significant improvements to internal control aspects and overall governance at all levels. Lanka Ceramic PLC complies with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The Audit Committee and the Related Party Transaction Committee attended to all governance and risk related issues during the year. These strategically - formed committees played a key role in ensuring the transparency of myriad transactions during the period under review.

FUTURE STRATEGY

Sri Lanka's ceramic and tile manufacturing sectors face a daunting challenge with continuous rupee depreciation, escalating international competition and high energy costs. These factors have a negative impact creating a domino effect on Lanka Ceramic PLC as the main supplier of raw materials to these segments. These impediments have constricted the growth of the industry and the Company with few positives to be seen in the immediate future. In addition, changes to the tax structures and other regulatory frameworks have hampered growth during the year. However, with the restructure that was initiated during the previous year and followed through in the year under review, our strategy is focused and well underway to achieve bottom line growth through a robust market expansion strategy. During the current financial year, Lanka Ceramic PLC laid the groundwork for market growth and I am confident of sustaining this growth momentum in the new financial year. We are well poised in reaching industrial excellence with a well-honed team consisting of industry experts in their relevant fields. With the acquisition of new lands for ball clay mines in the pipeline along with the improvement of kaolin to export levels and the increase of feldspar mining, I am confident that we are well poised in our growth trajectory.

CONCLUSION

The current financial year has been a significant one in the history of Lanka Ceramic PLC due to the initiation of many changes and improvements across the width and breadth of the Company. Internal changes have strengthened operational efficiency and overall organisational cohesion. These have been supported by enhanced governance and risk management systems, which I believe have laid the foundation for stronger financial growth. With the company now geared to transform for the next tier of growth, I take this opportunity to thank the Chairman and Board of Directors for the confidence, support and guidance during a challenging year. I also thank our shareholders for the continued trust placed in the Company. A warm thank you to the Management and employees of Lanka Ceramic PLC whose unstinted support and cooperation has been a great source of strength during this phase of change. I acknowledge with gratitude the services provided by our bankers and suppliers and thank all our customers for their continued patronage.



J.A.P.M. Jayasekera
Managing Director

06th June 2019

BOARD OF DIRECTORS

MR. A.M. WEERASINGHE

Chairman (Appointed as Chairman w.e.f 01st September 2018)

Founder of Royal Ceramics Lanka PLC in 1990. A Gem Merchant by profession. Has been in the business field for more than 35 years involved in Real Estate, Construction, Transportation & Hospital Industry and has been a Landed Proprietor. In addition to the above, he is also the Chairman of Lanka Ceramic PLC, Singhe Hospitals PLC, Weerasinghe Property Development (Pvt) Ltd., Trade Huts (Pvt) Ltd. and Weerasinghe Gems (Pvt) Ltd and Deputy Chairman of Lanka Tiles PLC., Lanka Walltiles PLC and serves as a director of Swisstek (Ceylon) PLC and Swisstek Aluminium (Pvt) Ltd.

MR. J.A.P.M. JAYASEKERA

Managing Director

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

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

DR. SIVAKUMAR SELLIAH (MBBS, M.Phil)

Director

Dr. Selliah holds an MBBS degree and a Master's Degree (M.Phil). He has over two decades of diverse experience in varied fields.

Currently he is the Deputy Chairman of Asiri Hospitals Holdings PLC and the Deputy Chairman of Asiri Surgical Hospital PLC. He is a Director of HNB Assurance PLC, Lanka Tiles PLC, Softlogic Holdings PLC, ODEL PLC, Lanka Walltiles PLC, ACL Cables PLC, Lanka Ceramic PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium (Pvt) Ltd. He is also the Deputy Chairman of Central Hospital (Pvt) Ltd.

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

He also serves on the following board sub committees of some of the companies listed above as a member or Chairman: Human Resource and Remuneration committee, Related party Transaction committee, Audit committee, Investment committee and Strategic Planning committee.

MR. THARANA THORADENIYA

Director

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

MR. K.D.G. GUNARATNE

Director

Mr. Gunaratne studied at St. Thomas' College Mt. Lavinia and was a member of the Western Province Council during the period 1989 to 2009.

Currently serves as the Chairman of Lanka Hotels & Residencies (Pvt) Ltd and Urban Investments & Development Company (Pvt) Ltd. Director of Lanka Walltiles PLC, Lanka Tiles PLC, Lanka Ceramic PLC, Horana Plantations PLC and Insurance & Financial Services (Pvt) Ltd, Swisstek Ceylon PLC, Singer Industries Ceylon PLC and Regnis Lanka PLC.

MS. A.M. L. PAGE

Director

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

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

MR. D.J. SILVA

Director

Mr. Dulanjana Silva is a graduate in Computer Science and Engineering and holds qualifications from the National University of Singapore and the University of Sunderland, UK. Having begun his career at the Port of Singapore Authority, he has experience in planning, developing, deploying, and supporting a wide range of IT solutions. At present, he is a Director of Rocell Bathware Limited and Lankaal Industries (Pvt) Ltd.

MR. J.D. NIHAL KEKULAWALA

Director (Appointed w.e.f 17th May 2018)

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

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





MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS



ECONOMIC ENVIRONMENT

Sri Lanka's macro-economic performance was impacted by both global and domestic challenges in 2018. Global economic and geo-political developments, together with political instability in the last quarter of the year affected the external sector and overall macro-economic stability. From a policy front, the Central Bank of Sri Lanka (CBSL) signalled an end to the tight monetary policy stance, although remaining cautious with the objective of managing inflationary pressures. The sharp depreciation of the Sri Lankan Rupee in the second half of the year compelled Central Bank of Sri Lanka to intervene in the forex market and introduce several short-term measures to stem the depreciation.

Sri Lanka's economic growth moderated to 3.2% in the year, reflecting a slowdown in the Industrial sector due to the subdued performance of the construction, mining and quarrying

subsectors. The Agriculture sector rebounded following favourable weather conditions and the services sector achieved broad-based growth. Financial services sub-sector continued to maintain a growth momentum during the same period.

With the gradual transition to a system of flexible inflation targeting, inflation has been maintained at relatively low levels, despite occasional spikes arising from short-term demand and supply shocks. Inflation as measured by the annual average of National Consumer Price Index reversed its increasing trend of 2017 to decline to 0.4% in December 2018 from 5.4% in January 2018.

Capital outflows and increased import expenditure inserted pressure on the country's external sector during the year, amid escalating global commodity prices and a broad-based strengthening of the US Dollar. For most part of the year CBSL allowed market forces to determine the

exchange rate to a large extent, although several short-term measures were introduced to restrict imports in a bid to address pressure on the exchange rate. As a result, the Rupee depreciated by 16% against the Dollar in 2018, falling sharply during the last three months of the year. Gross official reserves reached a record high at end April 2018 following the receipt of proceeds from the Hambantota port divestment and receipt of the fifth tranche from the IMF facility. However, reserves declined by the latter part of the year due to the reversal of capital flows from both the government securities and equity market.

Policy reforms over the last two years have led to significant gains on the macro-economic front, reflected by improved public finances and an effective monetary policy. That said, downside risks stem from political uncertainty given the upcoming elections and the resultant 'wait and-see' approach adopted by investors.



Lanka Ceramic PLC, which has dotted Sri Lankan landscapes for the past seven decades, has been a forerunner in mining operations. The Company currently owns three mining operations which are located in Meetiya goda, Owala and Dediya wela from which kaolin, feldspar and ball clay are mined.

ABOUT LANKA CERAMIC PLC

Lanka Ceramic PLC, which has dotted Sri Lankan landscapes for the past seven decades, has been a forerunner in mining operations. The Company currently owns three mining operations which are located in Meetiya goda, Owala and Dediya wela from which kaolin, feldspar and ball clay are mined. While the previous year saw the Company restructure its share capital in order to stabilise itself as an independent entity, the year under review saw the sanitaryware business breaking ground, however mining remains the core business of the Company and the main revenue generator. It is indeed important to mention that the venture into sanitaryware is a 360-degree turn for Lanka Ceramic PLC which earned its names as the pioneer in sanitaryware in the 1950's.

FINANCIAL REVIEW

The multiplicity of the Group's operations has enabled the Company build a strong foundation for sustainability during the grey years. During the year, the Company's overall performance fell below target, with revenue decreasing 8% to Rs. 164 Mn from the previous year's Rs. 179 Mn. While several external factors could be attributed to this drop in revenue, the Company notes the cessation of operations in the ball clay mine at Dediya wala for a period of over five months being the main reason for this downward trajectory. Yet another factor which contributed to this is the decrease in sales from the Meetiya goda factory.

Other income dwindled to Rs. 75 Mn during the year under review from Rs. 160 Mn in the previous year. The drop in dividend income has been the main contributing factor in this regard.

in this backdrop, profit after tax of the Company declined to Rs. 138 Mn compared to Rs. 182 Mn decrease of 24%.

TAXATION

Income Tax expenditure decreased to Rs. 7 Mn compared to Rs. 66 Mn in the previous financial year due to deferred taxation charged on investment property during last year with the introduction of new Inland Revenue Act.

CAPITAL EXPENDITURE

Being in the mining industry the necessity for up-to-date equipment is indeed crucial. The company invested a total of Rs. 22 Mn during the year mainly for purchasing a forklift, building a new warehouse for tile operation in Meetiya goda and the new Head Office building. This was indeed a significant sum compared to the previous year's Rs. 11 Mn, which was spent on Property, Plant & Equipment.

OTHER FINANCIAL REVIEW

During the year, earnings per share improved from Rs. 11.34 to Rs. 22.93 with the share price depreciating from Rs. 158 to Rs. 140. The Net Asset value per share moved up from Rs. 113.59 to Rs. 136.42 and gearing ratio improved from 44% to 15%.

OPERATIONAL REVIEW

The company faced many challenges during the year and therefore was unable to function at its full potential. These included both internal and external factors such as disruptions to mining operations, inclement weather conditions, delays in granting of mining licenses and ad hoc policy changes. Sluggish economic growth obstructed economic growth, which in turn declined the demand of products, forcing the company to reduce production.

MANAGEMENT DISCUSSION AND ANALYSIS



Rs.

1.15Bn

Total Assets



Rs.

22.93

Basic Earning Per Share



Regulatory restrictions which have been implemented on the mining of ball clay in paddy fields created a shortage of mining lands, resulting in demand not being met. The closure of the mining and refining plant for kaolin at Meetiya goda, Ambalangoda in April was yet another impediment which hampered the Company's growth trajectory. The latter

was due to the kaolin being produced at the mine not meeting the required standards.

However, the mining at the Owala feldspar mine being the main contributor to revenue was encouraging. The Company has made necessary arrangements and is in the process of making further improvements to this mine. The upgrading of this mine's license to A-grade status is one such initiative, which has been embarked on by the Company. The Company is assured that this mine will prove to be a strong contributor to profitability of the Company in the near and long-term.

HUMAN CAPITAL

While labour remains an integral part of the Company's growth along with profitability, in this particular industry labour retention remains a dire issue. However, despite these issues, the

Company was able to end the year on a positive note, with zero work-related hazards. The Company at all times ensures that it provides employees with the relevant knowledge and skills which encourage them to innovate and lead change in the industry.

Our mentoring and coaching system provides an excellent channel which empowers team members to be in control of their careers by obtaining feedback on their concerns regarding their leadership potential, career prospects and competency development. We strive to build a good relationship between all tiers of Management and employees, ensuring

that all disputes are cordially discussed and mutually agreed upon. As a result there have been no any material issues pertaining to employees and industrial relations of the company has been recorded during the year.

Training and development remained an important strategic component to help improve production efficiencies. Training events during the year were primarily focused on employee career development.

Training events included:

- Finance-related training
- Maintenance training
- In-bound training

WORKPLACE HEALTH AND SAFETY

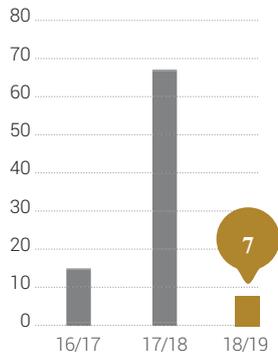
Health and safety are a key priority as a significant proportion of our employees are engaged in mining related activities. Further a risk and hazard analysis was conducted by the Company after which necessary protective equipment was also provided to factory employees. Executive and clerical employees are covered with medical insurance coverage and labour grade employees at the factories are covered with a workmen's compensation policy.

