STELLAR IN SPIRIT

Eternal Elegance

ROYAL CERAMICS LANKA PLC

ANNUAL REPORT 2022/23

The cover has an abstract depiction of the brightest star in Scorpius, one of the constellations in the zodiac. Antares is a variable red supergiant star that is about 520 light-years from Earth and is about 230 times as big as the Sun. It is the 15th brightest star in the sky.

STELLAR IN SPIRIT

As Sri Lanka's economy endured perhaps its worst year on record, no citizen nor business remained untouched by the multitude of impacts. Rocell too had to face a series of corporate challenges that hindered the smooth flow of our operations, impacting our value chain at many levels.

We have long dominated several of the industry sectors we operate in but it took us over three decades of patient hard work, determination and persistence to achieve our current position of leadership. Today, the experience and long-term vision gained over those years keep us firmly on track, as we continue to pursue a far-sighted and innovative approach to every problem we encounter.

This was how we achieved the remarkable results we showcase here today, outperforming all expectations to record a healthy balance sheet-driven by improved KPIs, increased sales and exports, and rigorous cost reduction measures.

Yet this report would not be complete without our proud recognition of the stellar spirit of our Rocell team, whose positivity, pride and resolution fired the outstanding efforts that led to this fine accomplishment, against all odds.

Rocell

Eternal Elegance

Contents

The Group has the two leading brands of tiles in its portfolio, 'Rocell' and 'LANKATILES' and over four decades of experience in manufacturing tiles of the highest quality in line with global standards of quality management.

PG 16

Manufacturing and supply chain management continues to focus on increasing efficiencies in the respective areas as driving down cost of production through sustainable principles will be key to our evolution to compete effectively in the market place.

PG 18

An Overview

About the Report 4
About Us 7
Group Structure 8
Our Milestones 10
Our Commitment to Sustainability Development Goals (SDG) 11
Performance Highlights
- Financial Highlights 12
- ESG Highlights 13

Awards and Recognition 14
Chairman's Message 16
Managing Director's Message 18
Board of Directors 22
The Corporate Management 27

Strategy

Strategy and Resource Allocation 30
Investment Case 36
Our Business Model 38
Stakeholder Engagement 40
Materiality 42
Managing Risk and Opportunities 43

Management Discussion and Analysis

Operating Environment 50
Business Line Reviews
- Tiles and Associated Products 56
- Sanitaryware 62
- Aluminium 68
- Packaging 74
- Plantations 80

Capital Reports
- Financial Capital 84
- Human Capital 90
- Manufactured Capital 101
- Social and Relationship Capital 107
- Natural Capital 112
- Intellectual Capital 120

Stewardship

Corporate Governance 128
Annual Report of the Board of Directors on the Affairs of the Company 143
Statement of Directors' Responsibilities 150
Report of the Audit Committee 151
Report of the Remuneration Committee 153
Report of the Related Party Transactions Review Committee 154
Report of the Nomination Committee 156

Financial Information

Financial Calendar 158
Independent Auditor's Report 159
Statement of Financial Position 162
Statement of Profit or Loss 164
Statement of Comprehensive Income 165
Statement of Changes in Equity - Company 166
Statement of Changes in Equity - Consolidated 167
Statement of Cash Flows 168
Notes to the Financial Statements 170

Supplementary Information

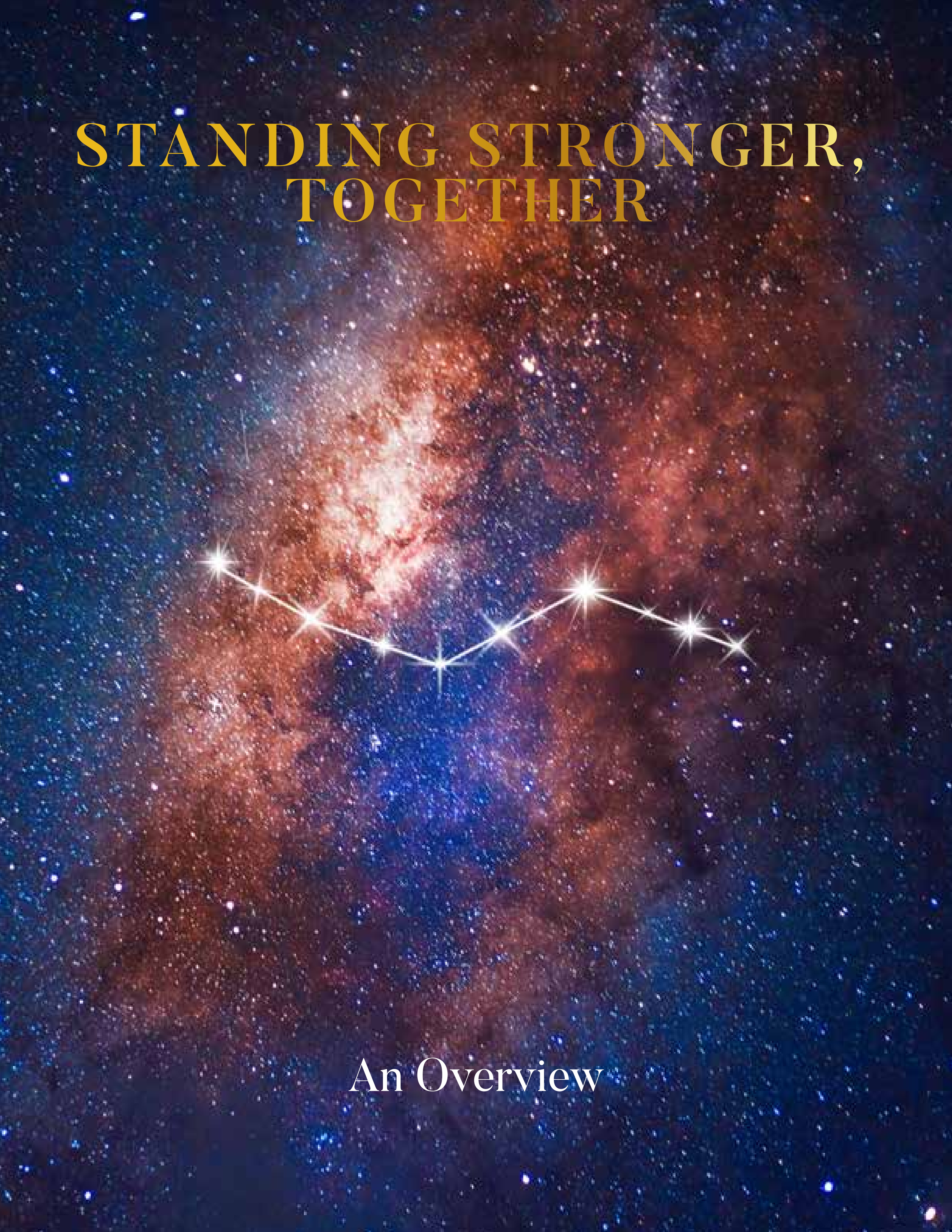
Ten-Year Summary - Company 282
Group Value Added Statement 284
Share Information 285
Independent Assurance Report 287
GRI Index 289
SASB Disclosure 297
Glossary of Financial Terms 298
Notice of Meeting 299
Form of Proxy 303

Corporate Information .... Inner Back Cover

Scan the QR Code with your smart device to view this report online.

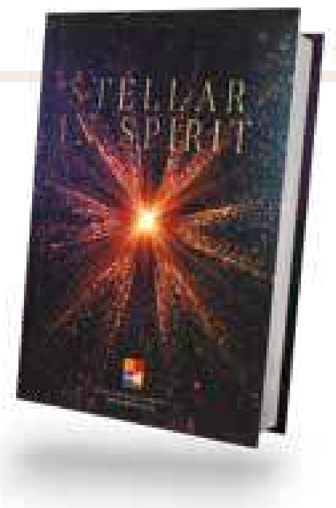
Online references:
www.rocell.com

STANDING STRONGER, TOGETHER



An Overview

About the Report



This is the seventh Integrated Annual Report of Royal Ceramics Lanka PLC, setting out a comprehensive and balanced view of our performance for the financial year ended 31st March 2023. This report aims to provide an understanding of how the Group navigated a year of unprecedented political, social and economic uncertainties, strategically managing our resources to deliver value to our stakeholders.

SCOPE AND BOUNDARY

The report covers financial and non-financial information necessary to assess the performance of Royal Ceramics Lanka PLC (the parent) and twenty four legal entities across six sectors, collectively referred to as "the Group", for the financial year ended 31st March 2023. This follows the most recent report for the year ended 31st March 2022, for which comparatives are presented where applicable. The financial and non-financial reporting boundaries are consistent across the Group.

Information that is beyond the boundary of the entity is used to provide context to the performance where relevant. These are derived from credible sources which are clearly stated alongside such information.

ASSURANCE

Assurance on financial statements and compliance with the Integrated Reporting Framework requirements have been provided by Messrs Ernst & Young, Chartered Accountants and their report is set out on pages 159 and 287.

FORWARD LOOKING STATEMENTS

Forward looking statements based on our perceptions, opinions and views of external and internal information available at present are included in this report to enable assessment of the Group's ability to create value in the future. These statements are associated with relatively high levels of uncertainty which can be confirmed only with the benefit of hindsight as they relate to future events, outcomes and impacts which are beyond our control but have a significant impact on our ability to create value. As governments around the world seek to manage often conflicting priorities in the aftermath of the COVID-19 pandemic, we wish to advise users of the heightened levels of uncertainty in forward looking statements, the fluidity of the markets and key economic indicators which remain extremely volatile. Users are advised to make their own judgements using the latest information available at the time of assessment. All forward looking statements are provided without recourse or any liability whatsoever to the Board or other preparers of the Annual Report due to the reasons enumerated above.

FEEDBACK AND INQUIRIES

We value your feedback and continuously strive to improve the quality of the report. Please contact the following for any inquiries:

For inquiries, please contact;

Mr. Haresh Somashantha
Director Finance
No. 20, R A De Mel Mawatha,
Colombo 3
Email: haresh@rcl.lk
Website: www.rocell.com

SIGNIFICANT CHANGES AND RESTATEMENTS

The Group's holding in Horana Plantations PLC, through which Group had a significant presence in the plantations industry, was divested in during this financial year.

There were no significant changes requiring restatements of financial or sustainability information during the reporting period.

REPORTING FRAMEWORKS

Regulatory Frameworks

- Companies Act No.7 of 2007
- Listing Rules of the Colombo Stock Exchange
- Sri Lanka Accounting & Auditing Standards Act No. 15 of 2015
- Sri Lanka Financial Reporting Standards

Voluntarily Adopted Frameworks

- <IR> Framework issued by the International Integrated Reporting Council
- GRI Standards issued by the Global Reporting Initiative in 2020
- Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (2017)
- UN Sustainable Development Goals
- SASB Construction Material Standard

Reporting Principles

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Sustainability context
- Accuracy
- Conciseness
- Clarity
- Comparability
- Completeness
- Materiality

NAVIGATING OUR REPORT

We have used the following icons for Capitals, Stakeholders and Strategies when compiling this report to make navigation easier for our readers.

The Capitals

- Financial Capital
- Manufactured Capital
- Social & Relationship Capital
- Intellectual Capital
- Natural Capital
- Human Capital

Stakeholders

- Customers
- Employees
- Business Partners
- Government & Regulators
- Communities
- Investors

Strategy

- Business Growth
- Business Sustainability
- People Development
- Technological Enablement
- Improve Customer Experience & Productivity

About the Report

THE STATEMENT OF RESPONSIBILITY

The Annual Report has been prepared by the Senior Management of the Group on behalf of the Board of Directors. Senior Management has used internal and external resources in compiling this report to enhance presentation and readability of the report.

The Annual Report of the Board of Director includes an acknowledgement of the Directors' responsibility with regard to the Annual Report. The Board of Directors acknowledge their responsibility to ensure the integrity of the Integrated Report and are of the opinion that Integrated Annual Report of Royal Ceramics Lanka PLC for the financial year ended 31st March 2023 is presented in accordance with the <IR> Framework 2021.

Harsha Amarasekera
Chairman

L N de S Wijeyeratne
Audit Committee Chairman

Aravinda Perera
Managing Director

About Us

Established in 1991, the journey of Royal Ceramics Lanka PLC (Rocell) began with the aspiration to be the market leader in tile manufacturing. Royal Porcelain (Pvt) Limited was founded in 2002 and later amalgamated with Rocell. In 2009 Company ventured into manufacturing of sanitaryware with the establishment of Rocell Bathware Ltd. In 2013, our market position was enhanced with the acquisition of the Lanka Walltiles PLC Group. The Rocell brand, together with Lanka Tiles and Lanka Walltiles have become the undisputed market leader in local tile manufacturing industry through its innovation and unique designs, colours and textures that enhances the aesthetic appeal of surfaces. Today, Rocell has evolved into a conglomerate that is primarily engaged in producing items supporting the housing and construction industry with a significant presence in five sectors, namely, tiles, bathware, aluminium, packaging and mining. Further, we are present in the finance and service sectors through our Associates LB Finance PLC and Delmege Ltd.