EMPLOYEE EVENTS

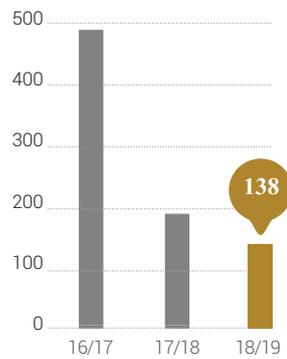
While focusing on workplace benefits, the Company also organised informal social events for employees to facilitate networking and relationship building outside the work environment.

These included an annual trip for executives and an annual trip for non-executives in the factory and head office. We believe that this is indeed an

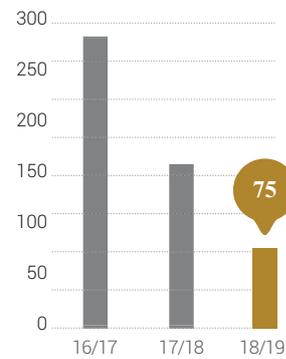
Income Tax Expense
(Rs.Mn)



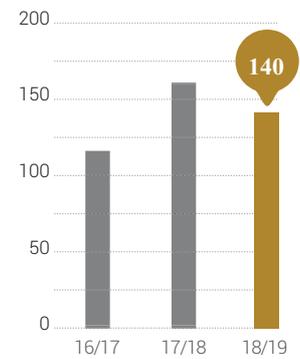
Net Profit
(Rs.Mn)



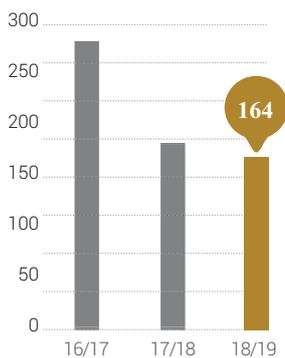
Other Income
(Rs.Mn)



Share Price
(Rs)



Total Sales
(Rs.Mn)



important part of the organisation in building a 'team' which is committed to strive for higher goals. The Annual Award Ceremony is yet another event which is eagerly awaited by all members of staff. This year a total of 10 members of staff received cash awards along with a souvenir in appreciation of their long-standing employment of 25 years.

SUSTAINABLE BUSINESS MODEL

In our view, success and sustainability are inextricably linked. We are completely committed to ensuring the mitigation of negative impacts on the environment.

Therefore, environmental responsibility and sustainable practices are integral to our operational philosophy. During the year under review, further investments were made to ensure the best possible results in terms of regulatory compliance, energy efficiency and emission reduction. The Company has rehabilitated mined lands extending to 1A-2R-20P at a cost of Rs. 7.8 Mn during the year under review.

COMMUNITY OUTREACH

Caring for the communities in which we operate has been the cornerstone of our business philosophy. As such, as our businesses have grown and developed, so have the communities that surround them. We make an impact not just in terms of humanitarian aid, but through the use of our knowledge and expertise to create concrete and sustainable areas of improvement, linking our work with the well-being of the people and environment around us.

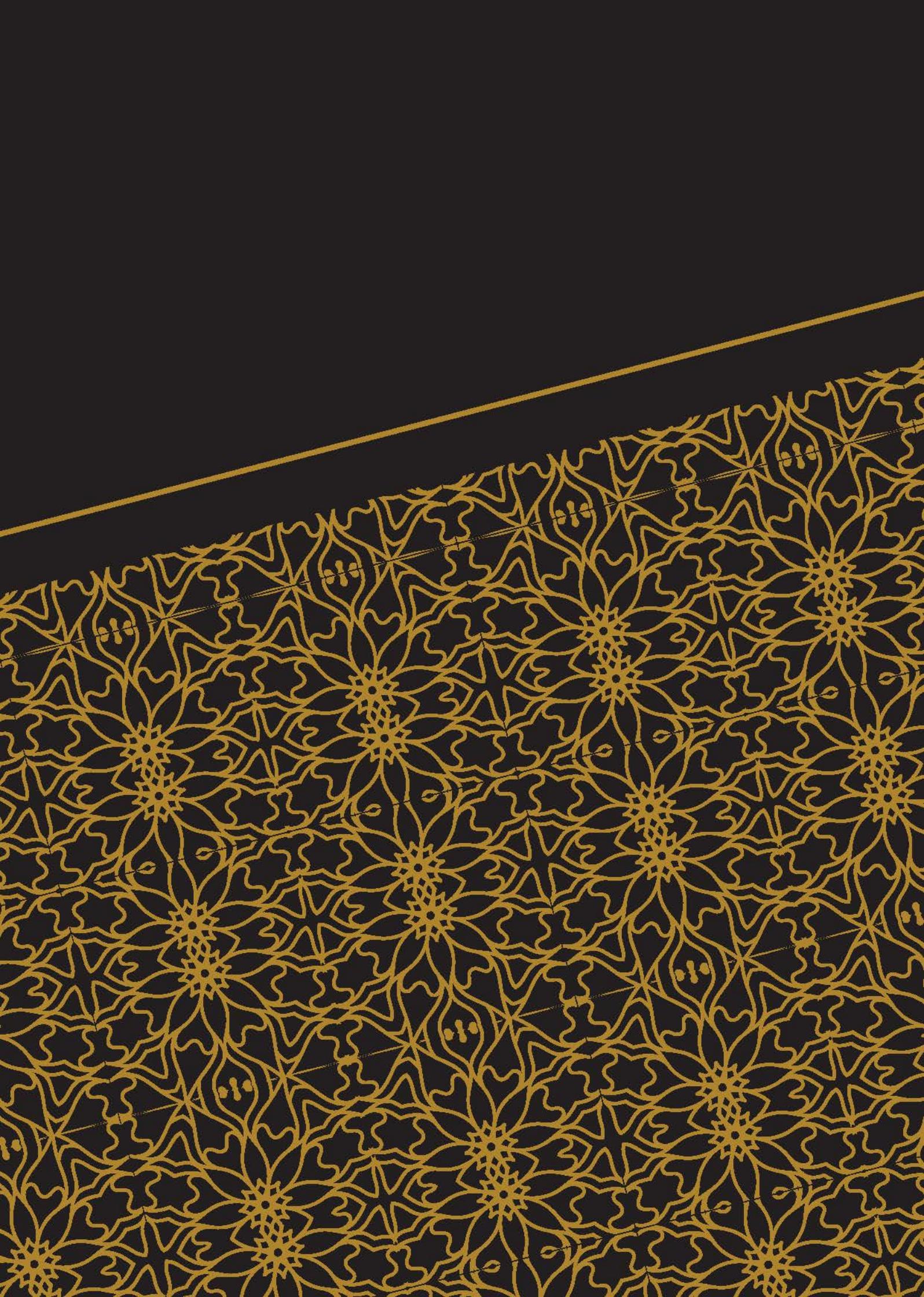
At Lanka Ceramic, the Company stepped in to fund several programs in the communities which it is present. These included:

- New Year festival
- Sports activities
- Uplifting of religious Places
- Religious activities

The Group maintains strong relationships with all Government and local authorities in all fields and areas of business. Clear and transparent communication, as well as absolute compliance, is paramount.

OUR VISION

The continued improvements to financial performance and operational efficiency gains remain the core focus of the Company. Post restructuring the Company is indicative that the strategic blue-print is now gradually taking hold and has commenced a transformation process. As these changes continue to be rolled out in the new financial year and business models become more profitable, returns for all stakeholders will improve. We are confident this objective is within our reach, if we remain focused on our goal and continue to strive towards it.



CORPORATE GOVERNANCE



RISK MANAGEMENT

INTRODUCTION

Risk management is a critical requirement for any company operating in a rapidly-changing competitive business environment. Lanka Ceramic PLC (LCPLC) recognises the importance of risk management and the process of risk management is developed to ensure that key risks are pro-actively identified and managed effectively with a view to protecting the shareholder value, thereby reducing and eliminating risks.

The company has identified a range of risks relevant to the environment in which the industry operates and undertook a comprehensive assessment of all that needs to be actively managed in order to safeguard the interest of the stakeholders. LCPLC continues to adopt a holistic approach in managing risk and developed relevant risk management measures as depicted below.

BUSINESS ENVIRONMENT RISK MANAGEMENT

Environment risk arises when there are external forces that may affect the viability of the enterprise's business model, including the fundamentals that drive the overall objectives and strategies that define it. It is the adverse impact on profits as a result of negative changes in the political, economic, legal and social environment.

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.

The Company maintains a strong relationship with stakeholders including statutory bodies influencing socio-economic stability within the country and especially in the locality. The Company regularly reviews the regulatory compliance and persistently monitors them in order to counter political and regulation risk and minimise the impact of environmental risk.

The Company is a Member of the Sri Lanka Ceramic & Glass Council, The Employers' Federation of Ceylon, The Ceylon Chamber of Commerce, The Import Section of the Ceylon Chamber of Commerce, Sri Lanka-China Business Council and the National Chamber of Commerce of Sri Lanka and also maintains a close relationship with Government and public institutions. The Company also assists Government institutions in formulation of new laws and regulations.

OPERATIONAL RISK MANAGEMENT

Operational risks associated with production/processes adversely affect the smooth operation of the Company. The Company has a strong operational control mechanism where mining and refining processes, production, quality, cost and efficiency are monitored on a daily basis. The Company continues to analyse the business environment and make appropriate changes to its strategic plan to ensure smooth operation of the plants.

Risk management is also designed to protect our employees and the general public from any adverse effects from adverse operational activities. Training and incentives are given to employees to improve efficiency, address any gaps in skills and enhance motivating factors in order to achieve the objectives.

Depletion of the present mineral deposits, inconsistency in the mineral deposits, issues on sourcing of new deposits and rapid changes in the weather patterns of the country exposes the Company to a high operational risk in mining and could affect the operation of the plants and leads to capacity constraints. The Company has been regularly monitoring the situation with the expert advice from the Geological Survey and Mines Bureau to ensure the continuous supply of the customer requirements in terms of quality and quantity. A mineral exploration program has been initiated by the Sri Lanka Ceramic Council to find new deposits in collaboration with the Ministry of Industries and Commerce.

MARKET RISK

LCPLC's business, processing of ceramic raw materials, is mainly industry driven and our products always have a derived demand. There are a few established competitors and a couple of new entrants in the ceramic raw materials business. The Company, being a member company of the largest ceramic manufacturing group, has successfully overcome a number of challenges it faced in respect of market share. Nevertheless 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 the major ceramic manufacturing companies.

FINANCIAL RISK MANAGEMENT

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. These include higher borrowing costs, lower

investment yields or decreased asset values that result in financial risks. Movements in prices, rates, indices and such affect the value of the Company's financial assets and stock price, which may additionally impact its costs of capital and its ability to raise capital.

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. These actions reduce cash flow risk and all capital projects are financially evaluated to ensure that inflows are matched with borrowings. Both floating and fixed rate debt are maintained and structured using

loans share capital and internal fund management to reduce borrowings.

The Company conducts internal audit processes regularly, to monitor the compliance of best financial practices and statutory regulations and detect any deviations. The Company's financial risk management practices are subject to independent review by the Audit Committee.

CONCLUSION

The LCPLC considers risk management as a key area of focus. Lanka Ceramic PLC being in the mining industry is exposed to high risk due to adverse weather conditions that prevailed in

the country. The Company developed proper drainage systems and maintains adequate buffer stocks to cope with the adverse weather conditions.

As explained above LCPLC recognises the complexity and the diversity of risks that surrounds its operational activities and the need to minimise the exposures to risk. Hence the Company has taken adequate steps to minimise all potential risks and its probability of impact to the Company.



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The compliance of Lanka Ceramic PLC to the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka is as follows.