Tiles and Associated Products

- Market leaders in Sri Lanka
- 5 state-of-the-art manufacturing facilities

Rocell Eternal Elegance | LANKATILES Fine Living Redefined | SWISSTEK

Sanitaryware

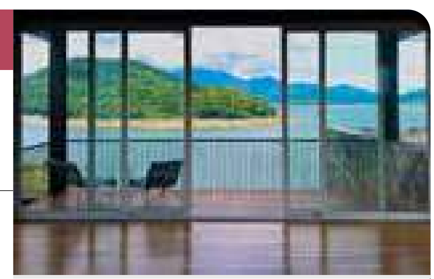
- Market leader in Sri Lanka
- Manufacturer for world renowned brands
- World class manufacturing facility
- Supplier of high quality modern bathroom accessories

ROCELL

Aluminium

- Manufacturer of top-quality aluminium extrusions, profiles and value added aluminium products

SWISSTEK ALUMINIUM FOR THE PERFECT FINISH | ALLURA INSPIRED BY DESIGN



Packaging

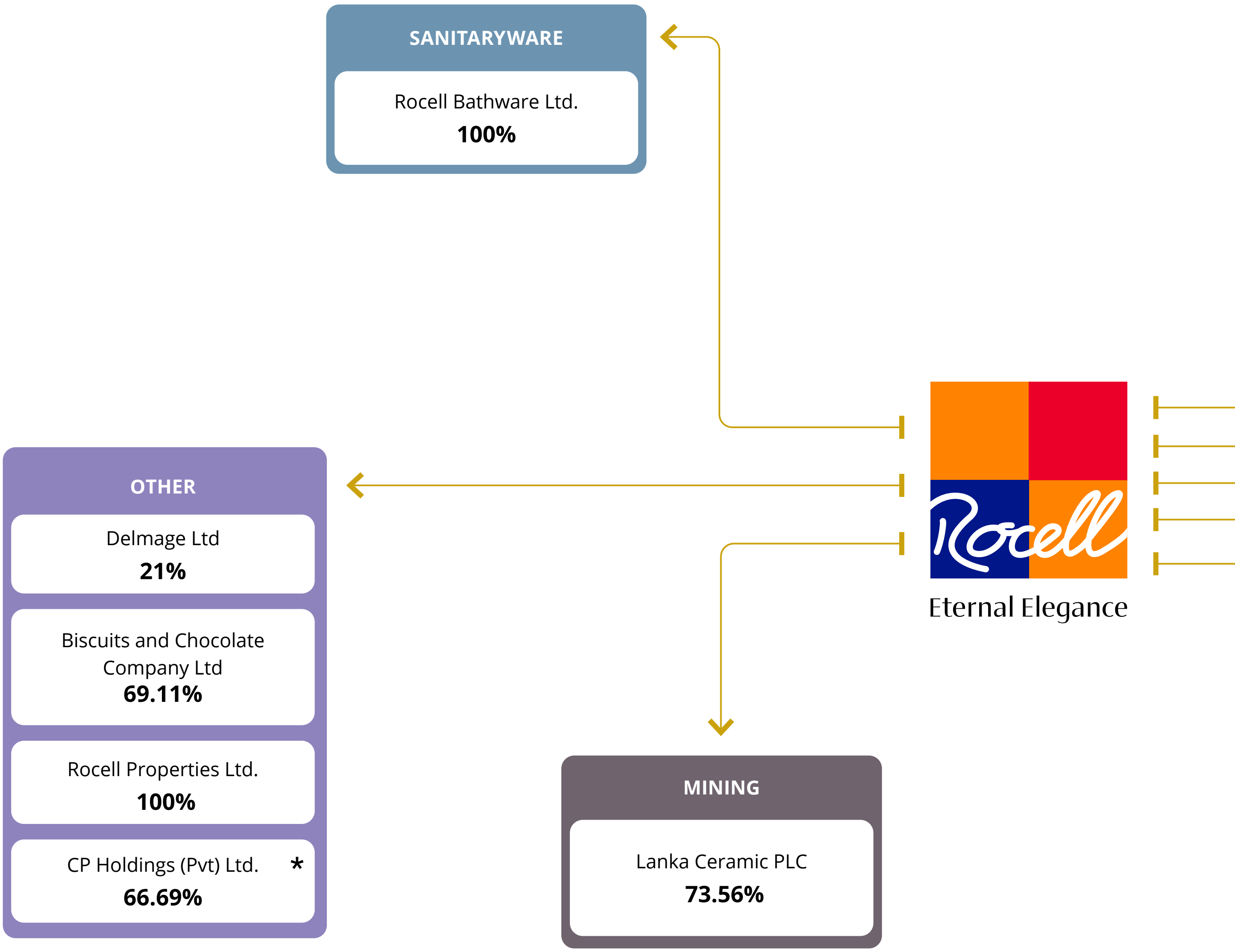
- Supplier of packaging material to domestic and export oriented industries

UNIDIL THE LEADER IN PACKAGING

Mining

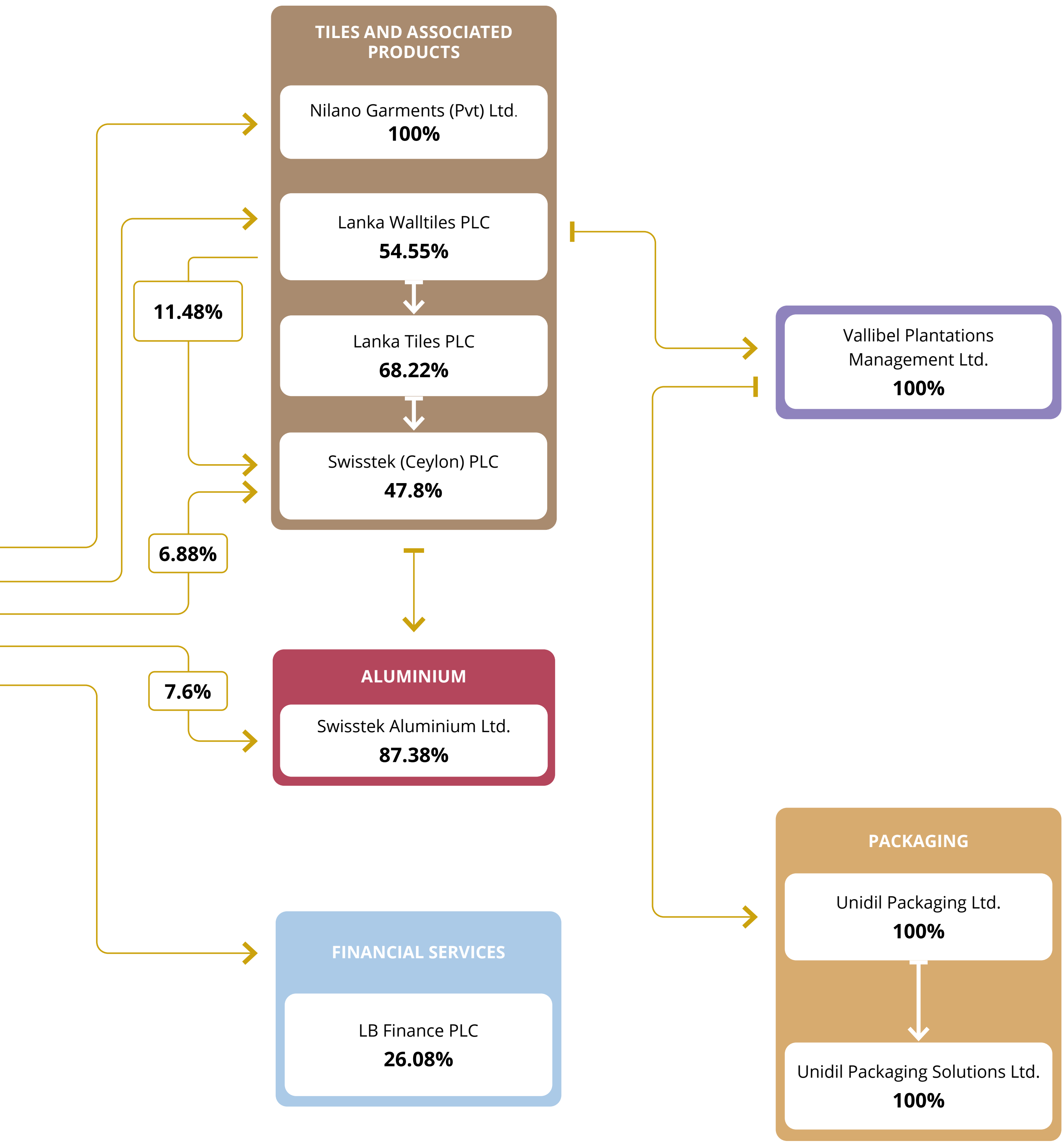
- Supplier of quality feldspar and kaolin for ceramic industry in Sri Lanka

Group Structure



* Effective holding

Note : Above Group structure includes only the companies which have significant operations.


TILES AND ASSOCIATED PRODUCTS
Nilano Garments (Pvt) Ltd.
100%
Lanka Walltiles PLC
54.55%
Lanka Tiles PLC
68.22%
Swisstek (Ceylon) PLC
47.8%
11.48%
6.88%
Vallibel Plantations Management Ltd.
100%
ALUMINIUM
Swisstek Aluminium Ltd.
87.38%
7.6%
PACKAGING
Unidil Packaging Ltd.
100%
Unidil Packaging Solutions Ltd.
100%
FINANCIAL SERVICES
LB Finance PLC
26.08%

Our Milestones

2023 | Disposal of Horana Plantations PLC

2021 | Acquired CP Holding (Pvt) Ltd

2019 | Amalgamated Royal Porcelain (Pvt) Ltd

2017 | Restructured Lanka Ceramic PLC investment to bring Lanka Walltiles PLC under direct subsidiary of Royal Ceramics Lanka PLC

2013 | Acquired 76.54% stake in Lanka Ceramic PLC

2012 | Acquired 25.85% stake in LB Finance PLC

2011 | Acquired 20% stake in Delmege Ltd

2009 | Commenced operations in Rocell Bathware Ltd

2002 | Commenced operations in Royal Porcelain (Pvt) Ltd

1991 | Royal Ceramics Lanka PLC commenced operations

"Royal Ceramics Lanka PLC has cemented its position as an industry leader through an illustrious milestone history, constructed brick by brick with an unwavering commitment to excellence and fuelled by their stellar spirit."

Our Commitment to Sustainability Development Goals (SDG)

1 NO POVERTY

4,619 Direct employment opportunities

Tax payments of **Rs. 15,317 Mn**

Providing business opportunities for **3,109** local suppliers

Indirect business opportunities

3 GOOD HEALTH AND WELL-BEING

Safety committee at all manufacturing plants

Encouraging all employees to maintain a healthy work-life balance

Ongoing training in health and safety

4 QUALITY EDUCATION

40,153 training hours

Rs. 38 Mn investment in training and development

Rs. 10 Mn spent on CSR activities related to education

Inhouse learning management system to improve knowledge of all categories of staff

5 GENDER EQUALITY

11% female representation of workforce

Zero tolerance policy for any form of discrimination

Ratio of **1:1** for the basic salary of women compared to men.

6 CLEAN WATER AND SANITATION

Nearly **100%** of water used in our operations is recycled and reused in the production process after treatment.

7 AFFORDABLE AND CLEAN ENERGY

Rs. 320 Mn invested in renewable energy projects

10,945 Kg of energy consumed is sourced from Biomass

Reduced our dependency on fossil fuels in our packaging plant by shifting to renewable energy sources such as firewood.

8 DECENT WORK AND ECONOMIC GROWTH

910 new recruits across **6** sectors

Compliance with all relevant labour laws

Offering all employees a comprehensive value proposition

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Product and process innovation to enhance productivity and to maintain competitiveness

Rs. 127 Mn spent on research and development

Invest **Rs. 70 Mn** in road development in Eheliyagoda.

11 SUSTAINABLE CITIES AND COMMUNITIES

Creating indirect job opportunities

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Sustainable business practices to maximize productivity

Obtaining third party expertise to increase productivity of raw materials

R&D on improving body formula to minimize material consumption

100% recycling of green waste

17 PARTNERSHIPS FOR THE GOALS

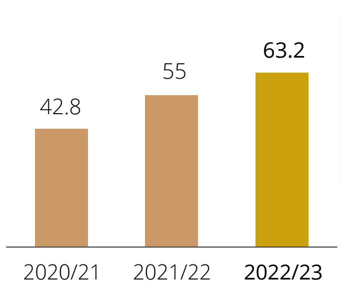
Strategic partnerships

Industry collaborations

Performance Highlights

Financial Highlights

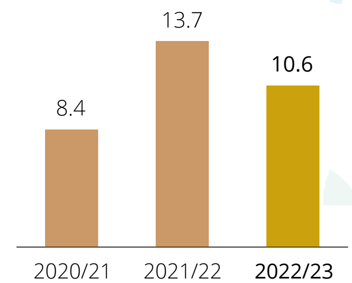
Revenue
Rs.Bn



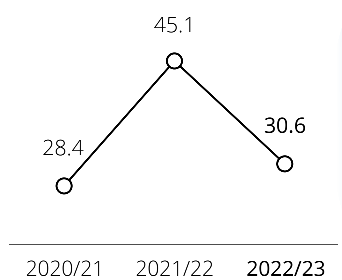
Strategic Focus Areas

	Unit	2022/23	2021/22	%
Revenue	Rs.Bn	63.2	55.0	15
Operating Expenses	Rs.Bn	11.5	8.5	37
Operating Profit	Rs.Bn	16.9	17.0	-1
Profit Before Tax	Rs.Bn	14.4	16.7	-13
Profit After Tax	Rs.Bn	10.6	13.7	-23
Gross Profit Margin	%	40.4	40.1	0.3
Operating Profit Margin	%	26.7	30.7	-4.1

Profit
Rs.Bn



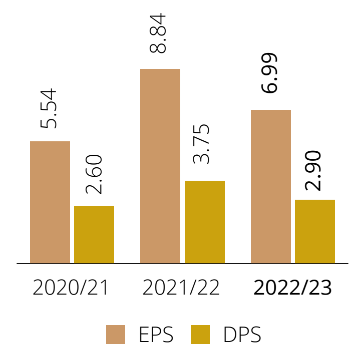
Market Capitalisation
Rs.Bn



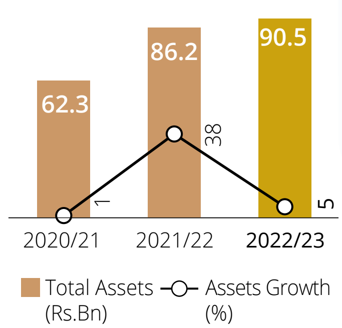
Shareholder Returns

	Unit	2022/23	2021/22	%
Earning Per Share	Rs.	6.99	8.84	-21
Dividend Per Share	Rs.	2.90	3.75	-23
Dividend Yield	%	10.5	9.2	1
Return on Equity	%	19.8	26.7	-7
Price to Book Value	Times	0.77	1.21	-36
Market Capitalization	Rs.Bn	30.6	45.1	-32
Market Price per Share	Rs.	27.60	40.70	-32

EPS & DPS
Rs.



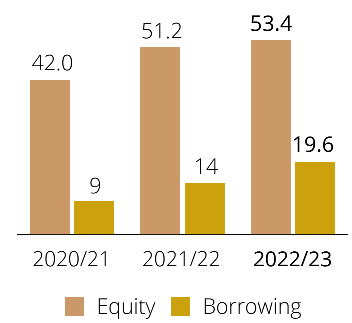
Assets



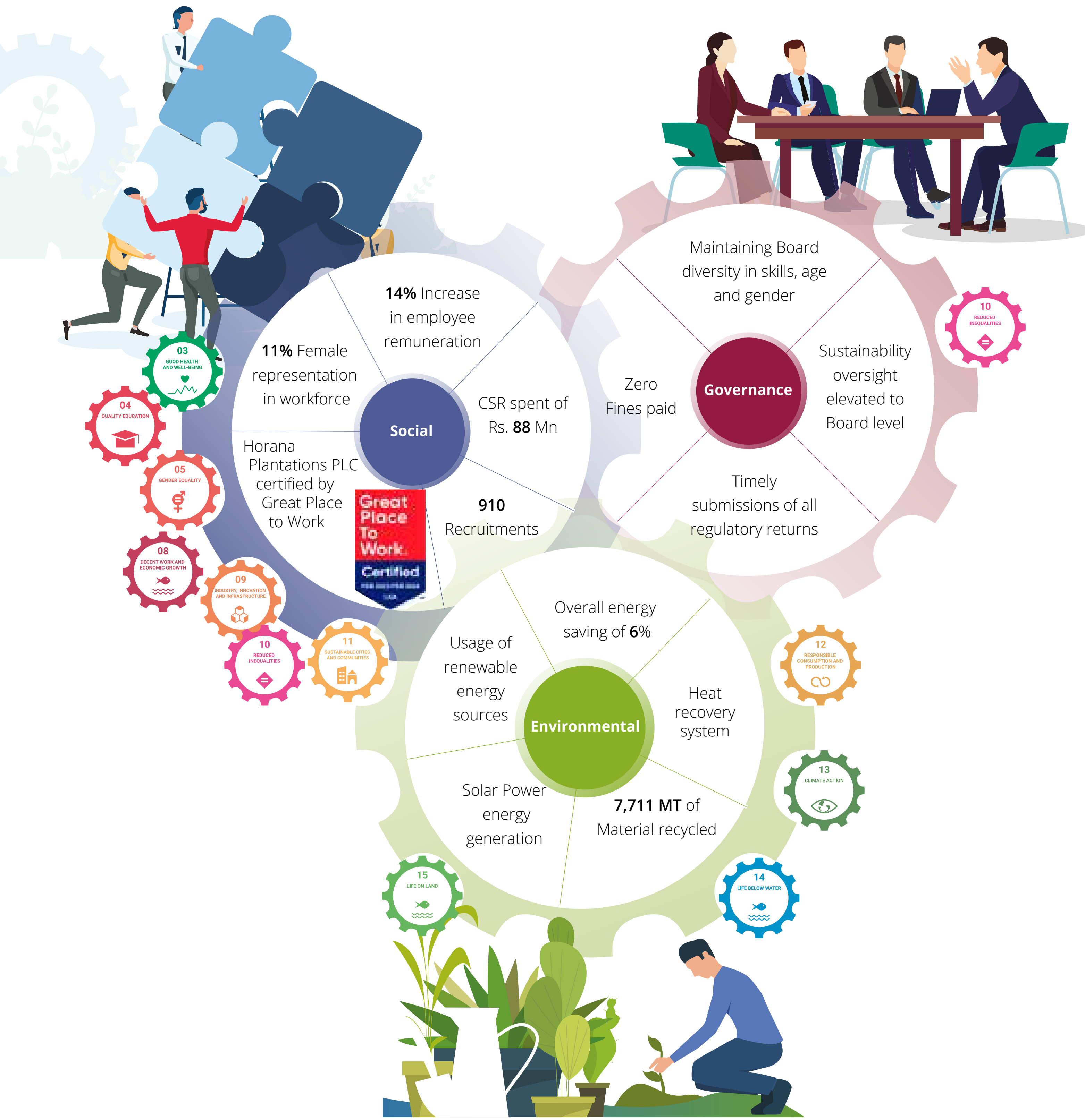
Growth and Stability

	Unit	2022/23	2021/22	%
Total Asset	Rs.Bn	90.5	86.2	5
Shareholders Funds	Rs.Bn	53.4	51.2	4
Total Debt	Rs.Bn	19.6	14.0	40
Inventory	Rs.Bn	25.1	13.5	86
Net Asset per Share	Rs.	35.74	33.69	6
Gearing Ratio	%	26.8	21.6	5
Current Ratio	Times	1.40	1.45	-3
Quick Assets Ratio	Times	0.51	0.93	-45

Funding
Rs.Bn



ESG Highlights



Awards and Recognition

1. CNCI Achievers Awards 2022- National Merit Award in Extra Large Manufacturing Sector- Rocell Bathware Limited
2. Presidential Environmental Awards - Merit award - Horana Factory
3. CNCI Achievers Awards 2022- Top 10 Award in Extra Large Manufacturing Sector - Royal Ceramics Lanka PLC
4. Presidential Environmental Awards - Bronze award- Eheliyagoda factory
5. CNCI Achievers Awards 2022-Provincial level Silver Award in Extra Large Manufacturing Sector- Eheliyagoda factory
6. TAGS Awards 2022 of CA Sri Lanka- Bronze Award in Plantation Sector -Horana Plantations PLC
7. Royal Ceramics Lanka PLC ranked 9th Place in Top 40 Corporate Performers by Business Today - 2021/22
8. TAGS Awards 2022 of CA Sri Lanka- Silver Award in Manufacturing Sector Turnover above Rs. 10Bn -Royal Ceramics Lanka PLC
9. Industrial Development Board - Gold Winner Granite Tile Pottery Ceramics and Building related Industries -Eheliyagoda Factory
10. Green Labled Products - Horana Factory and Eheliyagoda Factory

11 CNCI Achievers Awards 2022- National Merit Award in Extra Large Manufacturing Sector- Royal Ceramics Lanka PLC

12 Great Place to Work Certification-Horana Plantations PLC

13 Overall Best Trade Stall Award at Architect Exhibition 2023 -Lanka Tiles PLC

14 Overall Gold Winner Bestweb.lk 2022 - Organized by alupenters.lk - Swisstek Aluminium Ltd

15 Most Innovative and Informative Trade Stall Award at Architect Exhibition 2023-Lanka Tiles PLC

16 Lanka Walltiles PLC ranked 20th Place in Top 40 Corporate Performers by Business Today - 2021/22

17 Green Productivity Award 2021 - Bronze Award-Horana Plantations PLC

18 National Convention on Quality and Productivity Award 2022 by SLAAQP - 7 Gold Awards - Unidil Packaging Ltd

19 Best Stall - Kedella Construction Expo 2022 - Swisstek Aluminium Ltd

20 Green Apple Environment Awards 2022-Horana Plantations PLC

Chairman's Message

The Group has the two leading brands of tiles in its portfolio, 'Rocell' and 'LANKATILES' and over three decades of experience in manufacturing tiles of the highest quality in line with global standards of quality management.

DEAR SHAREHOLDERS,

It is my pleasure to report that Royal Ceramics Lanka PLC Group recorded Profit After Tax of Rs.10.59Bn, delivering a resilient performance in a year marked by significant political, social and economic upheaval. All sectors of the Group contributed positively to the bottom line except for the Aluminium sector which incurred a loss. Investments in capital expenditure of Rs. 5.9 Bn reflects our confidence about the future of this Group as we seek new markets, leveraging our undisputed leadership position in Sri Lanka.

A COMPELLING PROPOSITION

Royal Ceramics is a manufacturer of tiles and the holding company consists of a portfolio of investments which are directly or indirectly exposed to the construction industry. The sale of Horana Plantations PLC in March 2023 streamlined our portfolio to align with the construction sector, supporting synergies within the Group. A 26.08% stake in LB Finance diversifies the portfolio, giving the Group a valuable stake in the country's Non-Bank financial sector that provides a steady dividend flow.

The construction industry accounts for around 9% of the country's GDP and is one of the three largest sectors in the country. Globally, the sector has a robust growth forecast and is expected to double in size by 2030 driven by increasing urbanization and demand for housing from a growing population. In Sri Lanka, the Asking Price Indices for Houses and Condominiums increased by 26.9% and 40.7% respectively by end 2022 reflecting a strong demand for housing, notwithstanding the downturn in the economy.

The Group has the two leading brands of tiles in its portfolio, 'Rocell' and 'LANKATILES' and over four decades of experience in manufacturing tiles of the highest quality in line with global standards of quality management. The Group's sanitaryware sector is the leading manufacturer of sanitaryware in the country and also the global leader in the supply of bathware to cabin cruisers reflecting commendable progress in this area. While the Aluminium sector had a difficult year due to increased interest cost and a significant exchange loss, its brand "Swisstek" is a reputed name in the construction industry with a growing product portfolio ranging from hardware items to higher value added solutions.

The year under review was an exception, as was the year before although for very different reasons. Import restrictions created a surge in demand in the previous year giving rise to exceptional profits and it was clear that this would be for a time only. The slowdown in the construction industry in 2022/23 is likewise considered an unusual blip that will very likely correct itself in the future as the demand for housing remains at healthy levels, even if government projects remain on hold for a while.

A PERIOD OF ADJUSTMENT

The year under review commenced soon after the sharp devaluation of the rupee in March 2022 and the first quarter of the year saw significant changes to monetary policy as the country was facing a foreign exchange crisis, a power and fuel crisis as well as social unrest. Policy interest rates increased by 700 basis points and the government announced the deferral of repayment of external foreign currency denominated debt. In May there was a further devaluation of the rupee. Inflation increased to 73.7% in September 2022, decelerating gradually thereafter in response to policy measures. Interest rates also increased during the year until November 2022 as AWPLR reaching 27.89%, moving down gradually by the close of the year. Withdrawal of subsidies saw electricity tariffs increase by 75% in August 2022 and by 65% in February 2023. Taxation increased significantly, further reducing consumer purchasing power even though it is required to bridge the budget deficit.

The impact on individuals and businesses was immediate and severe as the variances were sharp. The gradual easing in the second half of the year and the approval and disbursement of the Extended Fund Facility of US$ 3.3 Bn by the International Monetary Fund has allowed adjustment to a different though fragile equilibrium. The debt restructuring is yet to be finalized but we are hopeful of a positive outcome from this.

STAKEHOLDERS & ESG

The events during the year reinvigorated the integration of ESG into the Group's core strategy. It was a year for re-calibrating stakeholder interests as many stakeholders were negatively impacted by the economic downturn in varying degrees. Balancing the needs of customers, employees, business partners and investors was a fine balancing act and one that was revisited at least a couple of times during the year. We also reaped the benefits of initiatives implemented at factories to green the manufacturing processes as they reduced in some measure the full impact of tariff hikes if consumption was unchecked. There is an increased urgency to put in place targets and commitments to entrench ESG into our operations as Boards seek to navigate the pricing dynamics of resource depletion.

High levels of vigilance have been established as the norm with the Board Audit Committee meeting six times during the year. Risk Management continued to be the focus of discussion as options for managing some risks were limited. Managing resource allocation was key to driving growth in the right direction.

The resignation of Mr.K.D.D.Perera during the year was a loss for the Group but we sincerely believe that it is for the greater good and wish him well in his future endeavours. We welcomed to the Board Ms.K.A.D.B.Perera during the year as a Non-Executive Director, further diversifying the perspectives in the Boardroom.

REALIGNING FOR GROWTH

A year on since the commencement of the social unrest we are at a more politically and socially stable place with higher levels of foreign exchange and rupee liquidity. Worker remittances have increased with inflows directed through legitimate channels, and the Tourism industry is also experiencing an uptick in activity bring much needed foreign currency inflows. Foreign currency liquidity has improved and import restriction have eased to a large extent although some remain in place and debt repayments are on hold. The world economic outlook is also subdued with Advanced economies expected to grow by a mere 1.25% in 2023.

Our strategy is to drive growth by developing export markets, building on the success we had during the year. We also observe a slight pick up in construction sector activity and trust that it gathers momentum as the year progresses. Working capital management will be a key area of focus, further reducing finance costs. The Board continues to monitor performance and risks to mitigate and manage impacts with foresight.

ACKNOWLEDGEMENTS

I am privileged to have worked closely with Mr. Dammika Perera over the years and thank him for making the Rocell the successful conglomerate it is today. On behalf of the Board, I extend my sincere thanks to the team at Rocell and its subsidiaries for their commendable performance during the year. I am also appreciative of the skilled leadership of the CEOs who led their teams to overcome innumerable challenges during the year. I extend my thanks to all our customers and business suppliers who also played a key role in ensuring that we functioned. I convey my sincere thanks to members of the Board who have contributed their expertise and skills to navigate a stormy year. In closing, I thank our shareholders for their confidence as we look forward to realizing the value of this realigned portfolio.

S H Amarasekera
Chairman

Managing Director's Message

Manufacturing and supply chain management continues to focus on increasing efficiencies in the respective areas as driving down cost of production through sustainable principles will be key to our evolution to compete effectively in the market place.

DEAR STAKEHOLDERS,

The year under review was the most challenging in the Rocell's history Economic hardships faced by Sri Lanka led to social unrest and political turmoil in the first half of the financial year, gradually easing thereafter in the 3rd quarter as policy measures reined in inflation and interest rates. Despite this, the Royal Ceramics Group recorded a solid performance recording post tax earnings of Rs.10.6 Bn reflecting the pressures on disposable income and costs.

REFLECTIONS ON 2022/23

The year under review was one of two halves. The first half was marked by volatility and uncertainty while the second half witnessed an encouraging improvement in the socioeconomic outlook for the country. The year saw a tightening of monetary and fiscal policy to address the economic issues accelerated by the pandemic.

The financial year commenced soon after the floating of the rupee which resulted in a sharp decline of over 40% in March 2022. Policy interest rates increased by 700 basis points in April 2022 followed soon after by the announcement that the government of Sri Lanka would defer repayment of external debt and seek assistance from the IMF for an Extended Fund Facility. Lending rates moved up even more sharply as domestic liquidity was also tight with AWPLR peaking in December 2022. Inflation continued its upward trajectory with the National Consumer Price Index(NCPI) reaching 73.7% in September 2022, easing gradually thereafter for 7 consecutive months to 33.6% by April 2023 in response to policy measures and declining consumption. Import restrictions continued to be in place with some easing towards the end of the financial year as the trade deficit narrowed. Exports remained steady for the first three quarters but declined in the 4th quarter as the demand for our products in the buyers markets moderated.

Long delays in settlement of dues by the government, import restrictions and the increased costs of construction resulted in high levels of stress in the construction sector. This led to a reversal of the excess demand experienced in the first quarter of the year which saw waiting times of 7 – 8 months. This eased as high interest rates and costs of construction resulted in a inventory buildup as production exceeded demand by the close of the year. The demand for housing remains low as housing loan interests are still high.

FOCUS ON RESILIENCE

Consolidated revenue increased by 15% to Rs.63.2 Bn partly due to increased prices and demand moderated during the latter part of the year with the declining activity in the Construction sector. The increase in revenue was supported by the Tiles and Packaging sectors of the Group as Sanitaryware and Aluminium sectors recorded negative growth. Gross profit increased by 16% as margins remained unchanged for the Group as the decline in margins in the Tile sector was offset by the improved margins in the other sectors. Distribution, administration and other operating costs increased as inflation took a toll across all cost categories. Inflation and taxation exerted pressure on salaries and wages as well as the disposable income of employees dwindled. As a result, EBIT changed marginally from Rs.17 Bn in 2022 to Rs.16.9 Bn in 2023, reflecting curtailment of costs.

Finance costs increased over four-fold as interest rates and borrowings increased resulting in Profit Before Tax declining by 13.1% to Rs.14.45 Bn in 2023. Taxation increased by 37.5% to Rs.4.2 Bn due to increased tax rates. Accordingly, Profit after tax declined by 22.6% to Rs.10.6 Bn reflecting the impact of inflation, interest rates and taxation.

We invested Rs.5.9 Bn in necessary capital expenditure, particularly in the Tiles segment as we continued to expand production of large format tiles. All factories operated at optimal capacity facilitating overhead absorption and managing the cost per unit of production. However, this strategy resulted in an accumulation of inventory as the value of inventory increased by 86% from Rs.13.5Bn to Rs.25.06 Bn mainly due to increased cost of production, reducing liquidity buffers built up in the previous year. Accordingly, cash and cash equivalents decreased from Rs.15.3 Bn to Rs. 3.6Bn reflecting the funding of inventory.

Borrowings increased significantly by 40%, largely due to management of working capital as reflected in the increase in current borrowings from Rs.9.8 Bn to Rs.16.9 Bn. Debt equity remains at a healthy 37% despite the increase from 27%. The Balance sheet reflects prudent and managed growth with total assets increasing by a conservative 5%.

MIXED RESULTS

The portfolio was reviewed during the year and Horana Plantations PLC was disposed to Hayleys Plantation Services (Pvt) Ltd, aligning the portfolio to the Construction sector which accounts for around 9% of the country's GDP.

Sector performance was mixed with Packaging recording improved profits. Tiles and Sanitaryware recorded a lower profits while Aluminium recorded a loss reflecting challenges in their respective spheres. The share of profit from LB finance remained steady, supporting overall results.