GOVERNANCE PRINCIPLE	LANKA CERAMIC PLC ADHERENCE	COMPLIANCE STATUS																											
A. DIRECTOR																													
A.1 The Board																													
Frequency of Board meeting	<p>The Board met six times during the year under review.</p> <p>Board meeting attendance of the Directors is given below.</p> <p>Board meeting attendance</p> <table border="0"> <tr> <td>1.</td> <td>Mr. K.D.D. Perera (<i>Resigned w.e.f. 31st August 2018</i>)</td> <td>(1/2)</td> </tr> <tr> <td>2.</td> <td>Mr. A.M. Weerasinghe</td> <td>(6/6)</td> </tr> <tr> <td>3.</td> <td>Mr. J.A.P.M Jayasekera</td> <td>(5/6)</td> </tr> <tr> <td>4.</td> <td>Mr. T.G. Thoradeniya</td> <td>(5/6)</td> </tr> <tr> <td>5.</td> <td>Dr. S. Selliah</td> <td>(6/6)</td> </tr> <tr> <td>6.</td> <td>Ms. A.M.L. Page</td> <td>(3/6)</td> </tr> <tr> <td>7.</td> <td>Mr. K.D.G. Gunaratne</td> <td>(5/6)</td> </tr> <tr> <td>8.</td> <td>Mr. D.J. Silva</td> <td>(0/6)</td> </tr> <tr> <td>9.</td> <td>Mr.K.D.N. Kekulawala (<i>Appointed w.e.f. 17th May 2018</i>)</td> <td>(5/5)</td> </tr> </table>	1.	Mr. K.D.D. Perera (<i>Resigned w.e.f. 31st August 2018</i>)	(1/2)	2.	Mr. A.M. Weerasinghe	(6/6)	3.	Mr. J.A.P.M Jayasekera	(5/6)	4.	Mr. T.G. Thoradeniya	(5/6)	5.	Dr. S. Selliah	(6/6)	6.	Ms. A.M.L. Page	(3/6)	7.	Mr. K.D.G. Gunaratne	(5/6)	8.	Mr. D.J. Silva	(0/6)	9.	Mr.K.D.N. Kekulawala (<i>Appointed w.e.f. 17th May 2018</i>)	(5/5)	Compliant
1.	Mr. K.D.D. Perera (<i>Resigned w.e.f. 31st August 2018</i>)	(1/2)																											
2.	Mr. A.M. Weerasinghe	(6/6)																											
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9.	Mr.K.D.N. Kekulawala (<i>Appointed w.e.f. 17th May 2018</i>)	(5/5)																											
Responsibility of the Board	<p>The Board is responsible for</p> <ol style="list-style-type: none"> The formulation and implementation of a sound business strategy. Monitoring compliance of governance, laws and regulations. Overseeing systems of internal control and risk management. Approving annual budgets and strategic plans. Appointing and reviewing the performance of the Managing Director. Approving any change in the Company's business portfolio and sanction of major investments and disinvestment in accordance with set parameters. Ensuring that effective remuneration, required recognition policies are in place to assist employees in giving their best. Submitting themselves for re-election at regular intervals and at least once in every three years. 	Compliant																											

GOVERNANCE PRINCIPLE	LANKA CERAMIC PLC ADHERENCE	COMPLIANCE STATUS
Compliance with applicable laws	The Board ensured in the year under review that the Company adhered to all applicable laws, rules and regulations.	Compliant
Company Secretary	The services and advice of the Company Secretary M/s. 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.	Compliant
Independent judgment	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.	Compliant
Dedication and 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.	Compliant
Appropriate training for Directors	All Directors have considerable experience in managing companies in the ceramic industry. Relevant training opportunities are made available to all Directors.	Compliant
A.2 Chairman and Managing Director		
Division of responsibilities between the Chairman and Managing Director	There is a clear division of responsibility at the head of the Company which is placed between the running of the Board and the executive responsibility of overseeing the Company's business. No single individual has liberal powers with regard to decision making.	Compliant
A.3 Role of Chairman		
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.	Compliant
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.	Compliant

Corporate Governance

GOVERNANCE PRINCIPLE	LANKA CERAMIC PLC ADHERENCE	COMPLIANCE STATUS
A.5 Board Balance		
The Board should have an adequate number of Directors with balance of Executive and Non-Executive Directors of sufficient calibre along with Independent Directors	<p>The Board comprises eight members as at 31st March 2019, seven of whom including the Chairman are Non-Executive Directors.</p> <p>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 follow :</p> <p>Mr. A.M. Weerasinghe (Chairman)-Non-Executive <i>(Appointed as Chairman w.e.f 1st September 2018)</i></p> <p>Mr. J.A.P.M. Jayasekera-(Managing Director)-Executive</p> <p>Mr. T.G. Thoradeniya-Non-Executive</p> <p>Mr. D.J. Silva-Non-Executive</p> <p>Dr. S. Selliah-Non-Executive-Independent</p> <p>Mr. K.D.G. Gunaratne-Non-Executive-Independent</p> <p>Ms. A.M.L. Page-Non-Executive-Independent</p> <p>Mr. J.D.N. Kekulawala-Non-Executive-Independent <i>(Appointed w.e.f 17th May 2018)</i></p> <p>Dr. S. Selliah, Mr. K.D.G. Gunaratne, Ms. A.M.L. Page and Mr. J.D.N. Kekulawala are also Directors of Lanka Walltiles PLC and Lanka Tiles PLC. However, after taking into consideration the fact that they are not actively involved in the management of those companies' the Board is of the view that their independence is not compromised. Accordingly the Board has determined that Dr. S.Selliah, Mr. K.D.G. Gunaratne, Ms. A.M. L. Page 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>	Compliant
A.6 Supply of Information		
Relevant information and agenda to be circulated in a timely manner to the Board	The Board papers are circulated a week prior to the Board meetings with an adequate briefing on relevant information.	Compliant
A.7 Appointments to the Board		
Procedure for the appointment and disclosure of new Directors and assessment of Board composition	The appointment to the Board is undertaken by the Board itself, 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.	Compliant

GOVERNANCE PRINCIPLE	LANKA CERAMIC PLC ADHERENCE	COMPLIANCE STATUS
A.8 Re-Election		
Re-election of Directors at regular intervals	As per the Articles of Association two Directors for the time being retire from office and offer themselves for re-election by the Shareholders.	Compliant
A.9 Appraisal of Board Performance		
The Board should periodically appraise its own performance in order to ensure that responsibilities are discharged in a satisfactory manner	The Board regularly evaluates its performance based on achievement of results, implementation of strategy, risk management, internal controls, compliance with laws and stakeholder requirements.	Compliant
A.10 Disclosure of Information with Respect to Directors		
Shareholders at all times should be aware of relevant details with respect to Directors	All Directors have declared their details in pages 10 to 11 as Directors' Profiles.	Compliant
A.11 Appraisal of Managing Director		
The Board is required to assess the performance of the Managing Director annually	The Managing Director is evaluated each year as per the yearly targets that have been agreed within the annual budget.	Compliant
B.1 Remuneration Procedure		
Formal and transparent procedure for developing policies on remuneration composition and disclosure of the members of the Remuneration Committee	The Board has implemented a formal and transparent procedure for developing policies on remuneration by setting up a Remuneration Committee. The Remuneration Committee assists the Board in matters relating to compensation of the Company's Directors, Executive officers and such other employees as determined by the Committee.	Compliant
B.2 The Level and Make-up of Remuneration		
Levels of remuneration	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	Compliant

Corporate Governance

GOVERNANCE PRINCIPLE	LANKA CERAMIC PLC ADHERENCE	COMPLIANCE STATUS
B.3 Disclosure of Remuneration		
Disclosure of remuneration in the Annual Report	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 78 of this Report.	Compliant
C. Relations with Shareholders		
C.1 Constructive Use of the Annual General Meeting		
The Board should use the Annual General Meeting to communicate with shareholders and encourage their participation	The active participation of shareholders at the AGM is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders of Lanka Ceramic PLC.	Compliant
C.2 Major Transactions		
Disclosure of major corporate transactions that will materially affect the net asset base	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.	Compliant
C.3 Communication with Shareholders		
Board should implement effective communication with 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.	Compliant
D. Accountancy and Audit		
D.1 Financial Reporting		
The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects	The Annual Report of the Company provides a balanced and understandable assessment of the Company which is in addition to the accounts of the management and financial review, Directors' Report and responsibility structures.	Compliant
D.2 Internal Control		
The Board should maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets	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.	Compliant

GOVERNANCE PRINCIPLE	LANKA CERAMIC PLC ADHERENCE	COMPLIANCE STATUS
D.3 Audit Committee		
The Board should establish formal and transparent arrangements in the manner in which they select and apply accounting policies, financial reporting, and internal control principles and maintain an appropriate relationship with the Company Auditors	The Audit Committee Report on page 36 of the report addresses this section in full.	Compliant
D.4 Related Party Transactions Review Committee		
The Board should establish a procedure to ensure that the Company doesn't engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business	Related party transactions detailed in LKAS 24 and the Company's adhered to it and the details are given in the Related Party Transactions Review Committee report on pages 38 to 39 of this report.	Compliant
D.5 Code of Business Conduct and Ethics		
Companies must adopt a Code of Business conduct and Ethics for the Directors and members of the Senior Management Team and promptly disclose any waivers of the Directors or others.	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.	Compliant
D.6 Corporate Governance Disclosures		
Directors should be required to disclose the extent to which the company adheres to established principles and practices of good corporate governance	Adhered to as per the Corporate Governance report in the Annual Report on page 22 to 29.	Compliant
E. Shareholders		
E.1 Shareholder Voting		
Institutional shareholders should be encouraged to ensure their voting intentions are translated into practice	All institutional shareholders are encouraged to participate and their views are communicated to all concerned parties	Compliant
E.2 Evaluation of Governance Disclosures		
Institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention	The report contains the Company's Corporate Governance process and structure for investor's attention.	Compliant

Corporate Governance

GOVERNANCE PRINCIPLE	LANKA CERAMIC PLC ADHERENCE	COMPLIANCE STATUS
F.1 Investing/Divesting Decision		
Individual shareholders, should be encouraged to carry out adequate analysis in investing or divesting decision	The Annual Report contains sufficient information to make an informed decision. The report is hosted on the Colombo Stock Exchange website with the quarterly reports to facilitate investors and shareholders to make informed decisions.	Compliant
F.2 Shareholder Voting		
Individual shareholders should be encouraged to participate in the General Meeting of Companies and exercise their voting rights	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.	Compliant
Compliance with the Continuing Listing Rules on Corporate Governance of the CSE		
The extent of adherence to corporate governance rules under Section 7.10 of Continuous Listing requirements of the Colombo Stock Exchange is given below		
7.10.1 Non-Executive Directors		
The Board of Directors should include at least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one-third of the total number of Directors, whichever is higher	Lanka Ceramic PLC has seven Non-Executive Directors out of eight as given in terms A.5 in the CA Sri Lanka adherence table, which is above the minimum requirement.	Compliant
7.10.2 Independent Directors		
The Board of Directors should include two or one-third of Non-Executive Directors appointed to the Board of Directors, whichever is higher, shall be Independent	The Company has four independent Directors out of eight as given in item A. 5 in CA Sri Lanka adherence table, which is above the minimum level.	Compliant
7.10.3 Disclosure Relating to Directors		
The Board shall make a determination annually as to the independence or non-independence of each Director based on such declaration and other information available to the Board and shall set out in the Annual Report the names of Directors determined to be independent	The Board has determined the independence of each independent Director and set out and declared the independence in the Annual Report. Please refer Note 7.10.4 below	Compliant
7.10.4 Criteria for Defining Independence		
The Colombo Stock Exchange identified criteria of independence should be met by the Independent Directors of the Company	All Independent Directors meet the above criteria.	Compliant

GOVERNANCE PRINCIPLE	LANKA CERAMIC PLC ADHERENCE	COMPLIANCE STATUS
7.10.5 Remuneration Committee		
a. Composition of Remuneration Committee		
The Remuneration Committee shall comprise at least two Directors in which a majority shall be Independent	As per the Remuneration Committee report given on page 37 the Remuneration Committee comprises three independent Non- Executive Directors.	Compliant
b. Functions of Remuneration Committee		
The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer of the listed entity to the Board of the listed entity among other defined functions	As per the Remuneration Committee report given on page 37 the Remuneration Committee recommends the remuneration of the Senior Management of the Company to the Board.	Compliant
c. Disclosure in the Annual Report		
The Annual Report should set out the names of Directors in comprising the Remuneration Committee and contain a statement of the Remuneration Policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors	The Remuneration Committee report given on page 37 sets out the names of the Directors in the Remuneration Committee and aggregate remuneration paid to all Directors is given on page 78 in Note 25.2.	Compliant
7.10.6 Audit Committee		
a. Composition of Audit Committee		
The Audit Committee shall comprise of at least two Non-Executive Directors, a majority of whom shall be independent	The Audit Committee consists of three Independent Non-Executive Directors.	Compliant
b. Functions of Audit Committee		
Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements of a listed entity, in accordance with Sri Lanka Accounting Standards	The Audit Committee Report given on page 36 of the Annual Report explains the function of the Audit Committee which has executed the above function.	Compliant
c. Disclosure in the Annual Report relating to Audit Committee		
The names of the Directors comprising the Audit Committee should be disclosed	The Audit Committee report on page 36 has addressed this requirement.	Compliant

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 for the year ended 31st March 2019.