TILES SECTOR

The Tiles sector recorded an increase of 22% in the top line with revenues of Rs.46.8 Bn despite the downturn in the construction sector, largely supported by strong demand in the first half of the year. Gross margins declined from 47% to 44% with the increase in costs and the inability to increase prices of tiles given the declining purchasing power of customers. As stated above, we continued to expand the large format tile production which has proved financially better for the Group Continued focus on Productive Maintenance supports significant cost savings which is a key factor as energy costs continued to climb during the year. Finance costs increased significantly but was largely offset by the increase in finance income. The sector recorded PBT of Rs.11.7 Bn despite the increase in costs, 5% below that of the previous year which was an exceptionally good year with a challenging operating environment. Taxation increased by 40% due to the increase in rates as well as the deferred tax adjustments in respect of increased rates. As a result, the Profit after tax from the Tiles and associated products sector which comprises Rocell, Lanka Tiles and Swisstek Ceylon brands was Rs.8 Bn, 17% below that of the previous year.

SANITARYWARE

Sanitaryware had a more difficult year due to easing of import restrictions of finished products together with lower demand due to lower purchasing power ,which resulted in a moderation in production. Consequently, the top line declined by 6% to Rs.3.4 Bn in 2022/23 despite the export earnings surged by 75% on the back of rupee depreciation. Gross margins improved from 34% to 37%. Other costs declined except for Administration expenses which increased by 130% mainly due to Social Security Contribution Levy imposed in October 2022. The increase in finance costs from Rs.16 Mn to Rs.161.6 Mn was due to interest rates as well as additional borrowings to finance working capital expansion as total assets increased from Rs.5.5 Bn to Rs.7.6 Bn. We expect this sector to pick up as the construction activity picks up in response to the increasing demand for housing.

PACKAGING

The Unidil Packaging Group has delivered a strong performance recording revenue growth of 40% from Rs.6.6 Bn to Rs.9.2 Bn. Production efficiencies enabled it to record gross margin improvements from 15% to 25% as efficient workflows and improved export revenue gained from rupee devaluation strengthened margins. Focused improvements over the years enabled it to reap the benefits in a year marked by unprecedented volatility, recording Profit before tax growth of 70% after absorbing finance costs which increased by 433% to Rs. 674 Mn. Taxation increased by 148% in this sector due to increased rates and the impact of the same on deferred tax. Accordingly, Profit after tax increased by 55% to Rs.922 Mn as the sector delivered a stellar performance overcoming difficulties with foresight and planning.

ALUMINIUM PRODUCTS

Fortunes reversed for Swisstek Aluminium which recorded a stellar year in 2021/22 as the construction industry collapsed. Volumes declined by 66% as a result although the decrease in turnover was contained to 28% with necessary prices increases as costs increased significantly. Working capital expansion was largely funded by borrowings as investments in inventory increased. As a result, finance costs increased by almost ten-fold to

Managing Director's Message

Rs.1.4 Bn in 2023 driven by both inventory buildup and interest rates. It is noteworthy that Finance costs were higher than the Gross profit of Rs.1.3 Bn, reflecting the scale of the issue. The sector has commenced exports to move inventory and is looking to recover in the year ahead.

FINANCE

The Group's associate company, LB Finance accounted for 21% of profit after tax contributing Rs.2.2 Bn to the Rocell Group. The increase over the previous year is marginal, reflecting the macroeconomic stress experienced in 2022/23. Elevated systemic credit risk dampened growth and margins. The Company has diversified its portfolio to reduce the impact of import restrictions on motor vehicles, building resilience. A strong domestic franchise and an islandwide footprint support the growth and stability of this company which maintains a conservative risk appetite.

A VALUED TEAM

The year under review was challenging for employees as they dealt with reduced purchasing power, soaring inflation and shortages of essentials such as energy, fuel and medicines. We provided relief measures to ease the stress through salary adjustments, distribution of dry rations to certain categories of staff, and later adjusting salaries to support them absorb the increased cost of livings. Their agility and dedication is highly valued as they managed personal difficulties to ensure that business continued uninterrupted. Overall, 20% of the value created by the Group was distributed to its employees, 14% over the previous year.

VALUE TO SHAREHOLDERS

The Rocell Group has declared a dividend of Rs.2.90 per share as shareholders benefitted from a return on equity of 20% as the Group delivered a commendable performance in a difficult year. Equity increased by marginally to Rs.53.4 Bn as profits were relatively flat.

The share price declined from Rs.40.70 as at 31st March 2022 to Rs.27.60 in March 2023 reflecting the volatility of the stock market. Market capitalisation of the Group decreased by 32% to Rs.30.6 Bn as at 31st March 2023. Net Assets increased from Rs.37.3 Bn in 2022 to Rs.39.6 Bn in 2023 reflecting the value of the Group.

ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

The Group's core business is manufacturing and integrating ESG into this business model is necessary as these areas present the greatest risks to our value creation model. We are reaping the benefits of investing in energy efficient plant and machinery through reduced energy consumption. These investments were supplemented by projects to drive further efficiencies in consumption of raw materials, water and energy through Total Productive Maintenance, Lean and Six Sigma. The savings from these project supported margins, particularly in the reporting year.

Our supply chain management is another area where ESG integration is in place but needs to go deeper. At present our ESG processes ensure that raw materials are purchased from responsible suppliers with additional checks in the case of mined inputs such as ball clay and feldspar. Sustainability management information systems support our understanding of our impacts on society and the planet, guiding decision making at executive and Board levels. We have obtained certifications affirming our environmental and social compliance practices are in line with global best practice.

We continued to support DP Education which continues to make a difference in rural education by providing students and teachers to high quality digital lessons to supplement classroom education, empowering them to progress in their education.

OUTLOOK

We are cautiously optimistic of a positive outcome of the changes to steer the country in the right direction, carefully balancing the impacts on different groups of stakeholders. The approval of the Extended Fund Facility of US$ 3.3 Bn in March was encouraging and we await the outcome of the negotiations on external and domestic debt restructuring.

Developing exports will be a key priority in the year that has commenced as the build up of inventory needs to be liquidated, shortening working capital cycles to reduce finance costs. The construction sector is also likely to pick up activity during the year which will also ease the pressure.

Manufacturing and supply chain management continues to focus on increasing efficiencies in the respective areas as driving down cost of production through sustainable principles will be key to our evolution to compete effectively in the market place. We are collaborating with our suppliers to enhance our products and have also retained the services of an Italian designer to create a new collection for us. These key initiatives will drive visible transformation in our showrooms and factories,

ACKNOWLEDGEMENTS

I commend the leadership provided by the CEOs in the Rocell Group and specially my senior team at Rocell for the steadfast performance delivered amidst significant challenges in a difficult year. I am deeply appreciative of the commitment of the staff who have assisted in numerous ways to deliver the results set out in this report. I thank the Chairman and the Board for their valuable guidance in steering through a perfect storm. In conclusion, I thank all our stakeholders who share our journey and look to their continued support in the months ahead.

Aravinda Perera
Managing Director

Board of Directors

MR. HARSHA AMARASEKERA

Chairman

MR. ARAVINDA PERERA

Managing Director

Mr. Harsha Amarasekera, a renowned lawyer and an eminent legal practitioner in the Sri Lanka legal fraternity since 1987 is an independent Non-Executive Director and the Chairman of the Company. Mr. Harsha Amarasekera, Presidents Counsel is a leading luminary in the legal profession in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Courts. His fields of expertise include Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law.

He has extensive experience in the corporate sector being an independent Director and Chairman in several listed Companies in the Colombo Stock Exchange including Sampath Bank PLC, CIC Holding PLC, Swisstek Ceylon PLC, Vallibel One PLC, Vallibel Power Erathna PLC and the Chairman of Swisstek Aluminium Limited and CIC Agri Business Private Limited. He is also an independent Non-Executive Director of the following listed Companies - Expolanka Holdings PLC, Ambeon Capital PLC and Hayleys Leisure PLC.

Mr. Aravinda Perera counts over 40 years in the Banking sector and functioned as the Managing Director of Sampath Bank PLC from 1st January 2012, until his retirement in September 2016.

He is presently the Chairman of Singer Finance Lanka PLC, Deputy Chairman of Pan Asia Banking Corporation PLC and a Director of Rocell Bathware Ltd, SNAPS Residencies (Pvt) Ltd and Kosgulana Hydro Company (Pvt) Ltd. Further to the Directorships in the following companies he chairs the audit committees of Hayleys PLC, Hayleys Aventura Private Ltd, Hayleys Advantis Ltd and Fentons Ltd.

He was the former Chairman of Siyapatha Finance PLC, former Director of Sampath Centre Ltd., Colombo Stock Exchange and Lanka Bangla Finance Limited in Bangladesh.

He passed out from University of Moratuwa in 1980 with an Honours Degree in Mechanical Engineering. He is a Member of the Institute of Engineers (Sri Lanka) (MIESL) and a Chartered Engineer (C.Eng.). He is also a Fellow Member of the Chartered Institute of Management Accountants (UK) (FCMA) and a Fellow of the Institute of Bankers– Sri Lanka (FIB). He also holds an MBA from the Postgraduate Institute of Management.

Mr. Perera was honoured with the "CEO Leadership Achievement Award 2016" by the Asian Banker magazine and was also the recipient of the prestigious "Platinum Honours – 2014" Award by the Postgraduate Institute of Management Alumni (PIMA) of Sri Jayewardenepura University. He was honoured with the "Award for the Outstanding Contribution to the Banking Industry – 2015" by the Association of Professional Bankers and was also awarded an Honorary Life Membership by the Association of Professional Bankers in October 2018.

MR. A M WEERASINGHE

Deputy Chairman

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

MR. THARANA THORADENIYA

Director Marketing and Business Development

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 is a Director of many Companies including listed Companies -Lanka Ceramic PLC, Lanka Walltiles PLC, Lanka Tiles PLC and Hayleys Fibre PLC. He is also a Director of Delmage Ltd, Vallibel Plantation Management Ltd, Dipped Products Thailand Ltd, Unidil Packaging Limited, Fentons Limited and Swisstek Aluminium Limited, 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.

MR. R N ASIRWATHAM

Director

Mr. Asirwatham who is a renowned accounting professional, was a Senior Partner and Country Head of KPMG from 2001 to 2008. He was the Chairman of the Steering Committee for the Sustainable Tourism Project funded by the World Bank for the Ministry of Tourism and also a member of the Presidential Commission on Taxation, appointed by His Excellency the President.

Mr. Asirwatham, a fellow member of the Institute of Chartered Accountants of Sri Lanka and serves as the Chairman of the Audit Committee of the Institute of Chartered Accountants of Sri Lanka. He has made his mark in the corporate world by serving on the Boards of Royal Ceramics Lanka PLC, Dilmah Ceylon Tea Company PLC, Aitken Spence PLC, Aitken Spence Hotel Holdings PLC, Browns Beach Hotels PLC, Mercantile Merchant Bank, Three Acre Farm PLC, Ceylon Grain Elevators PLC, Yaal Hotels Private Limited and Renuka Hotels Private Limited.

Mr. Asirwatham also serves as a Member of the Board of Lakshman Kadirgamar Institute of Strategic Studies and the Board of Management of S.W.R.D.Bandaranaike Memorial Foundation.

Board of Directors

MR. G A R D PRASANNA

Director

Mr. G A R D Prasanna was appointed to the Royal Ceramics Lanka PLC Board on 29 May 2009. He has wide experience in various businesses and also in business management. He is the Chairman of LB Finance PLC. He was the former Chairman of Pan Asia Banking Corporation PLC and also the Managing Director of Wise Property Solutions (Pvt) Ltd. Further, he serves as a Director on the Boards of La Fortresse Private (Pvt) Limited and Delmege Group of Companies.

MRS. NIRUJA THAMBIAYAH

Director

Mrs. Thambiayah was appointed to the Royal Ceramics Board on 1st October 2015. She holds a Bachelor of Arts with Honours in Industrial Economics from the University of Nottingham, UK and a Master in International Business from Monash University, Australia. She is currently the Managing Director of Cargo Boat Development Company PLC and a Director at Renuka Hotels PLC, Renuka City Hotels PLC, Renuka Consultants & Services Ltd, Renuka Properties Ltd and Lancaster Holdings Ltd.

MR. L N DE S WIJEYERATNE

Director

Mr. Wijeyeratne is a Fellow of the Institute of Chartered Accountants in Sri Lanka and counts over 35 years of experience in Finance and General Management both in Sri Lanka and overseas.

He is currently an Independent Non -Executive Director of several Listed Companies. He was a former Group Finance Director of Richard Pieris PLC and also held Senior Management positions at Aitken Spence & Company, Brooke Bonds Ceylon Ltd and Zambia Consolidated Copper Mines Ltd. He was also a former Director of DFCC Bank PLC and LB Finance PLC.

Mr. Wijeyeratne was a past Member of the Corporate Governance and Quality Assurance Board of the Institute of Chartered Accountants of Sri Lanka as well as a past member of the Accounting Standards and Monitoring Board of Sri Lanka.

MR. NIVRAN WEERAKOON

Director

Mr. Nivran Weerakoon is a Fellow of the Chartered Institute of Management Accountants UK (FCMA) and holds a Master of Business Administration (MBA) from the University of West London UK.

He is the Managing Director of Media Monkey (Pvt) Ltd. and is the Director/CEO of Global Conversions FZ-LLC (UAE). He currently serves as a Director of Delmege Limited, Kasper Global (Pvt) Ltd., William Angliss Institute @ SLIIT, Child Action Lanka and was a former Board Member of Lanka Electricity Company (Pvt) Ltd. (LECO).

He has previously held many senior management positions including the positions of Executive Director and Chief Executive Officer in a number of private limited companies.

MR. SANJEEWA RENUKA JAYAWEERA

Director

Mr. Jayaweera has a proven track record spanning over two decades in a senior management position of several John Keells Group of Companies listed on the Colombo Stock Exchange (CSE) possessing a well-established reputation for adhering to high ethical standards and integrity.

He has expertise in Financial Accounting, Management Accounting, Hotel Management, Manufacturing, Retail, Audit and Compliance.

He has also been a member of the Group Operating Committee (GOC) of John Keells Holding PLC from July 2005 to June 2018.

MR. JITENDRA R GUNARATNE

Director

Mr. Jitendra R Gunaratne had over 40 years career experience at John Keells Holdings (JKH) PLC, leading the teams in Consumer Foods, Plantations and Leisure sectors of the Group.

Former member of the Food Advisory Council of the Ministry of Health, Sri Lanka (2016-2018), Founder Chairman of the Beverage Association of Sri Lanka (2012-2018), member of the Council for Hotel & Tourism of the Employers' Federation of Ceylon (2018-2020) and held Directorships and served on several public listed and private Companies within the JKH Group.

Board of Directors

MR. SAMEERA MADUSHANKA LIYANAGE

Director

Mr. Liyanage is a respected professional with over 10 years' experience and a record for exceptional performance. He has demonstrated transformational leadership in business transformation for the companies under the Vallibel One PLC Group.

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

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

He currently serves on the Board of Directors of Royal Ceramics Lanka PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Lanka Ceramics PLC, Swisstek Aluminium Limited, Uni Dil Packaging Limited and Horana Plantation PLC.