GENERAL

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

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

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

The main activities of the Company during the year ended 31st March 2019 were mining, processing and sales of raw materials and allied products and importing and selling of sanitaryware products.

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

TRANSFER TO THE DIRI SAVI BOARD

The listed shares of the Company were transferred to the Diri Savi Board on 2nd July 2018.

FINANCIAL STATEMENTS

The complete Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on pages 45 to 80.

AUDITORS' REPORT

The Report of the Auditors on the Financial Statements of the Company is given on pages 42 to 44.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 49 to 61. Except as stated in Note 2.1.4 to the Financial Statements there were no significant changes to the accounting policies used by the Company during the year under review vis-à-vis those used in the previous year

DIRECTORS

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

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. A.M. Weerasinghe - Chairman

Mr. T.G. Thoradeniya - Director

Mr. D.J. Silva - Director

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. S. Selliah - Director

Mr. K.D.G. Gunaratne - Director

Ms. A.M.L. Page - Director

Mr. J.D.N. Kekulawala - Director

Mr. Dhammika Perera resigned as the Chairman of the Company with effect from 31st August 2018 and Mr. A.M. Weerasinghe was appointed the Chairman of the Company.

Dr. S. Selliah and Mr. T.G. Thoradeniya retire by rotation at the conclusion of the Annual General Meeting in terms of Articles 102 and 103 of the Articles of Association and being eligible are recommended by the Directors for re-election.

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 2019 as recorded in the Interests Register are given in this Report under Directors' shareholding.

DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed under Key Management Personnel compensation in Note 25.2 to the Financial Statements on page 78.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions referred to in Note 25.2 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 34. 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 to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 35.

AUDITORS

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

A total amount of Rs. 469,500 is payable by the Company to the Auditors for the year under review comprising Rs. 344,500 as audit fees and Rs. 125,000 for non audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 23rd May 2019 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.

STATED CAPITAL

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

The number of shares issued by the Company stood at 6,000,000 fully paid ordinary shares as at 31st March 2019. 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 2019 and 31st March 2018 are as follows.

	Shareholding as at 31/03/2019	Shareholding as at 31/03/2018
Mr. A.M. Weerasinghe	-	-
Mr. J.A.P.M. Jayasekera	20	20
Mr. T.G. Thoradeniya	-	-
Dr. S. Selliah	-	-
Mr. K.D.G. Gunaratne	-	-
Ms. A.M.L. Page	-	-
Mr. D.J. Silva	-	-
Mr. J.D.N. Kekulawala	-	-

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 and Mr. T.G. Thoradeniya are Directors of Royal Ceramics Lanka PLC.

SHAREHOLDERS

There were 1,478 shareholders registered as at 31st March 2019 (1,484 shareholders as at 31st March 2018). The details of distribution are given on page 82 of this report.

MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on pages 81 to 83 under Share Information and 10-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 2019 84 persons were in employment (83 persons as at 31st March 2018).

Annual Report of the Board of Directors on the Affairs of the Company

RESERVES

The reserves of the Company with the movements during the year are given in Note 11 to the Financial Statements on page 68.

LAND HOLDINGS

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

Location	No. of Buildings	Land Extent	Net written down value As at 31.03.2019 Rs:000
Mining Land at Owala	7	26A-3R-17P	2,574
Land at Meetiyagoda	13	45A-0R-32.33P	28,485
Land at Dediawala	-	38A-3R-23.48P	24,529
Total	20	110A -3R-32.81P	55,588

Location	No. of Buildings	Land Extent	Fair Value As at 31.03.2019 Rs:000
Land at Kollupitiya	1	0A-1R-1.12P	781,280

PROPERTY, PLANT & EQUIPMENT

Details and movements of Property, Plant & Equipment are given under Note 3 to the Financial Statements on pages 62 to 64.

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2019 are given in Note 6 to the Financial Statements on page 66.

DONATIONS

The Company made donations amounting to Rs. 40,000 in total, during the year under review.

DIVIDENDS

The Company has not declared dividends for the financial year ended 31st March 2019.

RISK MANAGEMENT

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

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 20 to 21.

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 Balance Sheet date have been paid or, where relevant provided for, except for certain assessments where appeals have been lodged.

CONTINGENT LIABILITIES

As disclosed in Note 26 to the Financial Statements on page 78, there were no material contingent liabilities as at the Balance Sheet date.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

As disclosed in Note 27 to the Financial Statements on page 79 there are no material events as at the date of the Auditor's Report which require adjustment to, or disclosure in the Financial Statements.

CORPORATE GOVERNANCE

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

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Dr. S. Selliah - Chairman
Mr. K.D.G. Gunaratne
Ms. A.M.L. Page

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Dr. S. Selliah - Chairman
Mr. K.D.G. Gunaratne
Ms. A.M.L. Page

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2019.

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

ANNUAL GENERAL MEETING

The Notice of the Twenty Eighth (28th) Annual General Meeting appears on page 84.

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

06th June 2019

Annual Report of the Board of Directors on the Affairs of the Company

Annexure A- Related Party Transactions

Recurrent Related Party Transactions

Name of Related Party	Relationship	Nature of Transaction	Aggregate value of Related Party Transactions entered into during the financial year Rs.	Aggregate value of related party transaction as a % of the Revenue	Terms and Conditions of the Related Party Transactions
Lanka Tiles PLC	Affiliated Company	Sale of raw materials	126,060,979	77%	Based on commercial rates
		Receiving of commission income	2,958,169	2%	Based on commercial rates
		Reimbursement of expenses	2,182,635	1%	Actual expense incurred
			131,201,783	80%	
Lanka Walltiles PLC	Affiliated Company	Sale of raw materials	10,642,758	6%	Based on commercial rates
		Sale of finished goods	6,119,476	4%	Based on commercial rates
		Receiving of commission income	635,131	0.39%	Based on commercial rates
		Reimbursement of expenses	96,107	0.06%	Actual expense incurred
			17,493,472	10.68%	
Royal Ceramics Lanka PLC	Parent Company	Sale of raw materials	22,939,257	14%	Based on commercial rates
		Reimbursement of expenses	43,429,073	27%	Actual expense incurred
			66,368,330	41%	
Royal Porcelain (Pvt) Ltd	Affiliated Company	Sale of raw materials	50,341	0.031%	Based on commercial rates
Rocell Bathware Ltd	Affiliated Company	Sale of raw materials	5,538,704	3%	Based on commercial rates
Swisstek Aluminium (Pvt) Limited	Affiliated Company	Payment of rent expenses	2,216,489	1%	Based on commercial rates
Horana Plantations PLC	Affiliated Company	Purchase of goods	66,000	0.04%	Based on commercial rates

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the Financial Statements of the Company is 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 page 42.

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 a Profit and Loss Account and a Statement of Financial Position 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 accounts and after making inquiries and following a review of the Company's budget for the financial year 2019/2020 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

06th June 2019

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

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

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

- **Mr. J.D.N. Kekulawala** - Chairman
(Independent Non-Executive Director,
appointed w.e.f 17th May 2018)
- **Mr. K.D.G. Gunaratne** - Member
(Independent Non-Executive Director)
- **Ms. A.M.L. Page** - Member
(Independent Non-Executive Director)

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

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

ROLE OF THE AUDIT COMMITTEE

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

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

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

MEETINGS

Audit Committee meetings were held thrice during the year. Audit Committee meeting attendance of the members is as follows.

Mr. J.D.N. Kekulawala	(3/3)
Mr. K.D.G. Gunaratne	(2/3)
Ms. A.M.L. Page	(1/3)

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

EXTERNAL AUDIT

The Audit Committee, having assessed the independence and performance of the External Auditors M/s. Ernst & Young Chartered Accountants, recommended to the Board of Directors that they be re-appointed as Auditors of the Company for the year ending 31st March 2020, subject to the approval by the shareholders at the Annual General Meeting. The Committee reviewed the Management Letter arising from the audit of Annual Statements together with the Management response.



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

06th June 2019

REMUNERATION COMMITTEE REPORT

ROLE OF THE REMUNERATION COMMITTEE

The Committee reviews the performance of the executive staff against the set objectives and goals, and determines the compensation policy of the Company for all levels of employees. The Committee supports and advises the Board on remuneration and remuneration related matters and makes decisions under delegated authority with a view to aligning the interests of employees and shareholders.

COMPOSITION OF THE REMUNERATION COMMITTEE

The Remuneration Committee is a sub-committee of the main Board, to which it is accountable. The Remuneration Committee comprises of the following three independent non-executive Directors.

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

The Committee members possess vast experience in the field of business management, human resource management, labour relations and labour law. Hence the Committee has adequate expertise in Remuneration Policy and management to deliberate and propose necessary changes, improvements to meet the roles and responsibility of the Committee.

MEETINGS

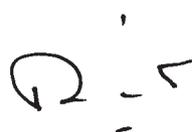
The Committee met once for the financial year under review.

FUNCTIONS PERFORMED BY THE REMUNERATION COMMITTEE

- The Remuneration Committee recommends the remuneration payable to the Senior Management of the Company to the Board to make the final determination. The aggregate remuneration paid to Executive and Non-Executive Directors is given on page 78 of the Annual Report under key Management remuneration.
- Ensuring that the Board complies with the Companies Act in relation to Directors remunerations, especially the requirements of Section 216. It also ensures that employees are adequately compensated based on their performance and contribution for the period under review and future potential.
- Constructing a specific cost of employment structure that enables the Company to attract and retain a quality and representative staff in its operations and do this inter alia with reference to appropriate market rates where these are relevant, and benchmarking specific categories where required.
- Ensuring internal equity and fairness in and between the various pay categories and building incentives in the cost of employment structure to encourage and reward excellent performance, on objectively defined criteria.
- Ensuring that staff costs are within the budget set by the Board and are sustainable over time.

CONCLUSION

The Committee is satisfied that it has completed the responsibilities that were delegated to it by the Board and the necessary objectives were achieved.



Dr. S. Selliah
Chairman—Remuneration Committee

06th June 2019

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

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

PURPOSE OF THE COMMITTEE

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

COMPOSITION OF THE COMMITTEE

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

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

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

MEETINGS

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

Dr. S. Selliah	(2/2)
Ms. A.M.L. Page	(0/2)
Mr. K.D.G. Gunaratne	(2/2)

PROCEDURES FOR REPORTING RPTS

The Managing Director is responsible for reporting to the Committee, for its review and approval 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 2018/19. 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 Company has complied with the requirements stipulated by 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 25 to the Financial Statements, on page 78 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 30 to 34 of this Annual Report.



Dr. S. Selliah
Chairman-Related Party Transactions Review Committee

06th June 2019

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FINANCIAL CALENDAR

1st Quarter 2018/19 Interim Financial Report (Unaudited)
2nd Quarter 2018/19 Interim Financial Report (Unaudited)
3rd Quarter 2018/19 Interim Financial Report (Unaudited)
4th Quarter 2018/19 Interim Financial Report (Unaudited)
Annual Report 2018/19
28th Annual General Meeting

07th August 2018
09th November 2018
06th February 2019
23rd May 2019
06th June 2019
05th July 2019



INDEPENDENT AUDITOR'S REPORT



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

Tel : +94 11 2463500
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eysl@lk.ey.com
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TO THE SHAREHOLDERS OF LANKA CERAMIC PLC

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Lanka Ceramic PLC ("the Company"), which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2019, and of its financial performance and its 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 Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have

fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the 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>Valuation of Investment property</p> <p>As at 31 March 2019, Land and Buildings carried at fair value, classified as Investment Property amounted to Rs. 908.445 Mn.</p> <p>The fair value of such property was determined by an external valuer engaged by the Company. The valuation of land and buildings was significant to our audit due to the use of significant estimates such as per perch price and value per square foot.</p>	<p>Our audit procedures focused on the valuations performed by the external valuer, engaged by the Company, and included the following:</p> <ul style="list-style-type: none"> We assessed the competency, capability and objectivity of the external valuer engaged by the Company; We read the professional valuer's report and understood the key estimates made and the approach taken by the valuer in determining the fair value; Engaged our internal specialised resources to assist us in assessing the reasonableness of the valuation techniques, per perch price and value per square foot; and We have also assessed the adequacy of the disclosures made in Notes 2.2.2. (e), 2.3.9 and 5 to the financial statements relating to the valuation technique and estimates used by the professional valuer.