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

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

MS. BRINDHIINI PERERA

Director

Ms. Brindhiini Perera has earned a Masters in Mechanical Engineering from Imperial College London. Her studies included comprehensive coverage of subjects such as Manufacturing, Technology and Management, Entrepreneurship, Corporate Finance, Statistics, and Mathematics.

She serves as a Non-Executive Director in several companies listed on the Colombo Stock Exchange including Vallibel One PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Haycarb PLC, Dipped Products PLC, Hayleys Fabric PLC, The Kingsbury PLC, Hayleys Leisure PLC and Singer (Sri Lanka) PLC. She also serves on the Board of Eurocarb Products Ltd (UK), Delmege Limited, Otwo Biscuit (Private) Limited, The Canbury Biscuit Company Limited, Manatee Clothing Company (Pvt) Ltd and Dhammika & Priscilla Perera Foundation.

The Corporate Management

ARAVINDA PERERA
Managing Director

THARANA THORADENIYA
Director Marketing and Business Development

HARESH SOMASHANTHA
Director Finance

NANDAJITH SOMARATNE
Director Manufacturing

KUMUDU KEERTHIRATHNA
DGM - Manufacturing (Eheliyagoda Factory)

DHAMMIKA RANAWEERA
DGM - Manufacturing (Horana Factory)

SIDATH RODRIGO
Senior Head of Sales

WASANTHA SARATHCHANDRA
Group Finance Controller

CHATHURA WIJESURIYA
Head of Human Resources

The Corporate Management

THILINI GUNERATNE
Head of Internal Audit

NALIN FERNANDO
Head of IT

SUDEEPTHA SENEVIRATNE
Head of Brands

ROHAN MENDIS
Senior Export Manager

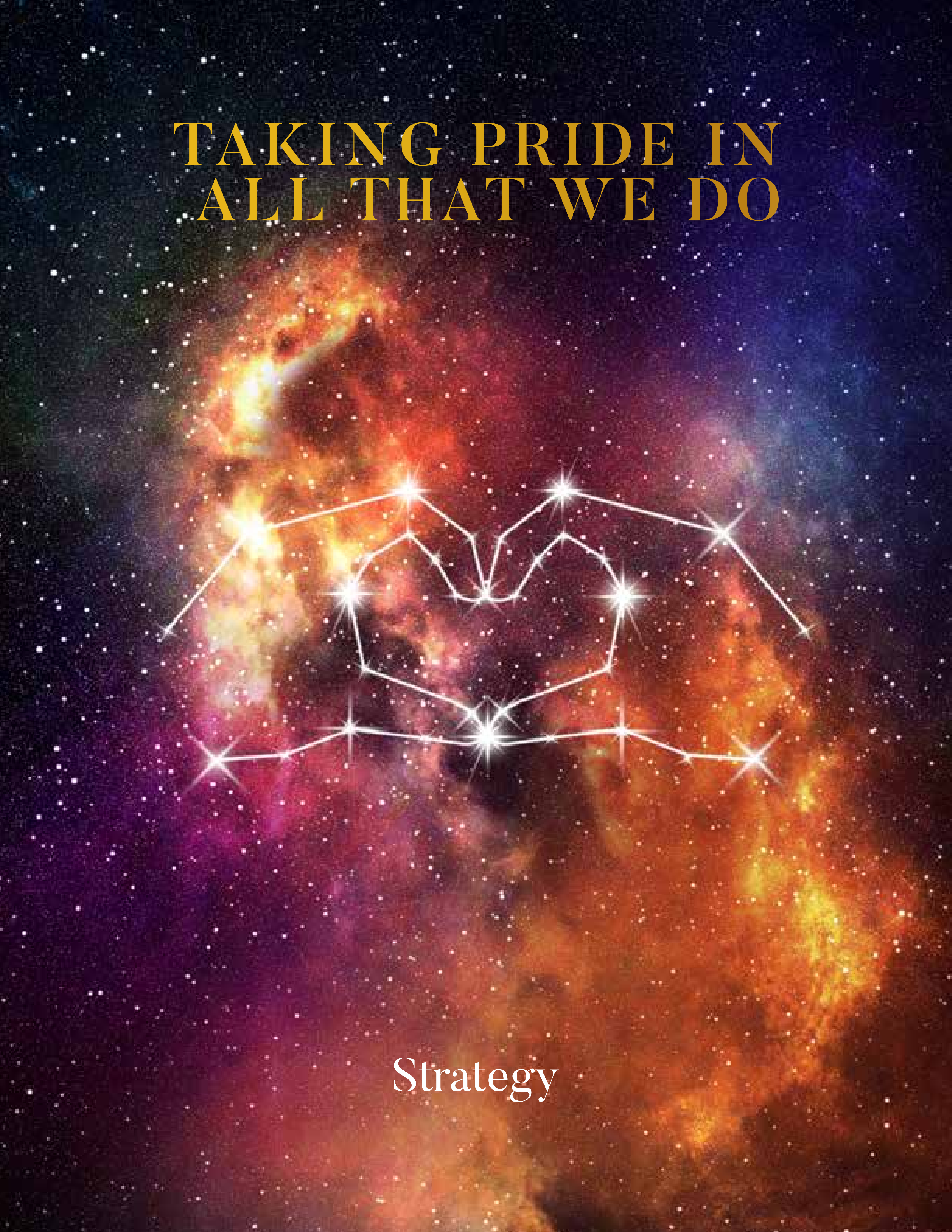
MOTHILAL NANAYAKKARA
Head of Bathware Factory Complex

RANDEER MENDIS
Head of Supply Chain

UPUL DISSANAYAKE
Head of Logistics

SHAMMIKA DE SILVA
Head of Warehouse Operations

TAKING PRIDE IN ALL THAT WE DO



Strategy

Strategy and Resource Allocation

Strategy had to be realigned to navigate the unprecedented challenges faced during the year. The adverse macro-economic conditions that brought the local construction sector to a standstill drove us to focus more on our export sales while capacities of some of our tiles manufacturing facilities had to be enhanced to meet the buildup of orders created by the lack of imported tiles in the tile market.

Business Growth

We strive to achieve business growth despite challenging economic conditions through better allocation of resources to enhance capacities and maintaining margins

A sustainable Mindset

We are conscious of the impact of our operations on the environment and take all possible measures to minimise any harmful impact.

Driving efficiency throughout our operations to take optimum use of finite resource

A competent and inspired team

We offer a comprehensive value proposition to all employees across the Group

Financial Stability and managing macroeconomic conditions

Resource allocation was carried out strategically to maintain healthy cash flows and a strong balance sheet The year presented unprecedented macroeconomic challenges such as high interest rates, hyper inflation, exchange rate and forex reserves. Group had to navigate through these difficulties to ensure uninterrupted operations.

Operational Excellence through innovation and digitisation

We strive to achieve optimum level of productivity and maintaining our competitive position through innovation

KEY PERFORMANCE INDICATORS OF OUR STRATEGIC IMPERATIVES

BUSINESS GROWTH

Resource Allocation

- Capital Expenditures of Rs.5,950 Mn
- Capacity Expansion of Rs. 3.3 Bn in Horana tile factory
- Over 600 Sales force

Tiles and Associated Products

- Significant capital expenditure to expand manufacturing capacities
- Aggressively pursued new export opportunities
- New product developments
- Opened a new showroom to extend the customer reach

Sanitaryware

- Process improvement to increase capacity
- Product development
- Sales growth through strategic alliances
- New export destinations

Aluminium

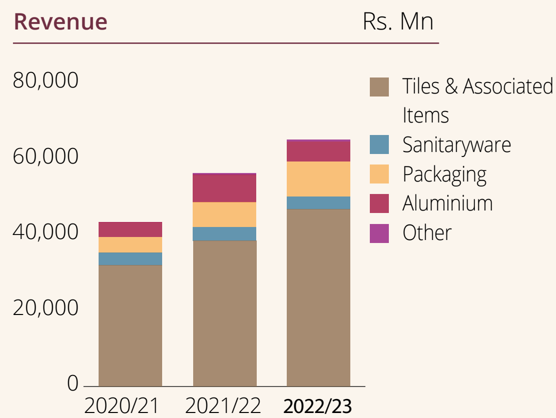
- Capital expenditure of Rs. 135 Mn
- Expanding value added product range
- Venture into export markets

Packaging

- Capital Expenditures of Rs. 195 Mn
- New Market development

Highlights

- 22% revenue growth in tiles and associated products sector
- 75% Growth in export revenue in sanitaryware
- 40% growth in revenue in packaging
- 40% growth in export sales



Strategy and Resource Allocation

KEY PERFORMANCE INDICATORS OF OUR STRATEGIC IMPERATIVES

FINANCIAL STABILITY & MANAGING MACROECONOMIC CONDITIONS

Resource Allocation

Retained earnings of Rs. 33.4 Bn

Cash in hand of Rs.3.6 Bn

Sate of the art manufacturing facilities

Strong relationships with the supplier base

Tiles and Associated Products

- Gearing of 27%
- Maintaining the operating profit margin at 26% compared to previous years' 32%

Sanitaryware

- Maintaining operating profit margin to 18% despite severe inflationary pressures
- Borrowings of Rs. 848 Mn

Aluminium

- Debt restructuring
- Stringent cost control

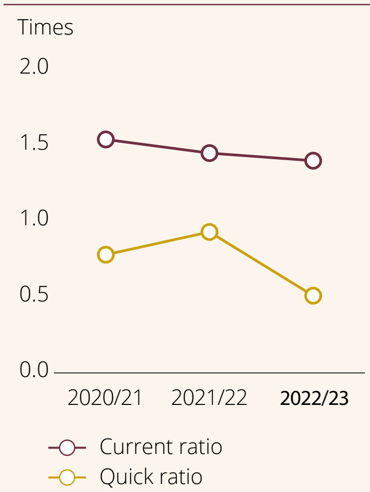
Packaging

- Gearing of 46%
- Improving operating profit margin to 20% from 13% of last year's despite severe inflationary pressures

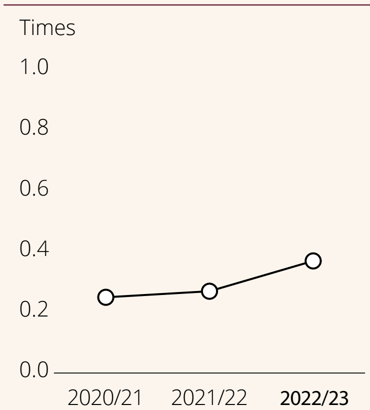
Highlights

- Total borrowings of Rs. 19,586 Mn

Current & Quick Assets Ratio



Debt to Equity Ratio



KEY PERFORMANCE INDICATORS OF OUR STRATEGIC IMPERATIVES

OPERATIONAL EXCELLENCE THROUGH INNOVATION AND DIGITISATION

Resource Allocation

- Rs. 127Mn spent on research & development
- Streamlining production processes
- Training staff on new systems

Tiles and Associated Products

- Improving the Mosaic line with collaboration with Chinese technical partner
- Introducing more than 200 new tile designs and sizes
- Improved service delivery through process automations.

Sanitaryware

- Improving product yield through innovation
- Obtaining technical expertise
- Improved service delivery through process automations.

Aluminium

- Manufacturing of 7-inch billets
- Improving quality through digital interference to gain better process controllability.
- Improving operational efficiencies through introduction of SAL-DP digital platform.
- Implementation of SAP ERP System.

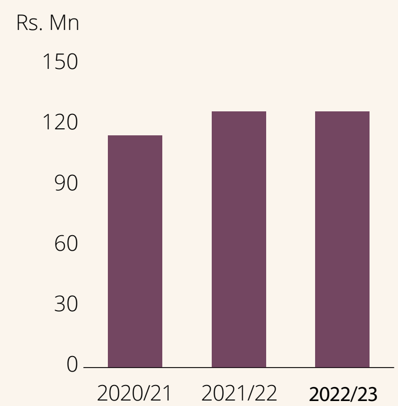
Packaging

- Work closely with existing customers on product development
- Investment in semi auto gluing machine to improve efficiency.
- Mechanization of manual operations in several production areas to improve speed.

Highlights

- Rs. 644 Mn cost savings through TPM initiatives
- More than 300 new products introduced

R&D Expenditure



Strategy and Resource Allocation

KEY PERFORMANCE INDICATORS OF OUR STRATEGIC IMPERATIVES

A SUSTAINABLE MINDSET

Resource Allocation

- Rs. 478 Mn investment in renewable energy
- Streamlining production processes to increase productivity
- Awareness programs on energy saving initiatives

Tiles and Associated Products

- Installation of 2,000kwp solar panels at Lanka Walltiles factory
- Installation of 403kwp solar panels at Royal Ceramics Lanka Eheliyagoda factory in addition to the already commissioned solar panels with 428kwp
- Installation of 2,000kwp solar panels at Royal Ceramics Lanka Horana factory
- Installation of 1,212kwp solar panels at Rocell Bathware Ltd.
- Installation of heat recovery system.

Sanitaryware

- Obtaining technical advice from raw material suppliers on increasing productivity

Highlights

- Energy consumption down by 6%
- Rs. 88 Mn CSR spent

Aluminium

- Commissioning of a waste recovery system.
- Green practices on recycling, reusing and reducing.

Packaging

- Wastage down by 51% through various cost saving initiatives
- Annual emissions and combustion efficiency tests to control emissions

KEY PERFORMANCE INDICATORS OF OUR STRATEGIC IMPERATIVES

A COMPETENT AND INSPIRED TEAM

Resource Allocation

- Rs. 8,479 Mn payments to employees
- Rs. 38 Mn investment in training
- Five hours of training per employee

Tiles and Associated Products

- Total employee remuneration of Rs.5,331 Mn
- Special incentives provided during financial difficulties
- Programs conducted on employee wellbeing
- 30,529 Training hours
- Upskilling of employees through participating foreign exhibition

Sanitaryware

- Total employee remuneration of Rs.518 Mn
- 159 training hours

Packaging

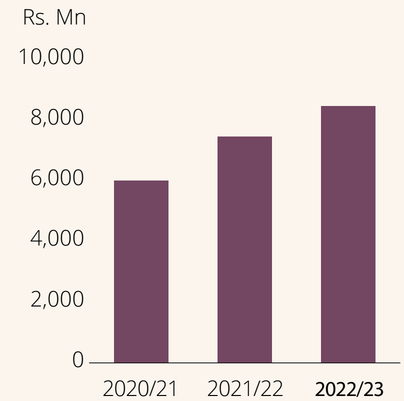
- Total employee remuneration of Rs. 618Mn
- 1,194 training hours

Aluminium

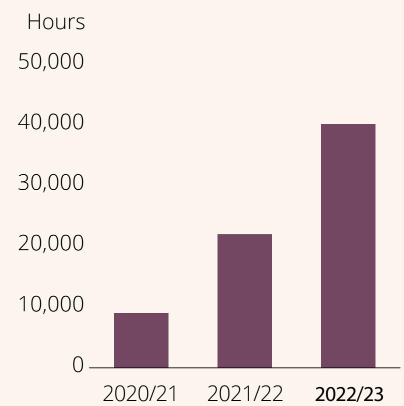
- Total employee remuneration of Rs. 420Mn
- 1,914 training hours

Highlights

Remuneration



Training Hours



Investment Case

Strong Market Position

Market leader in both walltiles and floortiles with market shares of 85% and 65% respectively.