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

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Other information included in the Company's 2019 Annual Report

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 scepticism 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 Company's internal control.
- 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 Company'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 Company 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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

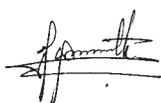


06th June 2019
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	2019 Rs:000	2018 Rs:000
ASSETS			
Non-current assets			
Property, plant and equipment	3	122,874	118,113
Leasehold rights over mining lands	4	4,238	6,536
Investment property	5	908,445	827,600
		1,035,557	952,249
Current assets			
Inventories	8	5,724	5,709
Trade and other receivables	9	94,424	78,579
Other financial assets	6	-	134,361
Cash and cash equivalents	23	14,801	6,188
		114,949	224,837
Total assets		1,150,506	1,177,086
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Stated capital	10	300,000	300,000
Reserves	11	216,766	218,370
Retained earnings		301,732	163,156
Total equity		818,498	681,526
Non-current liabilities			
Interest bearing liabilities	12	96,613	126,926
Deferred tax liabilities	7	154,062	145,983
Retirement benefit liability	13	10,335	9,996
Other non-current liabilities	14	15,000	15,000
		276,010	297,905
Current liabilities			
Trade and other payables	15	27,702	21,658
Income tax liabilities		-	5,056
Interest bearing liabilities	12	28,296	170,941
		55,998	197,655
Total equity and liabilities		1,150,506	1,177,086

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 49 to 80 form an integral part of the financial statements.

06th June 2019

Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March		2019	2018
	Note	Rs:'000	Rs:'000
Revenue	16	163,772	178,932
Cost of sales		(101,564)	(102,816)
Gross profit		62,208	76,116
Fair value gain on investment property	5.2	80,845	121,600
Other income	17	75,072	160,457
Distribution costs		(8,232)	(14,153)
Administrative expenses		(43,375)	(56,166)
Finance cost	18	(21,599)	(40,498)
Finance income	19	-	1,021
Profit before tax	20	144,919	248,377
Income tax expense	21.1	(7,329)	(66,178)
Profit for the year		137,590	182,199
Other comprehensive income			
Actuarial gain/ (loss) on retirement benefit liability	13	(813)	(118)
Deferred tax on components of other comprehensive income	21.1	195	(84,889)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):		(618)	(85,007)
Other comprehensive income for the year (net of tax)		(618)	(85,007)
Total comprehensive income for the year		136,972	97,192
Earnings per share- from continuing operations (Rs.)	22.1	22.93	11.34

The accounting policies and notes on pages 49 to 80 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March	Stated capital Rs.' 000	Revaluation reserve Rs.' 000	Retained earnings/(loss) Rs.' 000	Total Rs.' 000
Balance as at 01 April 2017	300,000	303,292	698,453	1,301,745
Profit for the year	-	-	182,199	182,199
Other comprehensive income	-	(84,922)	(85)	(85,007)
Total comprehensive income	-	(84,922)	182,114	97,192
Share repurchase				
-Settled through cash	-	-	(184,682)	(184,682)
-Settled through disposal of subsidiary	-	-	(4,376,720)	(4,376,720)
Effect of disposal of Subsidiary	-	-	3,843,991	3,843,991
Balance as at 31 March 2018	300,000	218,370	163,156	681,526
Transfer from revaluation reserve on disposal of land	-	(1,604)	1,604	-
Profit for the year	-	-	137,590	137,590
Other comprehensive income	-	-	(618)	(618)
Total comprehensive income	-	-	136,972	136,972
Balance as at 31 March 2019	300,000	216,766	301,732	818,498

The accounting policies and notes on pages 49 to 80 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the Year ended 31 March	Note	2019 Rs.'000	2018 Rs.'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax from continuing operations		144,919	248,377
Adjustments for			
Depreciation	3	14,986	20,672
Amortisation of leasehold right over land		2,298	3,130
Profit/ (loss) on sale of property, plant and equipment	17	(11,650)	(246)
Finance costs		21,599	34,217
Investment (income)/loss		-	6,281
Disposal gain on quoted shares		(14,412)	
Provision for retirement benefit obligations	13	1,685	1,904
Revaluation gain on investment property	5	(80,845)	(121,600)
Operating profit before working capital changes		78,580	192,734
Working capital adjustments			
(Increase)/ decrease in inventories		(15)	368
(Increase)/ decrease in trade and other receivables		(15,847)	690
Increase /(decrease) in trade and other payables		6,044	(6,456)
Cash generated from operations		68,762	187,336
Finance costs paid		(21,599)	(34,217)
Retirement benefit plan costs paid	13	(2,159)	(1,425)
Income tax paid		(4,111)	(13,033)
Net cash flows from operating activities		40,893	138,661
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(21,972)	(10,850)
Proceeds from sale of property, plant and equipment		13,877	447
Proceeds from sale of quoted shares		148,773	-
Net cash flows from/(used in) investing activities		140,678	(10,403)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Interest bearing loans and borrowings		-	61,200
Repayment of interest bearing borrowings		(124,160)	(63,965)
Repayment of Lease		(3,842)	-
Repurchase of shares		-	(184,682)
Net cash flows used in financing activities		(128,002)	(187,447)
Net increase/(decrease) in cash and cash equivalents		53,569	(59,189)
Realisation of restricted cash		3,500	-
Cash and cash equivalents at the beginning of the year	23	(42,268)	16,921
Cash and cash equivalents at the end of the year	23	14,801	(42,268)

The accounting policies and notes on pages 49 to 80 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal activities and nature of operations

During the year, principal activities of the Company were to provide raw materials to ceramic industry, managing investment property and importing and selling of sanitaryware.

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.

1.4 Date of authorisation for issue

The Financial Statement of Lanka Ceramic PLC for year ended 31 March 2019 was authorised for issue in accordance with a resolution of the Board of Directors dated 06th June 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

1. Land and building
- 2.. Investment properties

The financial statements are presented in Sri Lankan Rupees (Rs), except when otherwise indicated.

2.1.2 Statement of compliance

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

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

2.1.3 Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading.

2.1.4 Changes in accounting policies and disclosure *New and amended standards and interpretations*

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 March 2018, except for the adoption of new standards effective as of 1 April 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies, for the first time, SLFRS 15 - Revenue from Contracts with Customers and SLFRS 9 – Financial Instruments, the nature and effect of these changes are disclosed below.

a) *SLFRS 15 Revenue from Contracts with Customers*

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

NOTES TO THE FINANCIAL STATEMENTS

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Company adopted SLFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 January 2018.

The Company did not have any material impact on its revenue from supply of raw materials, with the adoption of SLFRS 15 for the year beginning 1st April 2018.

The Company extracts and provide raw materials to ceramic industry within the geographic regions of Sri Lanka. The Company's contracts with customers for the sale of raw materials mainly include one performance obligation. It is determined that the revenue of the Company to be recognised at the point in time when control of the goods is transferred to the customer, generally on sold of goods or delivery of the goods. Therefore, the adoption of SLFRS 15 did not have an impact on the timing of revenue recognition.

Presentation and disclosure requirements

As required for the financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 16 for the disclosure on disaggregated revenue.

b) **SLFRS 9 Financial Instruments**

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018,

bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied SLFRS 9 prospectively, with an initial application date of 1 April 2018. The Company has not restated the comparative information, which continues to be reported under LKAS 39. However, the adoption of SLFRS 9 did not have a significant impact on its statements of financial position and equity as at 1 April 2018.

(i) **Classification and measurement**

SLFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

LKAS 39 measurement categories of financial assets at fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and loans and receivables have been replaced by:

- Financial assets at fair value through profit or loss (FVPL)
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Debt instruments at amortised cost

In line with the characteristics of the Company's financial instruments, the Company neither revoked nor made any new designations on the date of initial application. SLFRS 9 has not resulted in changes in the carrying amount of the Company's financial instruments due to changes in measurement categories.

All financial assets previously held at fair value continue to be measured at fair value and those that were classified as loans and receivables continue to be measured at amortised cost.

The accounting for financial liabilities remains largely the same as it was under LKAS 39.

(ii) **Impairment**

The adoption of SLFRS 9 has fundamentally changed accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. Given the limited exposure of the Company to credit risk, this change has not had a material impact on its debt securities except of trade receivables in the financial statements.

For trade receivables the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The impairment requirements of SLFRS 9 did not have a significant impact on the Company.

(iii) **Impact of adoption of SLFRS 9**

The following table shows the original measurement categories in accordance with LKAS 39 and the new measurement categories under SLFRS 9 for the Company's financial instruments and financial liabilities as at 1 April 2018.

Financial Assets	LKAS 39 Measurement		SLFRS 9 Measurement	
	Category	Amount Rs. Mn	Amount Rs. Mn	Category
Company				
Trade and Other Receivables	Loans and Receivables	94	94	Amortised Cost
Cash and Cash Equivalents	Loans and Receivables	15	15	Amortised Cost

Financial Liabilities	LKAS 39 Measurement		SLFRS 9 Measurement	
	Category	Amount Rs. Mn	Amount Rs. Mn	Category
Company				
Trade and Other Payables	Other financial liabilities	28	28	Amortised Cost
Interest bearing liabilities	Other financial liabilities	125	125	Amortised Cost
Other non-current liabilities	Other financial liabilities	15	15	Amortised Cost

2.2 Significant Accounting Judgments, Estimates And Assumptions

2.2.1 Judgements

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

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

The Company 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.

NOTES TO THE FINANCIAL STATEMENTS

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 Company is disclosed in Note 13 together with assumptions used in the valuations and the sensitivities thereof.

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

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

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

c) Deferred tax assets

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

d) Fair Value of investment properties

The Company carries its Investment Properties at fair value, with changes in fair values being recognised in the Statement of profit or loss. The Company engaged an independent valuer to determine the fair value as at 31 March 2019. The valuation of investment property, management require to make significant estimates such as current market price per perch, market rent per similar properties and yield rate which are based on current and future market or economic conditions.

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

e) Fair value of financial instruments

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

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

2.3.2 Fair value measurement

Fair value related disclosures for assets measured at fair value or assets and liabilities that are not measured at fair value, for which fair values are disclosed, are summarised in the Note 3.1 (f), Note 12.4 and Note 5.3 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 Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

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

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

For the purpose of fair value disclosures, the Company 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

NOTES TO THE FINANCIAL STATEMENTS

difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and the carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

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

Sales tax

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

2.3.4 Borrowing costs

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

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

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

2.3.5 Inventories

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

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

Finished goods and work-in-progress

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

Spares and Consumables

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

2.3.6 Financial instruments

Financial assets

Initial recognition and measurement

Policy applicable before 1st April 2018

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular

way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits and trade and other receivables. Accordingly the Company financial assets have been classified as Loans and Receivables and FVTPL respectively.

Policy applicable after 1st April 2018

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

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

The Company'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 Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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

Policy applicable before 1st April 2018

The subsequent measurement of financial assets depends on their classification: (the categories of the financial assets are limited only to (a) and (b) below)

a) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under LKAS 39 are satisfied.

The Company evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. The losses arising from impairment are recognised in the statement of comprehensive income.

Policy applicable after 1st April 2018

From 1 April 2018, the Company classifies all of its financial assets in the measurement category of financial assets at amortised cost and Financial assets at fair value through profit or loss. Categories of financial assets as per SLFRS 9 are limited only for the followings.

NOTES TO THE FINANCIAL STATEMENTS

Financial assets at amortised cost

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

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

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

The Company's financial assets at amortised cost includes trade and other receivables and cash and cash equivalents.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

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

The rights to receive cash flows from the asset have expired.

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

Impairment of financial assets

Policy applicable before 1st April 2018

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised; the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of comprehensive income.