Leading bathware manufacturer in Sri Lanka

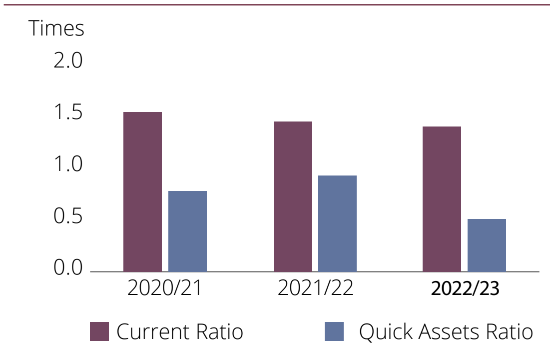
A strong distribution network consist of showroom, franchises, factory outlets, dealers, distributors and consignment agents.

A global leader in the supply of bathware to cabin cruisers

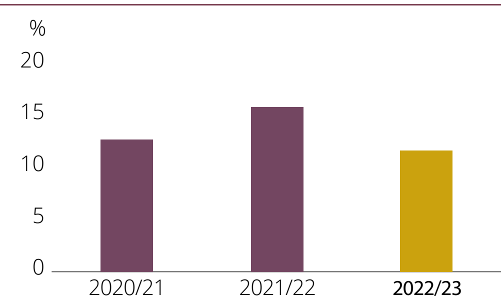
Market presence in eleven countries

A STRONG BALANCE SHEET

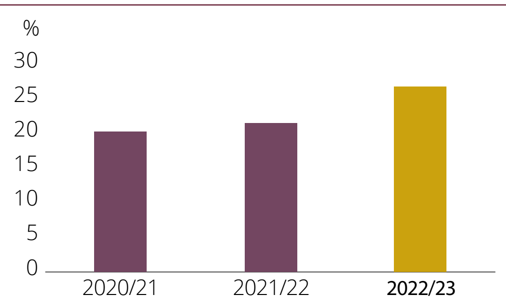
Current & Quick Asset Ratio



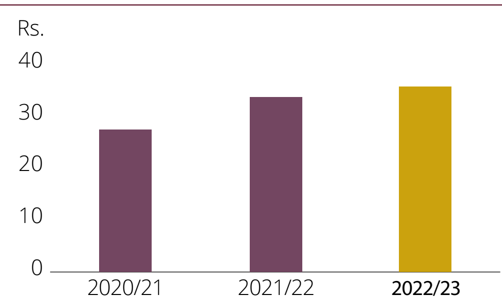
Return on Assets



Gearing



Net Asset per Share



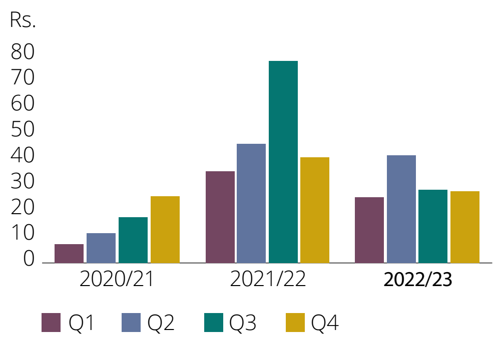
A significant presence along the value chain of the construction sector

The Group has a strong presence in the construction sector interests in wall tiles and floor tiles, tile grout and accessories, bathware and bathware accessories and aluminium products. Construction sector accounts for 9% of the country's GDP and one of the three largest sectors in Sri Lanka.

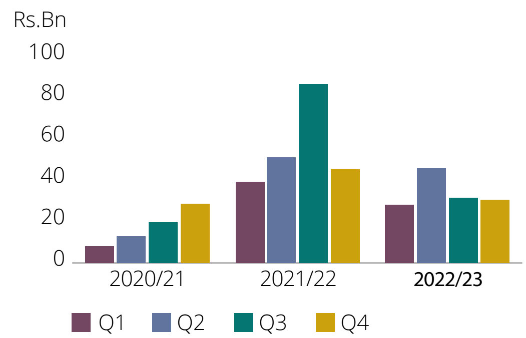
Globally, the sector has a robust growth forecast and is expected to double in size by 2030 driven by increasing urbanization and demand for housing from a growing population.

HEALTHY RETURN ON INVESTMENT

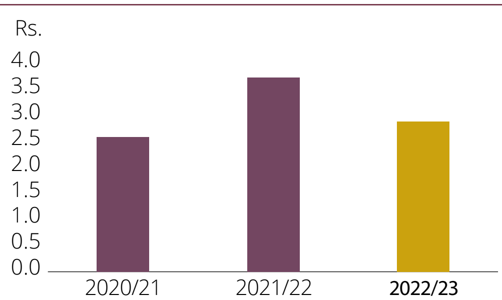
Share Price Movement



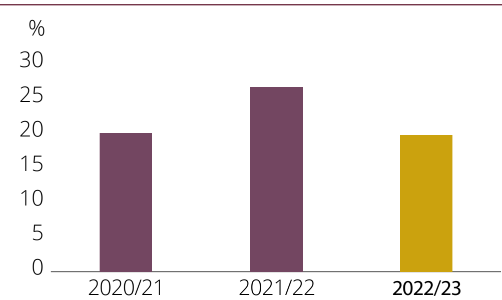
Market Capitalization



Dividend Per Share



Return on Equity



Our Business Model

Given below is an illustration of how we create value for our stakeholders.

Inputs | **Value Creation**

Financial Capital

Rs. 90,565 Mn	Rs. 53,406 Mn
Assets	Equity

Manufactured Capital

23,538 Mn
Manufactured Capital

Social & Relationship Capital

- Customers
- Suppliers
- Community
- Business Partners
- Regulator

Human Capital

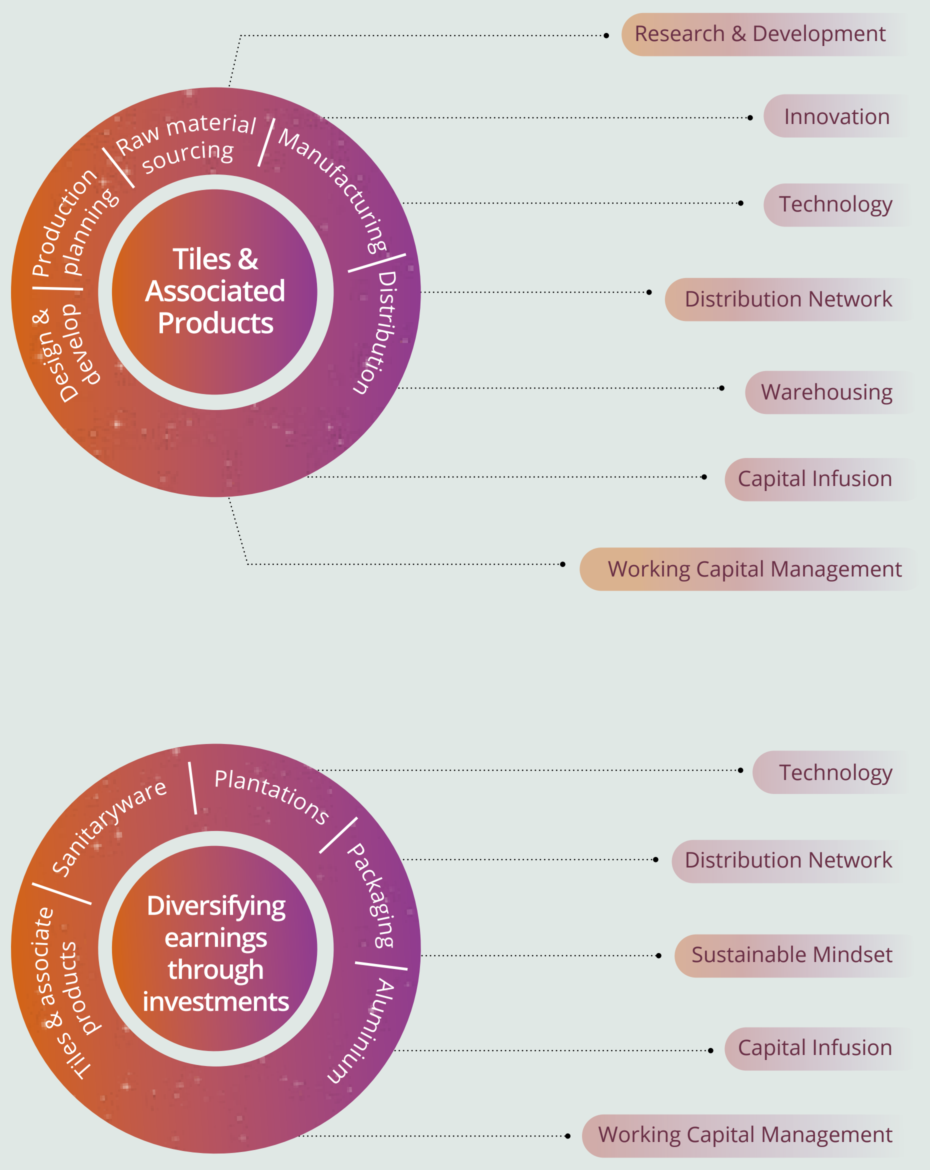
4,619
Employees

Intellectual Capital

- Brand value
- Innovation

Natural Capital

- Mining Land
- Tea and Rubber plantations



Outputs	Outcomes	Value Delivered

Outputs

Tiles and Associated Products

Tiles	12,749,989 SQM
Skim Coat	7,188 MT
Tile Mortar	48,101 MT
Grouts	787 MT

Sanitaryware

Bathware	274,770 Pieces

Plantations

Tea	2,178 MT
Rubber	630 MT

Aluminium

Aluminium Products	3,013 MT

Packaging

Corrugated Cartons	20,762 MT
Paper Sacks	2,390 MT

Mining

Feldspar	29,850 MT
Kaolin	6,736 MT

Outcomes

ECONOMIC

- Economic value added by the Group Rs. 37,833 Mn.
- Direct and indirect tax payments of Rs. 15,317 Mn.

SOCIAL

- Direct and indirect employment opportunities
- Community development initiatives

ENVIRONMENTAL

- Reforestation
- 47,084 MT of waste discharged
- 230,382,131 litres of water discharged
- 1,175 kwh of renewable energy

Value Delivered

Shareholders

Earnings per Share	Rs. 6.99
Dividend per Share	Rs. 2.90

Customers

Delivery of high quality and innovative products

Customer support

Employees

Employee remuneration	Rs. 8,479 Mn
Investment in training and development	Rs. 38 Mn
Job security	
Healthy and safe workplace	
An inclusive workplace	

Suppliers

Payments to local suppliers	Rs. 52,286 Mn
Payments to overseas suppliers	Rs. 20,604 Mn

Communities

Recruitment of new employees	910
CSR spent	Rs. 88 Mn

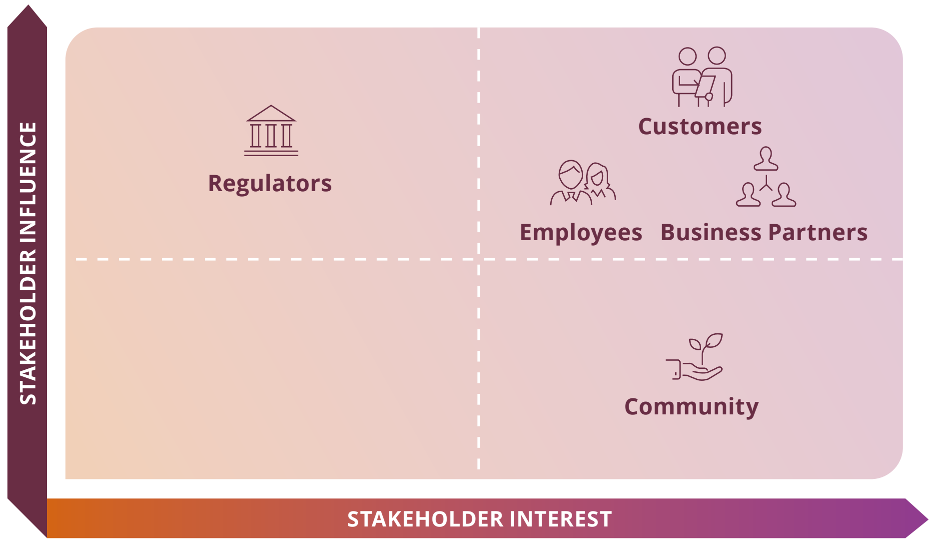
Government

Direct and indirect Taxes	Rs. 15,317 Mn

Stakeholder Engagement

The challenging operating landscape necessitated the need for reinforcing stakeholder engagement which is vital for sustainable value creation. Our stakeholders are prioritised based on their interest in our business and the influence they have over our operations.

The below table depicts the engagement mechanisms used by Rocell to successfully manage our relationships with multiple stakeholders.

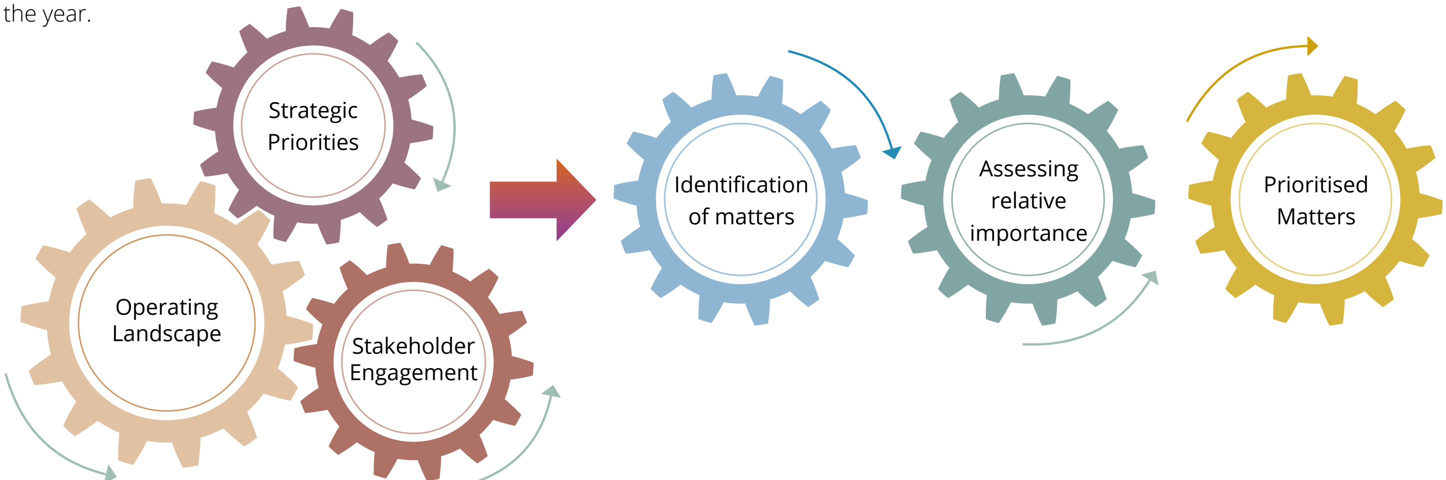


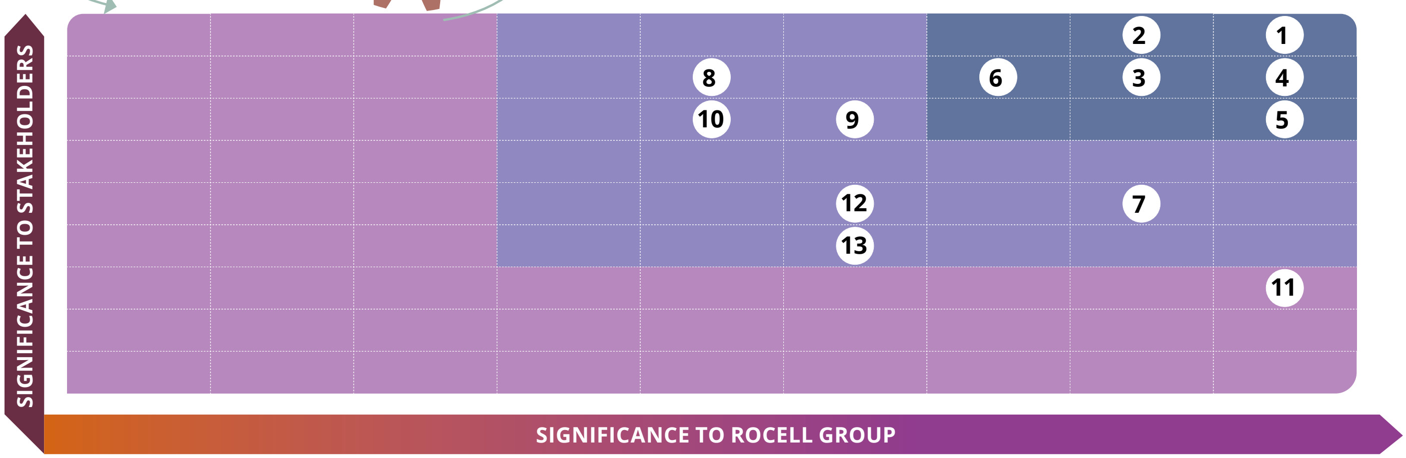
Engagement Mechanisms	Stakeholder Concerns	Our Strategy	Value Delivered
Customers			
• Concept stores • Showrooms • Direct visits • Trade fairs • Call centre • Tilers app • Social media • Corporate website	• Product quality • Variety • Availability • Value for money • Customer service • Reach	• Innovative product portfolio with a wide variety • Supreme quality products • Effective engagement through multiple platforms • Islandwide presence • Effective customer service	• 11,556,309 SQM of tiles • 314,684 pieces of sanitaryware and bathware accessories • 2,766 MT of aluminium products • 20,575 MT of corrugated cartons • 2,287 MT of paper sacks • 2,146 MT of tea • 643 MT of rubber • 29,850 MT of Feldspar • 6,736 MT of Kaolin
Business Partners			
• Direct Meetings • Telephone/email communication • Dedicated service teams • Annual events	• Timely commission payments • Support for growth • Logistics • Rewards and other benefits	• Maintaining sustainable relationships • Competitive remunerations • Adequate training and development	• We partnered with various market intermediaries and helped them earn commissions income

Engagement Mechanisms	Stakeholder Concerns	Our Strategy	Value Delivered
Investors			
• Quarterly and annual reports • Press releases • Annual General Meeting • Corporate website	• Groups' performance and stability • Share price • Dividends and other returns • Growth prospects	• Maintaining a strong balance sheet • Comprehensive governance structure • Sustainable growth through effective strategic planning and execution	• Dividend of Rs. 5,366Mn
Employees			
• Open-door policy • Staff meetings • Staff appraisals • Training programs • Welfare events • CSR initiatives	• Competitive and attractive remuneration • Career progression • Job security • Work-life balance • Fair and secure workplace • Skill development	• Competitive remuneration • Ongoing training and development opportunities • Facilitating career progression • Regulatory compliance • Encouraging work-life balance • Inclusive and fair and safe work environment	• Employee remuneration of Rs. 8,479Mn • Providing all health and safety facilities during the pandemic • More than 200 training programs conducted
Regulator			
• Periodic filings • Meetings • Visits • Tax filings	• Compliance • Maintaining a fair marketplace • Timely payments	• Compliance with all regulatory requirements • Collaboration with industry bodies • Effective governance structure	• Rs.15,317Mn of direct & indirect taxes
Community			
• CSR events • Digital, print and social media • Press releases • Marketing and promotional events • Corporate website	• Sustainable business practices • Community development • Job opportunities • Transparency	• Implementation of sustainable business practices to minimise any harmful impacts • CSR initiatives • Effective governance structure	• CSR spend of Rs. 88Mn • Direct and indirect employment opportunities

Materiality

We have identified material topics based on their ability to influence our value creation process. Issues are identified through the engagement with stakeholders, risks and opportunities in the current operating landscape and after considering our own strategic priorities. We have given due consideration to the recent changes in the operating environment when carrying determining materiality for the year.





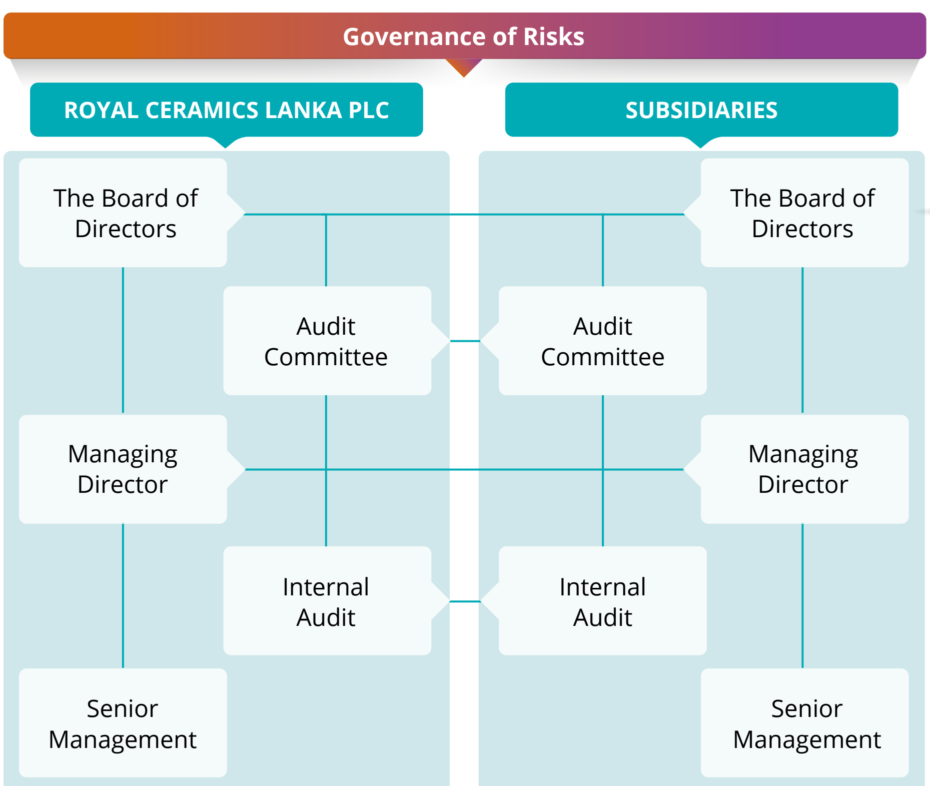
Material Topic		Our Response	Page
1	Earnings Growth	Financial Capital	87
2	Uninterrupted Energy Supply	Managing Risk and Opportunities	48
3	Foreign Exchange Liquidity	Managing Risk and Opportunities	46
4	Managing Macroeconomic Conditions	Managing Risk and Opportunities	44
5	Stability	Financial Capital	88
6	Health and Safety	Human Capital	96
7	Efficiency	Financial Capital	88
8	Quality	Intellectual Capital	125
9	Technology	Intellectual Capital	125
10	Compliance	Corporate Governance	119 , 136
11	Capital Infusion	Manufactured Capital	101
12	Sustainable Business Practices	Natural Capital	114
13	Disaster Recovery	Managing Risk and Opportunities	43

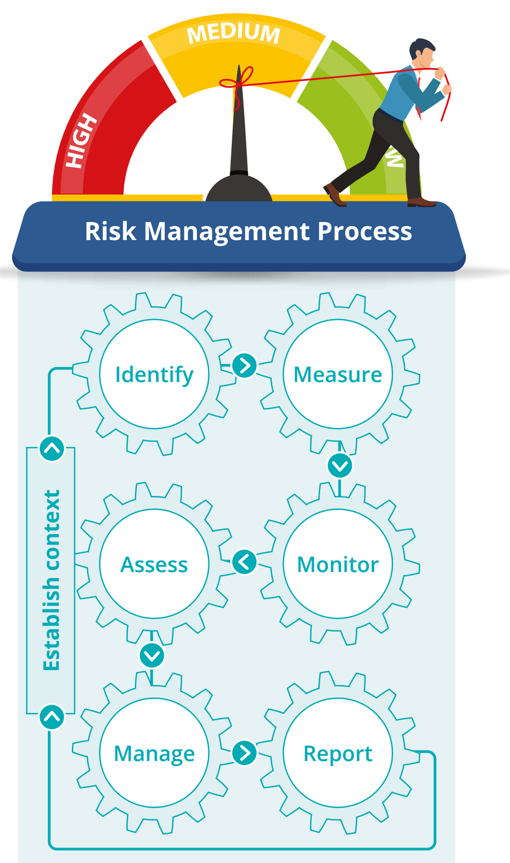
Managing Risk and Opportunities

Risk management continues to move up the Board agenda due to the unprecedented volatility and extreme events that have tested the resilience of government and corporates. Two years of the pandemic followed by an economic crisis have eroded margins of comfort for many, shedding light on the urgency of strengthening the risk management processes. Every crisis has an opportunity and this was the case for local manufacturers of tiles as import restrictions led to a surge in demand. However, the same restrictions combined with delays in contractors' payments by Government of Sri Lanka led to a sharp decline in construction sector activity, resulting in a corresponding moderation in demand for tiles thereafter. The volatility of multiple variables combined with geopolitics and climate change created a dynamic risk environment during the year under review.

OVERSIGHT OF RISK MANAGEMENT

The Board has ultimate responsibility collectively for managing risk and the Audit Committee assists in oversight of the same in accordance with its Terms of Reference. The Boards of subsidiaries also report on risk to their Boards and to the Board of Royal Ceramics Lanka PLC as depicted in the risk governance structure below. The Managing Director and Senior Management are responsible for implementing an effective risk management process that is set out below. Risk is also a key topic at Senior Management meetings with sufficient time spent on considering impacts of developments on risk and the formulation of mitigating plans.





Managing Risk and Opportunities

A DYNAMIC RISK ENVIRONMENT

As a primarily manufacturing business with a broad presence across the construction sector value chain, we are impacted by the global and local risk environments which are briefly captured below.

A fragile recovery in Sri Lanka

The past six months have witnessed an improvement curbing inflation, interest rates and exchange rates. However, the external and domestic restructuring remain the key determinant of the financial stability of the country. Disposable income declined sharply due to inflation, interest rates and taxation, reducing purchasing power and moderating demand.

Our people proposition

The decline in purchasing power has encouraged talented people to migrate resulting in reduced talent pools in the country while also exerting pressure on salaries and wages. We continue to strengthen our people proposition in numerous ways to retain critical talent and rising starts while also addressing the concern of many regarding the impact to lifestyles and dependents.

Technology & consumer preference

We continue to invest in state of the art technology to cater to consumer preferences. Technology is also part of the solution to achieving energy security and this will also require upgrades, improvements and even replacements of our existing manufacturing plants. This requires significant capital outlay and needs to be managed carefully.

Energy

Cost of energy remains a key concern as it increased twice during the financial year. Diesel cost fluctuated several times starting with 64% increase in April to Rs.289/- which rose to maximum Rs.460/- in June and then gradually reducing to stay at Rs.325/- in March 2023. Sri Lanka is still dependent on oil imports to power the country. While oil prices have reduced, geopolitics are weighted to the downside and opening up of China could also increase demand.

Climate change

Climate action gather momentum as global warming reduces harvests and pushes more people into poverty. There is concerted action by multinational agencies and governments to move to low carbon economies which have the potential to drive up prices of commodities. The IFRS sustainability standards which are to be issued this year are expected to increase the rigour of reporting and we will need to assess readiness for reporting in the year ahead.

Foreign exchange liquidity and import restrictions

Import restrictions are a double edged sword as it provides protection from cheap imports while hindering import of necessary raw materials for production. The easing in restrictions pose challenges to the stabilization of the currency. Increasing tourist arrivals and worker remittances are expected to offset the moderation in exports to a large extent.

A moderating world economic outlook

The global economic outlook is forecast to moderate with advanced economies growth forecast to be just 1.3%, just avoiding a recession. Demand is expected to moderate in line and we are already witnessing the impact on the country's exports which held steady throughout the economic crisis in 2022.

KEY RISKS

The top risks of the Group are given below.

KEY RISKS

FINANCIAL RISK	STRATEGIC RISK	OPERATIONAL RISK	ENVIRONMENTAL RISK

• Market Risk
  • Interest Rate Risk
  • Currency Risk
  • Commodity Price Risk
  • Equity Price Risk
• Credit Risk
• Liquidity Risk
	• Diversification
	• Industry
	• Markets
	• Technology
	• Innovation
	• Human Resource Management
		• Health & Safety
		• Quality
		• Fraud & Error
		• Supply Chain & Logistics
		• Cyber Security
			• Compliance
			• Availability of Raw Material
			• Emissions

FINANCIAL RISK

Risk that involves financial loss to firms generally arising from instability and losses in the financial market caused by movements in stock prices, currencies, interest rates, commodities and more.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It comprises:

- Interest rate risk,
- Exchange rate risk,
- Commodity price risk and
- Equity price risk.

Interest Rate Risk

Movements - Interest rates climbed sharply from the beginning of the year as policy rates increased by 700 basis points in April 2022 and a further 200 basis points prior to the close of the financial year. AWPLR climbed from 9.85% in March 2022 to 27.89% in November 2022 before gradually moving down to 21.4% by 31st March 2023, as the policy rate increase was exacerbated by tightening domestic liquidity as well.

Impact in 2022/23 - Interest rate movements have a significant impact on the Group as it increases the cost of borrowings and to a lesser extent, increases interest income. Additionally, it resulted in a decrease in net interest margins and moderating profitability at LB Finance PLC, the associate company which makes a significant contribution to the Group's bottom line.

Interest rate sensitivity

	Change in basis points	Company change in profit before tax (Rs.Mn)	Group change in profit before tax (Rs.Mn)	Mitigating activities
2022	100 (1%)	(0.9)	(95)	• Repayment of Rs.22 bn in loans by Group
2023	100 (1%)	(33.5)	(169)	• Leverage of Group at a comfortable 0.37 times
2023	-100 (-1%)	33.5	169	

Managing Risk and Opportunities

FINANCIAL RISKS

Exchange Rate Risk

Movements - The Sri Lankan Rupee depreciated by 11.32% during the financial year. The exchange rate moved up during the year to Rs.365 in February 2023 from the rate as at 31st March 2022 of Rs.293.87, appreciating thereafter to close at Rs.327.14 at the end of the financial year.