Policy applicable after 1st January 2018

The Company recognises 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 Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based

on lifetime ECLs at each reporting date. The Company 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

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

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

Subsequent measurement

The measurement of financial liabilities depends on their classification:

Loans and borrowings

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

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

NOTES TO THE FINANCIAL STATEMENTS

Derecognition

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

The accounting for financial liabilities under SLFRS 9 remains largely the same as it was under LKAS 39.

2.3.7 Property, plant and equipment

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

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

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

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

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

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

2.3.8 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

2.3.8.1 Finance leases

Assets obtained under finance lease, which effectively transfer to the Company substantially the entire risks and benefits incidental to ownership of the leased assets, are treated as if they have been purchased outright and are capitalised at their cash price. Assets acquired by way of a finance lease are measured at an amount equal to the lower of the present value of the minimum lease payments and fair value of the leased property.

Assets held under finance lease are amortised shorter of the lease period or the useful lives of equivalent owned assets, unless ownership is not transferred at the end of the lease period.

The principal/capital element payable to the lessor is shown as liability/obligation. The lease rentals are treated as consisting of capital and interest elements. The capital element in the rental is applied to reduce the outstanding obligation and interest element is charged against profit, in proportion to the reducing capital outstanding.

The cost of improvements on leased property is capitalised, disclosed as improvements to leasehold property and depreciated over the unexpired period of the lease, or the estimated useful lives of the improvements, whichever is shorter.

2.3.8.2 Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases.

Rentals paid under operating leases are recognised as an expense in the income statement on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Company as a lessor

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

2.3.9 Investment properties

Properties held for capital appreciation and properties held to earn rental income have been classified as Investment Property. Investment Property is recognised if it is probable that future economic benefits that are associated with the Investment Property will flow to the Company 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 Company applies the Fair Value Model for Investment Properties in accordance with Sri Lanka Accounting Standard 40 (LKAS 40), - "Investment Property". Accordingly, land and buildings classified as Investment Properties are stated at Fair Value.

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

2.3.10 Provisions

Provisions are recognised when the Company 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 Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of total comprehensive income net of any reimbursement.

2.3.11 Retirement benefit obligations

(a) *Defined benefit plan – gratuity*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting

NOTES TO THE FINANCIAL STATEMENTS

the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. Interest expense and the current service cost related to the liability is recognised in profit or loss and actuarial gain or loss is recognised in other comprehensive income.

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2019.

Funding arrangements

The Gratuity liability is not externally funded.

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

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

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

independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount an asset is considered impaired and is written down to its recoverable amount.

2.3.13 Cash and Cash Equivalents

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

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

2.3.14 Revenue recognition

Policy applicable before 1st April 2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and that the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria have been used for the purpose of recognition of revenue.

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to buyer with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Policy applicable after 1st January 2018

Revenue from contracts with customers

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

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

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

Interest

For all financial instruments measured at amortised cost and interest bearing financial assets, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is included in finance income in the statement of total comprehensive income.

Dividends

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

Rental income

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

Other income

Other income is recognised on an accrual basis.

Gains and Losses

Net gains and losses of a revenue nature on the disposal of property, plant & equipment and other non-current assets including investments have been accounted for in the statement of total comprehensive income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of re-valued property, amount remaining in revaluation reserve relating to that asset is transferred directly to retained earnings. Gains and losses arising

from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.4 Effect of Sri Lanka Accounting Standards Issued But not yet Effective:

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

SLFRS 16 - Leases

SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases- Incentives; and SIC 27 evaluating the substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

Pending the comprehensive study, possible impact/ effect that would result in initial application of SLFRS 16 is not yet estimable.

	2019 Rs:000	2018 Rs:000
c) Net book value of assets		
At cost		
Plant and machinery	19,898	22,210
Tools, implements, furniture and fittings and electrical appliances and computer software	3,612	2,515
Transport and communication equipment	3,236	4,551
At valuation		
Freehold land and clay mining land	55,588	57,670
Buildings	29,192	16,879
Assets on finance leases		
Plant and machinery	8,978	11,012
Transport and communication equipment	2,370	3,276
Net assets value	122,874	118,113

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

Location	Extent	Valuer	Valuation date	Valuation details	"Significant unobservable input : price per perch/ acre/range"	"Fair value measurement using significant unobservable inputs (Level 3) Rs:000"
Mining Land at Owala	25A-2R-15P	Mr.P.B.Kalugalagedera	31 March 2016	Market based evidence	Rs. 100,000/- to Rs. 250,000/- per acre	4,809
Land situated at Owala	1A-1R-02.0P	Mr.P.B.Kalugalagedera	31 March 2016	Market based evidence	Rs. 400,000/- per acre	500
Factory building & office building at Owala mine	7038 Sq.ft	Mr.P.B.Kalugalagedera	31 March 2016	Depreciated Cost method	Rs. Nil to Rs. 1,000/- per sq.ft	5,157
Mining Land at Meetiyagoda	37A-2R-4.33P	Mr.P.B.Kalugalagedera	31 March 2016	Market based evidence	Rs. 300,000/- to Rs. 1,000,000/- per acre	17,051
Mining Land at Dedyawala	38A-3R-23.39P	Mr.P.B.Kalugalagedera	31 March 2016	Market based evidence	Rs. 200,000/- per acre	7,779
Land situated at Meetiyagoda	7A-2R-28P	Mr.P.B.Kalugalagedera	31 March 2016	Market based evidence	Rs. 750,000/- to Rs. 1,750,000/- per acre	12,931
Factory building & office building at Meetiyagoda mine	39,512sq.ft	Mr.P.B.Kalugalagedera	31 March 2016	Depreciated cost method	Rs. 100/- to Rs. 500/- per sq.ft	13,557

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

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT CONTD.

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

	2019 Years Units of production basis	2018 Years Units of production basis
Mining Lands		
Buildings on free hold land and roadway	25,40 & 50	25,40 & 50
Plant and machinery	5-20	5-20
Tools, implements, furniture and fittings and electrical appliances and computer software	2,4,5 & 10	2,4,5 & 10
Transport and communication equipment	4 to 12	4 to 12
Permanent land development cost	40	40

(f) The carrying amount of revalued assets of the Company would have been included in the Financial Statements had the assets been carried at cost less depreciation as follows;

	Company			Net carrying amount 2018 Rs:'000
	Cost 2019 Rs:'000	Accumulated depreciation 2019 Rs:'000	Net carrying amount 2019 Rs:'000	
Freehold land and mining land	4,354	4,210	144	826
Freehold building	34,468	25,219	9,249	11,575
	38,822	29,429	9,393	12,401

4. LEASEHOLD RIGHT OVER MINING LAND

	2019 Rs:'000	2018 Rs:'000
Cost		
At the beginning of the year	15,800	23,880
Disposals	-	(8,080)
At the end of the year	15,800	15,800
Accumulated Depreciation / Amortisation		
At the beginning of the year	9,264	7,800
Charge for the year	2,298	3,130
Disposals	-	(1,666)
At the end of the year	11,562	9,264
Written down value	4,238	6,536

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

5. INVESTMENT PROPERTY

5.1

	2019 Rs:'000	2018 Rs:'000
At the beginning of the year	827,600	706,000
Change in fair value	80,845	121,600
Balance at the end of the year	908,445	827,600

As at 31 March 2019, the investment property includes land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03 (1R - 1.12 P).

5.2 Fair value of investment property

The fair value of freehold land and buildings were determined by A.A.M. Fathihu an independent professionally qualified valuer (Valuation report dated 31 March 2019). The basis of valuation is the Direct Capital Comparison Method using the depreciated value of buildings and Current Open Market Value of land.

Investment property	Fair value measurement using significant unobservable inputs (Level 3) 2019 Rs.	Fair Value measurement using significant unobservable inputs (Level 3) 2018 Rs.
Date of valuation	31 March 2019	31 March 2018
Land	781,280,000	740,200,000
Building	127,164,500	87,400,000
Significant unobservable input :		
Price per perch	19,000,000	18,000,000
Price per square foot	Rs. 7,000/- - Rs. 9,800/-	Rs. 2,000/- - Rs. 3,900/-

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

5.2.1 Rental Income earned from investment property by the Company amounted to Rs. 36.75 Mn, (2018 - Rs. 36. 75 Mn). Direct operating expenses incurred by the Company amounted to Rs. 1.64 Mn.(2018 - Rs. 1.39Mn.).

5.2.2 Rental income receivable under the operating lease agreement of investment property as follows:

	Less than 1 year Rs:'000	Between 1 year and 5 years Rs:'000	After 5 years Rs:'000
2018-19	36,750	147,000	-
2017-18	36,750	147,000	36,750

NOTES TO THE FINANCIAL STATEMENTS

6. OTHER FINANCIAL ASSETS

Fair Value Hierarchy		2019 Rs:000	2018 Rs:000
FVTPL Investments			
Lanka Walltiles PLC			
Fair value of the shares at reclassification	level 1	-	140,642
Fair value gain/(loss)		-	(6,281)
Balance as at 31 March		-	134,361

7. DEFERRED TAX LIABILITIES

	2019 Rs:000	2018 Rs:000
At the beginning of the year	145,983	-
Charge / (reversal) arising during the year	8,274	61,094
Deferred tax release on components of other comprehensive income	(195)	84,889
At the end of the year	154,062	145,983

7.1 Statement of financial position

Deferred tax liability

	Applicable tax rate	2019	2018
Capital allowances	28%	6,523	33,672
Revaluation surplus	28%	84,298	84,922
Investment property	28%	187,718	165,081
		278,539	283,675
Deferred tax assets			
Retirement benefit liability	28%	2,894	2,799
Carried forward tax losses	28%	114,076	127,412
Provision for obsolete and slow moving, consumables and spares	28%	171	145
Allowances for doubtful debts	28%	7,336	7,336
		124,477	137,692
Net deferred tax liability		154,062	145,983

7.2 Statement of Comprehensive Income

Deferred tax charge / (reversal)

Revaluation surplus	-	84,922
Retirement benefit liability	(195)	(33)
	(195)	84,889

8. INVENTORIES

	2019 Rs.'000	2018 Rs.'000
Raw materials	40	60
Finished goods	194	174
Goods in transit	228	-
Consumables and spares	5,781	5,994
Allowances for obsolete and slow moving inventory	(519)	(519)
Total	5,724	5,709

9. TRADE AND OTHER RECEIVABLES

	2019 Rs.'000	2018 Rs.'000
Trade debtors - related parties (9.1)	48,713	34,058
- other	3,859	2,873
	52,572	36,931
Other debtors	54,432	56,674
Loans to company officers	132	142
Less: Allowances for doubtful debts	(26,200)	(26,200)
	80,936	67,547
Advance and prepayments	9,508	11,032
Other statutory receivables	3,980	-
Total	94,424	78,579

Lanka Ceramic PLC when formed in 1990 took over the business and assets and liabilities, except for one division of Ceylon Ceramic Corporation. The division not taken over, continues to operate under the Corporation and a sum of approximately Rs. 26.2 Mn reflected as due from the Corporation at the time of the take over of business is still outstanding in the books of the Company and fully impaired as at 31 March 2019.

9.1 Amounts due from related parties

		2019 Rs.'000	2018 Rs.'000
Company			
Lanka Tiles PLC	Affiliated Company	37,482	18,272
Lanka Walltiles PLC	Affiliated Company	8,887	8,703
Rocell Bathware Ltd	Affiliated Company	528	586
Royal Ceramics Lanka PLC	Parent company	1,644	6,375
Royal Porcelain (Pvt) Ltd	Affiliated Company	172	122
Total		48,713	34,058

NOTES TO THE FINANCIAL STATEMENTS

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

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
	Rs:000	< 3 Months Rs:000	3- 12 Months Rs:000	> 1 Year Rs:000	Rs:000	Rs:000
2019	6,542	37,163	1,805	7,062	-	52,572
2018	23,514	5,543	805	7,069	-	36,931

10. STATED CAPITAL

10.1 Issued & fully paid

	2019 Rs:000	2018 Rs:000
Balance at the beginning of the year	300,000	300,000
Balance at the end of the year	300,000	300,000

10.2 Issued & fully paid

	2019 No:000	2018 No:000
Balance at the beginning of the year	6,000	30,000
Share buy back during the year	-	(24,000)
Balance at the end of the year	6,000	6,000

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

11. RESERVES

	2019 Rs:000	2018 Rs:000
Revaluation reserve (11.1)	216,766	218,370
	216,766	218,370

11.1 Revaluation reserve

	2019	2018
On: Property plant & equipment as at 01 April	218,370	303,292
Revaluation of freehold land and building net of tax	-	(84,922)
Transfer from revaluation reserve on disposal of land	(1,604)	-
As at 31 March	216,766	218,370

11.2 The above revaluation surplus in consists of net surplus resulting from the revaluation of property plant and equipment as described in Note 3. The unrealised amount can't be distributed to shareholders.

12. INTEREST BEARING LIABILITIES

	2019 Rs:000	2018 Rs:000
Non current		
Long term loans (12.1)	95,880	122,858
Finance leases (12.2)	733	4,068
	96,613	126,926
Current		
Long term loans (12.1)	24,960	122,856
Finance leases (12.2)	3,336	3,129
Short term loans	-	-
Bank overdrafts (23)	-	44,956
	28,296	170,941
Total	124,909	297,867

12.1 Long term loans

	2019 Rs:000	2018 Rs:000
At the beginning the year	245,714	245,714
Repayments	(124,874)	-
At the end of the year	120,840	245,714
Amount payable within one year	24,960	122,856
Amount payable after one year	95,880	122,858
	120,840	245,714

12.1.1 Short term loans

	2019 Rs:000	2018 Rs:000
At the beginning of the year	-	-
Loans obtained	-	61,200
Repayments	-	(61,200)
At the end of the year	-	-

NOTES TO THE FINANCIAL STATEMENTS

12.2 Finance leases

	2019 No.'000	2018 No.'000
Gross liability	8,237	8,237
Repayments	(3,842)	-
Finance charges allocated to future period	(325)	(1,040)
Net liability	4,069	7,197
Amount payable within one year	3,336	3,129
Amount payable after one year	733	4,068
Total	4,069	7,197

12.3 Details of long term loans

Financial institution	Repayment terms	Principal Rs'000	Interest rate per annum	Security	Balance as at 3/31/19 Rs '000	Balance as at 3/31/18 Rs '000
Hatton National Bank PLC	60 Monthly instalments	500,000	AWPLR based	Mortgage for Rs, 500 Mn over investment property of land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03 (1R - 1.12 P).	120,840	245,714
					120,840	245,714

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

“Set out below is a comparison, by class, of the carrying amounts and fair values of the 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.”

	Carrying amount		Fair value	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Financial assets				
Trade and other receivables	80,936	21,905	80,936	21,905
Total	80,936	21,905	80,936	21,905
Financial liabilities				
Trade and other payables	27,702	21,658	27,702	21,658
Loans and borrowings	124,909	297,867	124,909	297,867
Other non current liabilities	15,000	15,000	15,000	15,000
Total	167,611	334,525	167,611	334,525

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values.

Financial assets and financial liabilities with variable interest rates are also considered to be carried at fair value in the books.

Fixed rate financial instruments

In fair valuing financial assets and financial liabilities with fixed rate, Average Weighted Primary Lending Rates published by the Central Bank of Sri Lanka were used.

NOTES TO THE FINANCIAL STATEMENTS

13. RETIREMENT BENEFIT LIABILITY

13.1

	2019 Rs.:000	2018 Rs.:000
At the beginning of the year	9,996	9,399
Current service cost	685	682
Net interest on the net defined benefit liability (asset)	1,000	1,222
	1,685	1,904
Net actuarial (Gain) / loss for the year	813	118
Payments made during the Year	(2,159)	(1,425)
	(1,346)	(1,307)
At the end of the year	10,335	9,996

13.1.a The retirement benefit liability arising through subsidiaries were derecognised upon disposal of subsidiary

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

	2019 Rs.:000	2018 Rs.:000
Discount rate as at 31 March		
Discount rate as at 31 March		
Effect on DBO due to decrease in the discount rate by 1%	373	340
Effect on DBO due to increase in the discount rate by 1%	(343)	(316)
Salary escalation rate as at 31 March		
Effect on DBO due to decrease in the salary escalation rate by 1%	(400)	(361)
Effect on DBO due to increase in the salary escalation rate by 1%	426	381

13.3 Distribution of present value of define benefit obligation

	Less than a year Rs.:000	Between 1-2 years Rs.:000	Between 2- 5 years Rs.:000	Over year 5 Rs.:000	Total Rs.:000
Defined benefit obligation					
As at 31 March 2019	1,456	5,563	1,501	1,815	10,335
As at 31 March 2018	2,248	2,856	3,475	1,417	9,996
Weighted Average duration of defined benefit obligation (Years)		3.66			

- 13.4 Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Lanka Ceramic PLC of the defined benefit plan gratuity as at 31 March 2019.

The principal assumptions used are as follows:

	2019	2018
Discount rate (per annum)	11%	10%
Salary scale (per annum) - Executives	10%	10%
- Non executives	10%	10%
Staff turnover rate	10%	13%
Retirement age	55Years	55Years

14. OTHER NON CURRENT LIABILITIES

	2019 Rs.'000	2018 Rs.'000
Refundable deposit	15,000	15,000
Total	15,000	15,000

15. TRADE AND OTHER PAYABLES

	2019 Rs.'000	2018 Rs.'000
Trade creditors - other	2,630	2,019
- related parties [15.1]	1,298	375
	3,928	2,394
Sundry creditors including accrued expenses	23,774	19,264
Total	27,702	21,658

15.1 Trade creditors - related parties

Company	Relationship	2019 Rs.'000	2018 Rs.'000
Swisstek Aluminium (Pvt) Limited	Affiliated Company	975	-
Royal Ceramics Lanka PLC	Parent Company	-	52
Delmege Forsyth & Co.Ltd	Affiliated Company	323	323
		1,298	375

NOTES TO THE FINANCIAL STATEMENTS

16. REVENUE

Revenue from Contracts with Customers

	2019 Rs:000	2018 Rs:000
Types of goods		
Feldspar	90,095	102,189
Ball clay	41,647	42,651
Kaoline	26,762	34,092
Sanitaryware	5,268	-
Total revenue from contract with customers	163,772	178,932
Timing of revenue recognition		
Goods transferred at a point in time	163,772	178,932

17. OTHER INCOME

	2019 Rs:000	2018 Rs:000
Income from investments in related parties - quoted	7,510	122,245
Rental income	36,750	36,750
Disposal gain on property, plant and equipment	11,650	246
Franchise commission income	2,925	1,071
Disposal gain on quoted shares	14,412	-
Sundry income	1,825	145
	75,072	160,457

18. FINANCE COST

	2019 Rs:000	2018 Rs:000
Interest expense on overdrafts	1,007	723
Interest expense on bank loans	19,877	32,417
Finance charges on lease liabilities	715	1,077
Fair value loss on investment at FVTPL	-	6,281
	21,599	40,498

19. FINANCE INCOME

	2019 Rs:000	2018 Rs:000
Interest income	-	1,021
	-	1,021

20. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

Is stated after Charging /(Crediting)

	2019 Rs:000	2018 Rs:000
Included in cost of sales		
Depreciation and amortisation	15,316	16,904
Defined benefit plan costs - gratuity	312	1,109
Defined contribution plan costs - EPF and ETF	1,549	2,214
Other staff cost	26,669	25,985
Included in administration expenses		
Depreciation and amortisation	1,965	1,512
Defined benefit plan costs - gratuity	1,315	418
Defined contribution plan costs - EPF and ETF	1,214	2,018
Other staff cost	18,804	21,281
Auditors remuneration		
- Audit fees	591	675
- Non Audit fees	192	1,213

NOTES TO THE FINANCIAL STATEMENTS

21. INCOME TAX EXPENSES

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

Year ended 31 March	2019 Rs:000	2018 Rs:000
(a) Current income tax		
Current income tax charge	-	5,056
Under/(Over) provision of current taxes in respect of prior years	(945)	28
	(945)	5,084
(b) Deferred income tax		
Deferred taxation charge	8,274	61,094
Income tax revised reported in the income statement	7,329	66,178
Deferred tax expense reported in the OCI	(195)	84,889
	7,134	151,067

(c) Reconciliation between current tax expense and the product of accounting profit.

Year ended 31st March	2019 Rs:000	2018 Rs:000
Accounting profit before income tax from continuing operation	144,919	248,377
Income considered as separate source of income		
Income exempt from tax	(21,922)	(122,245)
Other Source of Income	(80,845)	(121,600)
Non deductible expenses and other taxable source of income	37,187	42,802
Deductible Items	(29,895)	(19,550)
Total statutory income	49,444	27,784
Tax losses utilised	(49,444)	(9,724)
Taxable profit/loss	-	18,060
Current income tax expense		
Taxation -28%	-	5,057
	-	5,057
Tax loss brought forward	456,859	476,408
Utilised during the year	(49,444)	(19,550)
Tax loss carried forward	407,415	456,858
Deferred income tax	Applicable tax rate	
Capital allowances	28%	(27,150) 33,672
Retirement benefit liability	28%	100 (2,766)
Carried forward tax losses	28%	13,335 (127,412)
Provision for obsolete and slow moving, consumables and spares	28%	(25) (145)
Allowances for doubtful debts	28%	- (7,336)
Investment Property - Revaluation surplus	28%	22,637 165,081
Reversal of revaluation surplus on disposal of Land	28%	(624) -
		8,273 61,094

22. EARNINGS PER SHARE

22.1 Earnings per share - basic from continuing operations

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

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

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

	2019 Rs.'000	2018 Rs.'000
<i>Amounts used as the numerator:</i>		
Profit attributable to equity holders for basic earnings per share	137,590	182,199
Profit attributable to equity holders for basic earnings per share - from continuing operations		
<i>Number of ordinary shares used as the denominator:</i>		
	2019 No.'000	2018 No.'000
Weighted average number of ordinary shares in issue applicable to basic earnings per share (refer note 10)	6,000	16,060

23. CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents

	2019 Rs.'000	2018 Rs.'000
<i>Favourable cash and cash equivalents balance</i>		
Cash and bank balances	14,801	6,188
	14,801	6,188
<i>Unfavourable cash & cash equivalent balances</i>		
Bank overdrafts (12)	-	(44,956)
	-	(44,956)
Total	14,801	(38,768)
Restricted cash	-	(3,500)
	-	(3,500)
Total cash and cash equivalents for the purpose of cash flow statement	14,801	(42,268)

24. ASSETS PLEDGED

Other than the assets acquired on finance lease (note 3) and the details of assets pledged stated in note 12.3 no other assets have been pledged as a security as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

25. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

25.1 Transactions with the related entities

	Parent		Group Companies	
	2019 Rs'000	2018 Rs'000	2019 Rs'000	2018 Rs'000
Nature of transaction				
Statement of profit or loss				
Sale of goods	22,939	43,863	148,412	148,162
Commission income	-	-	3,593	931
Purchase of goods / services	-	-	2,444	(1,842)
Dividend income	-	-	-	122,245
Reimbursement of expense net of fund transfer	(27,778)	(36,368)	(134,089)	(153,547)
Investment disposed by company	150,201	-	-	-
Statement of financial position				
Due from related parties	1,644	6,375	47,069	27,683
Due to related parties	-	52	1,298	323

Transactions with group companies includes Lanka Walltiles PLC, Lanka Tiles PLC, Royal Porcelain (Pvt) Limited, Royal Bathware (Pvt) Limited, Horana Plantation PLC, Delmege Forsyth and Company Limited and Swisstek Aluminium (Pvt) Limited.

The company carried out above transactions under ordinary course of business at commercial rates. Fund transfer represents sales proceeds received by the company from group companies and the parent.

25.2 Transactions with key management personnel of the company

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

Key management personnel compensation

	2019 Rs'000	2018 Rs'000
Short term employment benefits	4,905	4,140
	4,905	4,140

26. COMMITMENTS AND CONTINGENCIES

26.1 Capital commitments

There were no significant capital commitments as at reporting date in the Company or Group except as detailed below, Lease commitments

a). Lanka Ceramic PLC is committed to pay lease rental under finance leases as follows;

	Amount Rs. '000
Less than 1 year	3,336
Between 1 to 5 years	733
Lease commitments over mining lands (note 4).	

26.2 Contingencies

Company has no contingencies as at the reporting date.

27. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date that required adjustment or disclosure in the Financial Statements.

28. FINANCIAL RISK MANAGEMENT

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

The company'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 company. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the company's financial risk management policies. The board of directors regularly reviews these risks and approves the risk management policies, which covers the management of these risks.

Market risk

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

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

Cash flow and fair value interest rate risk

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

The companies' borrowings comprise borrowings from financial institutions. The company's interest rate risk objective is to manage an acceptable level of rate fluctuation on the interest expense. In order to achieve this objective, the company targets floating borrowings based on assessment of its existing exposure and desirable interest rate profile. The company analyses its interest rate exposure on a dynamic basis.

Interest rate sensitivity	Change in profit basis points	Change in profit before tax Rs:000
2018-2019	0.1	1,988
2017-2018	0.1	3,145

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, as well as credit exposures to customers, including outstanding receivables. Trade receivables are mainly secured with bank guarantees given by customers in favour of the company. The utilisation of credit limits is regularly monitored.

The company places its cash and cash equivalents with a number of creditworthy financial institutions. The company's policy limits the concentration of financial exposure to any single financial institution. The maximum credit risk exposure of the financial assets of the company is approximately the carrying amounts as at reporting date, except for trade receivables which are secured by bank guarantees. (Please refer Note 9.2 for ageing analysis of trade receivables)

NOTES TO THE FINANCIAL STATEMENTS

Liquidity risk

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

In the management of liquidity risk, the company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the company's operations and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the company aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

The table below analyses the company'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.

At 31 March 2019	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
Rs ('000)					
Bank borrowings	10,914	31,375	36,268	83,889	Nil
Trade and other payables	27,702	Nil	Nil	Nil	Nil

At 31 March 2018	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
Rs ('000)					
Bank borrowings	107,131	63,810	126,199	727	-
Trade and other payables	21,668	-	-	-	-

Capital management risk

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

The company monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings by total equity. Total borrowings including non-current and current borrowings as shown in the statements of financial position. Total equity is calculated as 'Total equity' in the statements of financial position.

The gearing ratio as at 31 March is as follows:

	2019	2018
Borrowings	124,909	297,867
Total equity	818,498	681,526
Gearing ratio ; Debt to Equity	15%	44%

TEN YEAR SUMMARY

	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
	Rs. '000	Rs.'000	Rs.'000	Rs' 000	Rs:000	Rs ' 000	Rs:000	Rs:000	Rs:000	Rs:000
Operating Results										
Revenue	163,772	178,932	282,830	236,534	163,271	184,878	158,324	242,472	222,351	199,188
Gross Profit	62,208	76,116	152,954	89,017	70,246	68,594	51,418	94,692	67,447	52,970
Fair value gain on investment property	80,845	121,600	178,750	-	-	-	-	-	-	-
Other Income	75,072	160,457	282,134	285,990	261,095	103,323	174,387	83,796	86,402	241,159
Administration Expenses	43,375	56,166	52,302	36,991	46,376	47,752	55,049	67,539	54,953	58,260
Selling & Distribution Expenses	8,232	14,153	30,022	7,766	1,430	1,659	1,979	11,521	13,972	14,473
Finance cost	21,599	40,498	37,584	30,659	35,258	64,582	94,520	40,200	4,010	8,471
Profit before Tax	144,919	248,377	499,654	301,212	249,711	58,576	76,736	50,980	77,268	210,746
Profit after Tax	137,590	182,199	485,321	290,764	244,362	58,576	76,285	50,445	73,744	210,746
Total Comprehensive Income	136,972	97,192	485,241	309,532	243,897	57,676	80,980	93,807	73,744	210,746
Assets & Liabilities										
Non Current Assets	1,035,557	952,249	1,517,176	1,027,224	994,693	1,009,607	1,028,783	1,062,064	388,950	340,481
Current Assets	114,949	224,837	105,903	252,698	141,653	98,209	89,415	87,262	109,939	192,010
Total Assets	1,150,506	1,177,086	1,623,079	1,279,922	1,136,346	1,107,816	1,118,198	1,149,326	498,889	532,491
Current Liabilities	55,998	197,655	106,167	236,594	92,727	100,734	100,974	646,776	61,027	116,540
Non Current Liabilities	276,010	297,905	215,167	275,360	315,183	380,042	447,861	12,964	17,692	23,104
Retirement Benefit Obligation	10,335	9,996	9,399	8,850	7,521	6,942	8,771	8,818	10,780	10,313
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	216,766	218,370	303,292	303,292	283,320	283,320	283,320	315,656	271,852	270,640
Accumulated Profit	301,732	163,156	698,453	164,676	145,116	43,719	(13,957)	(126,070)	(151,682)	(177,793)
Key Indicators										
Earnings per Share (Rs.)	22.93	11.34	16.18	9.69	8.15	1.95	2.54	1.68	2.46	7.02
Dividend per Share (Rs.)	-	-	8.00	9.00	4.75	-	1.10	1.50	2.60	5.00
Net Assets value per Share (Rs.)	136.42	113.59	43.39	25.60	24.28	20.90	18.98	16.32	14.01	13.09
Dividend Yield (%)	-	-	6.96	6.92	4.07	-	1.69	2.11	1.78	7.49
Dividend payout Ratio (%)	-	-	49.45	92.86	58.32	-	43.26	89.21	105.77	71.18
Interest cover (times)	7.71	7.13	14.29	10.82	8.08	1.91	1.81	2.27	20.27	25.88
Current Ratio	2.05:1	1.14:1	1.00:1	1.07:1	1.53:1	0.97:1	0.89:1	0.13:1	1.80:1	1.65:1
Quick asset Ratio	1.95:1	0.89:1	0.94:1	1.05:1	1.47:1	0.92:1	0.83:1	0.12:1	1.08:1	1.30:1
Profit Before Tax to Revenue (%)	88.49	138.81	176.66	127.34	152.94	31.68	48.47	21.03	34.75	105.80

SHAREHOLDER AND INVESTOR INFORMATION

Share Distribution as at 31st March 2019

From	To	No. of Holders	No. of Shares	%
1	1,000	1,337	241,016	4.02
1,001	10,000	122	229,051	3.82
10,001	100,000	17	366,543	6.11
100,001	1,000,000	1	750,000	12.50
Over 1,000,000		1	4,413,390	73.55
		1,478	6,000,000	100.00

Categories of Shareholders

Local Individuals	1,421	1,294,090	21.57
Local Institutions	52	4,705,023	78.42
Foreign Individuals	5	887	0.01
Foreign Institutions	-	-	-
	1,478	6,000,000	100.00

20 Major Shareholders of the Company

Name	3/31/2019		3/31/2018	
	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 National Savings Bank	89,190	1.487	89,191	1.487
4 CodeGen International (Pvt) Limited	39,473	0.658	39,473	0.658
5 Bimpuh Finance PLC	28,838	0.481	28,838	0.481
6 TRL Holdings (Pvt) Limited	21,328	0.355	20,302	0.338
7 Vyjayanthi & Company Limited	20,000	0.333	20,000	0.333
8 Mrs. A. Kailasapillai	19,693	0.328	19,693	0.328
9 Mr. R. Maheswaran	18,735	0.312	18,735	0.312
10 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 Vingrows Business Solutions (Pvt) Limited	14,811	0.247	-	-
Dee Sanda Holdings (Pvt) Limited			14,811	0.247
13 Arunodhaya Investments (Pvt) Limited	13,741	0.229	13,741	0.229
14 Arunodhaya (Pvt) Limited	13,741	0.229	13,741	0.229
15 Arunodhaya Industries (Pvt) Limited	13,741	0.229	13,741	0.229
16 Mr. R. De Silva	11,415	0.190	-	-
17 Mr. P.K. Sambasivam	11,000	0.183	11,000	0.183
18 People's Leasing & Finance PLC/Mr. L.A.C.K. Kodytuakku	10,301	0.172	10,301	0.172
19 Mr. Z.G. Carimjee	10,267	0.171	10,267	0.171
20 Mr. U.C. Bandaranayake & Mrs. L. Bandaranayake	10,000	0.167	10,000	0.167
Mrs. A. Selliah	-	-	9,161	0.153
Sub Total	5,539,933	92.332	5,536,654	92.278
Others	460,067	7.668	463,346	7.722
Issued Capital	6,000,000	100.000	6,000,000	100.000

Directors Shareholdings As At 31st March 2019

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

Share Prices	As at 3/31/2019	As at 3/31/2018
Market Price Per Share		
Highest during the year	Rs. 178.00	Rs. 179.90
Lowest during the year	Rs. 129.20	Rs. 115.00
As at end of the year	Rs. 139.90	Rs. 158.00

Public Holding As At 31st March 2019

- The Percentage of shares held by the public -13.103%
- No of shareholders representing the above percentage - 1,471
- The float adjusted market capitalisation as at 31st March 2019 - Rs. 109,990,219.40
- The float adjusted market capitalisation 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 Twenty Eighth (28th) Annual General Meeting of Lanka Ceramic PLC will be held at the Winchester Hall, The Kingsbury Hotel, No. 48, Janadhipathi Mawatha, Colombo 01 on the 05th day of July 2019 at 12.00 p.m. 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 2019 and the Report of the Auditors thereon.
2. To re-elect Dr. S Selliah, who retires by rotation in terms of Articles 102 and 103 of the Articles of Association, as a Director of the Company
3. To re-elect Mr. T G Thoradeniya, who retires in terms of Articles 102 and 103 of the Articles of Association, as a Director of the Company
4. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.
5. To authorise the Directors to determine payments for the year 2019/2020 for charitable and other purposes as set out in the Companies Donations Act (Cap 147).

By Order of the Board
LANKA CERAMIC PLC



P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

At Colombo
06th June 2019

Notes:

- 1) A shareholder entitled to attend or attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend or attend and vote instead of him/her. A Proxy may vote on a poll (and join in demanding a poll) but not on a show of hands.
- 2) A Form of Proxy is enclosed in this Report.
- 3) The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 23, Narahenpita Road, Nawala, by 12.00 p.m on 03rd July 2019.

FORM OF PROXY

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

.....ofor failing him/her

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

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 at the Winchester Hall, The Kingsbury Hotel, No. 48, Janadhipathi Mawatha, Colombo 01 on the 05th day of July 2019 at 12.00 p.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To re-elect Dr. S Selliah, who retires by rotation in terms of Article 102 and 103 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Mr. T G Thoradeniya who retires by rotation in terms of Article 102 and 103 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-appoint M/s Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
4) To authorise the Directors to determine payments for the year 2019/2020 for charitable and other purposes as set out in the Companies Donations Act (Cap 147).	<input type="checkbox"/>	<input type="checkbox"/>

Signed this..... day of Two Thousand and Nineteen

.....
Signature

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

INSTRUCTIONS AS TO COMPLETION

1. This Form of Proxy must be deposited at No. 23, Narahenpita Road, Nawala not less than forty eight (48) hours before the time fixed for the Meeting.
2. In perfecting the Form of Proxy please ensure that all details are legible.
3. If you wish to appoint a person other than a Director of the Company as your proxy, please insert the relevant details in the space provided.
4. Please indicate with an 'X' in the space provided, how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.
5. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
6. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at The Secretaries' Office (i.e. P W Corporate Secretarial (Pvt) Ltd, No.3/17, Kynsey Road, Colombo 8) for registration.
7. In the case of joint holders the Form of Proxy must be signed by the first holder.

CORPORATE INFORMATION

Name of the Company

Lanka Ceramic PLC

Legal Form

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

Company Registration Number

PQ-157

Board of Directors

Mr. K.D.D. Perera – Chairman

(Resigned w.e.f 31st August 2018)

Mr. A.M. Weerasinghe – Chairman

(Appointed as Chairman w.e.f 1st September 2018)

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

Dr. S. Selliah

Mr. T.G. Thoradeniya

Mr. K.D.G. Gunaratne

Ms. A.M.L. Page

Mr. D.J. Silva

Mr. J.D.N. Kekulawala -

(Appointed w.e.f 17th May 2018)

Company Secretaries

P W Corporate Secretarial (Pvt) Ltd

3/17, Kynsey Road, Colombo 8

Tel: 011-4640360

Registered Office

No. 23, Narahenpita Road, Nawala

Telephone: +94 114504610, +94 114504612

Facsimile: +94 114504614

Auditors

Ernst & Young

Chartered Accountants

No.201, De Seram Place Colombo 10

Bankers

Hatton National Bank PLC

People's Bank

Designed & produced by

emagewise

Digital Plates & Printing by Gunaratna offset (Pvt) Ltd