Impact - Packaging, Aluminium and Sanitaryware sectors are significantly exposed to currency risk as a significant proportion of the raw materials are imported. While exports increased, the hedge from exports is less than 4% from revenue.

Exchange rate sensitivity

	Further depreciation of Rupee vs USD	Company change in profit before tax (Rs.Mn)	Group change in profit before tax (Rs.Mn)	Mitigating activities
2023	20%	109.9	748.6	• Increased stocks of imported raw materials • Forward exchange contracts when appropriate • Growth of exports
	15%	82.4	561.4	
	10%	55.0	374.3	
	-10%	-55.0	-374.3	
	-15%	-82.4	-561.4	
	-20%	-109.9	-748.6	

Commodity Price Risk – The Packaging sector is directly exposed to commodity risk as its primary input is paper pulp which continued its upward trajectory during the year until January 2023, moderating thereafter. This is compounded by the exchange rate risk. The main mitigating activity will be to communicate with customers and share the increase in costs with customers which will impact profitability.

Equity Price Risk – The value exposed to equity price risk is Rs.63.4Mn which is 0.31% and 0.12% of the net assets of the Company and Group respectively. The outlook remains uncertain for the bourse as the high interest rates may see investors reallocating assets to fixed income securities with a negative impact on the indicative All Share Price Index. However, it has remained relatively resilient due to the increased retail investor base despite the interest rate shocks.

Credit Risk

Total exposure to credit risk is Rs.5,975 Mn which relates to trade receivables of the Group which amounts to 11.2% of Net Assets of the Group. Overall receivables have increased significantly as waiting times reduced and sales normalized. Strong credit control systems have been established across all sectors supporting recovery.

Liquidity Risk

A comfortable leverage ratio of 0.37 times provides sufficient headroom for securing further funding at need. This is supported by a quick assets ratio of 0.51 times in liquidity position with sufficient cash and cash equivalents for the business needs of the Group.2022 and a strong current ratio as well.

STRATEGIC RISKS

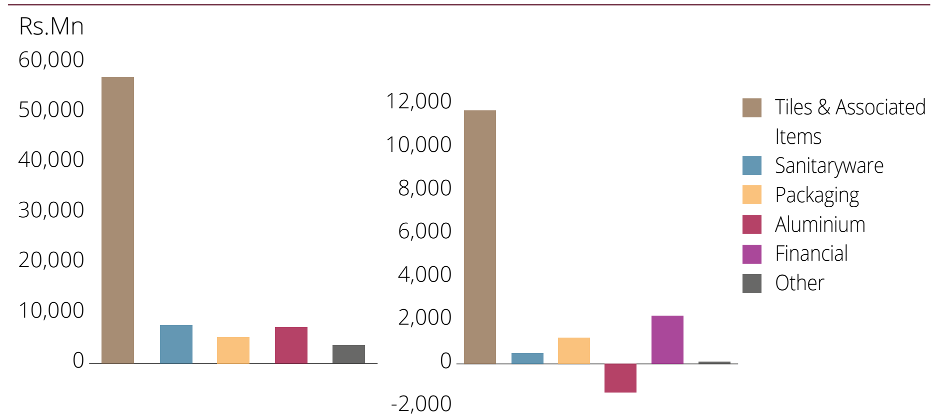
Strategic risk is the risk that failed business decisions may pose to a company.

Diversification

The diversification of the Group's assets and the contribution of each sector to the profit before tax are given below. Assets and Profits are heavily weighted to the Tiles sector which accounts for 71% of assets and contributes 81% to PBT.

Geographic diversification in terms of revenue is 96 % from local and 4 % from export. The Group is actively pursuing developing export market to further diversify revenues.

Assets | **Profit before Tax**



Technology

The Group continues to invest in updating its manufacturing facilities over the medium term, ensuring that capital expenditure decisions met the future needs of the Group. The plant and machinery of the Tiles, Sanitaryware, Packaging and Aluminium sectors are relatively new, having been updated within the past three years. The Tiles sector has gained new capabilities, moving into large format tiles and discontinuing old tile sizes to cater to new trends. Aluminium sector has been increasing the value addition by fabricating profiles for high rise buildings, strengthening their capabilities to gain market leadership in the country. Accordingly, this risk is assessed as minimal.

See Manufactured Capital on page 101 for further information.

Innovation

Innovation is key to remaining relevant in the manufacturing sector, particularly tiles which have a strong aesthetic element. The Group uses international design expertise for developing new ranges of tiles and sanitaryware to remain on trend and relevant. Process innovation is key to driving cost efficiencies and strengthening quality assurance. The Group has successfully implemented Total Productive Maintenance which has driven significant process innovation, minimising the Group's environmental footprint as well as its cost profile.

Managing Risk and Opportunities

OPERATIONAL RISK

The risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events, differ from the expected losses,

Health & Safety	Health and safety of employees is a key risk although fears of the pandemic have receded to a large extent. All factories have health and safety protocols which can be activated at need. PPE have been provided to all staff at factories, supporting safety at work. There were no major injuries during the year as employee health and safety and wellbeing are key components of the Group's employee value proposition with significant resources dedicated to ensuring Health and Safety.
Quality	Product quality is a key focus across all sectors and a number of certifications attest to our commitment. Total Productive Maintenance has been implemented across the factories (except Plantations), driving a product quality focus, process improvements, efficient production and minimisation of waste.
Fraud & Error	A comprehensive system of internal controls has been established and is subject to internal audit according to an agreed programme. Work has also normalized, strengthening the effectiveness of controls to safeguard the systems and information assets of the Group. We keep an open mind to the potential of fraud and error given the high levels of stress prevalent today due to the stressed economic conditions in the country. The decision by the Group to award increments and ease the impact of the decline in purchasing power during the year has been a positive factor in mitigating this threat.
Supply Chain & Logistics	Supply chain and logistics eased during the year, reducing the impact of this category of risks. Freight costs have stabilised to a large extent during latter part of the year. Supply of raw materials was well managed with careful planning allowing for extended lead times.
Cyber Security	Cybersecurity threats have increased globally and the organisation has increased its safeguards as a precautionary measure.

ENVIRONMENTAL RISK

These are the risks associated with potentially harmful effects to human health or to ecological systems.

Compliance	All factories are required to comply with requirements of the Environment Protection License obtained for operation of factories from the Central Environment Authority. Mining lands are subject to the regulation of Geological Survey and Mines Bureau.
Resource Depletion	The Tiles sector uses ball clay which is mined from lands after securing a license for this purpose from the Geological Survey and Mines Bureau. The Rocell Group works with suppliers whose licenses are checked to ensure that they are valid. The Group has also invested in purchase of lands with ball clay deposits to secure future supply. The Aluminium sector uses of recycled aluminium as a raw material input minimising imports driving productivity efficiencies.
Energy	**Movement** – Energy security was a key issue during the year with planned power outages disrupting businesses and lives although it has eased with the decline in oil prices and the easing of foreign exchange liquidity. Electricity tariffs also increased by 75% in August 2022 followed by a 65% increase in February 2023 reflecting the volatility of energy prices. **Mitigation** – Group companies are expanding investments in solar energy with the ability to store energy and even power generators, reducing the country's dependency on LP Gas, furnace oil and diesel. Some of these solutions will enable companies to go off the grid as well. With 4 hour power cuts, the payback period on these investments have shortened to just 1 year. The Group is reviewing these solutions for deployment to secure energy for our business needs and sustain the business which support livelihoods of over 4,619 employees. This shift to renewable energy will also serve to reduce emissions and the Group's environmental footprint.
Emissions	**Movement** – As global warming continues to be a key concern, governments are increasing focus on the issue with increased regulation, compliance thresholds and reporting requirements to move countries towards transforming into low carbon economies. **Impact & Mitigation** – Manufacturing facilities of the Group are compliant with current requirements of its operating licenses including emissions. We will continue to monitor developments in this regard.

SEEING CHALLENGES AS OPPORTUNITIES

Management Discussion and Analysis

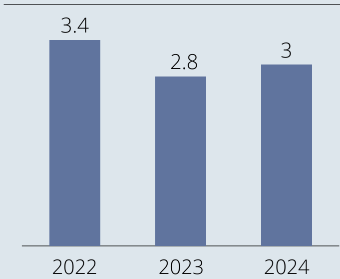
Operating Environment

THE GLOBAL CONTEXT

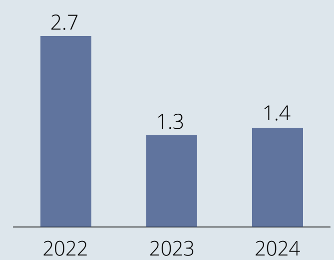
In 2022, economies around the globe experienced unprecedented uncertainty as a result of the lingering effects of COVID-19 pandemic, geopolitical uncertainties, and the added repercussions of climate change. Despite the ongoing fight against inflation and Russia's conflict in Ukraine, the global economy managed to grow by 3.4%, but the International Monetary Fund (IMF) has forecasted a gloomier outlook for 2023. The past year saw the weakest economic growth since 2002, except for during the global financial crisis and the acute phase of the pandemic. Significant slowdowns were observed in the world's largest economies too.

The signs in early 2023 show a fragile recovery as the major forces that manipulated the world economy seem to persist but with changed intensities. The inflation is coming down as Central Banks have raised interest rates and commodity prices that rose sharply following Russia's invasion of Ukraine have moderated.

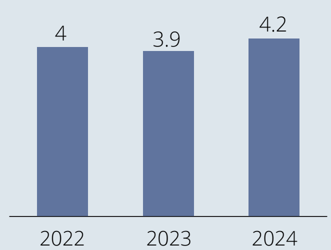
Global Economy Growth Rate %



Advanced Economies Growth Rate %



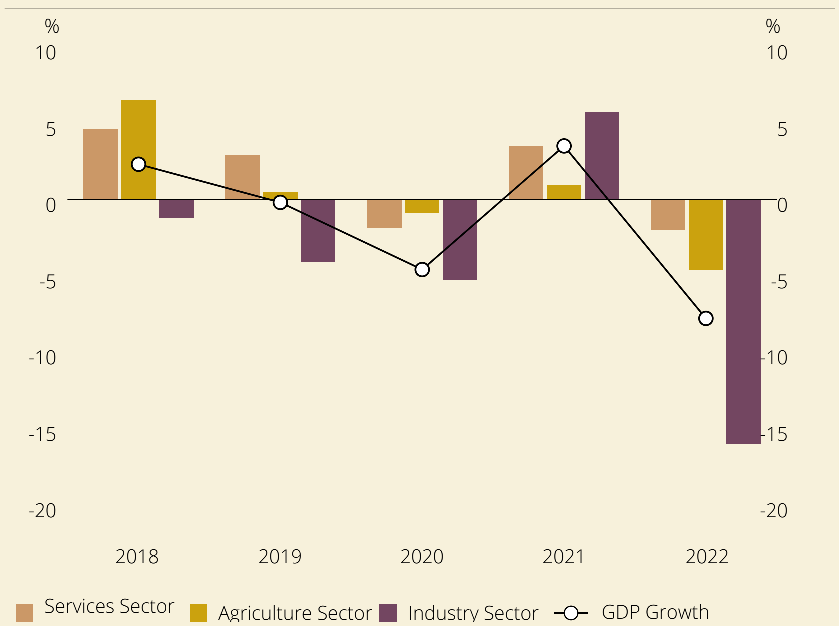
Emerging Markets and Developing Economies Growth Rate %



DOMESTIC ECONOMY

In 2022, the Sri Lankan economy experienced its most challenging year since gaining independence, characterized by significant economic difficulties that resulted in both public distress and political turmoil. The real GDP contracted by 7.8% in 2022, compared to the growth of 3.5% in 2021. The agriculture sector, which had been experiencing dull performances since 2019, contracted by 4.6% in 2022. This mainly reflected the severe shortages in chemical fertiliser and other agrochemicals, increased cost of raw materials, as well as the disruptions of supply networks. The industry sector contacted significantly by 16% driven mainly by the dampened performances of the construction and manufacturing sub sectors amidst acute shortages in raw materials and input cost escalations. The service sector contracted by 2% during the year despite a resilient performance in the first quarter.

GDP Growth



CHALLENGES IN THE EXTERNAL SECTOR

The Post COVID negative impact on foreign reserves continued in 2022, leading to usable official reserves being exhausted to almost nonexistent levels and the Government suspending certain imports and terms. Consequently, the Government announced the suspension of all external foreign currency debt repayments and sought assistance from IMF. The artificial control of the exchange rate was removed as a result which led to the currency being devalued by nearly 80% during a very short time span. Following this historic depreciation in 2022, the Rupee showed some recovery in early 2023 supported by the improved market sentiments towards the finalization of the IMF agreement.

Exchange Rate Movement

Our Response

Challenges in the external sector caused disruptions to Groups' supply chain as Banks restricted acceptance of Letters of Credit (LC) and Documents against (DA) and document against payment (DP) terms for imports while suppliers demanded advance payments due to uncertainty. Further, margins came under pressures due to devaluation of the currency. These concerns were managed by,

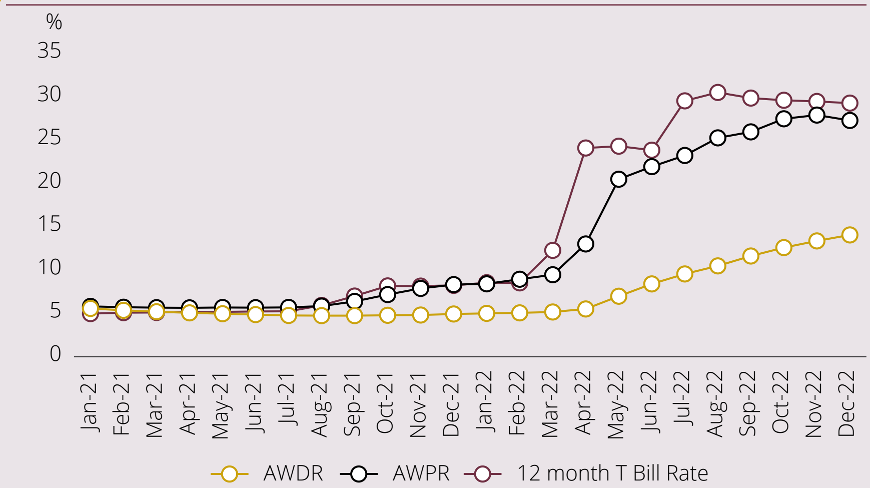
- Reinforcing supplier relationships to negotiate more flexible terms.
- Hedging the balance sheet by maintaining a healthy level of foreign currency fixed deposits to negate impact of the foreign exchange losses
- Use of export earnings to meet payment to overseas suppliers
- Increasing raw material inventory level.
- Driving productivity and efficiency to ease the pressure on profit margins
- Altering the product mix to give prominence to products with better yields

Operating Environment

SHARP INCREASE IN INTEREST RATES

The Central Bank tightened the monetary policy significantly, increasing the policy rates by 950 basis points in 2022, to counter escalating price pressures and persistent acceleration of inflation. The yields on government securities also recorded a considerable increase in 2022, driven by the sharp increase in the policy interest rates as well as the increased borrowing requirement of the Government. The increase in yields on Government securities led market interest rates to adjust upward.

Movement in Interest Rates



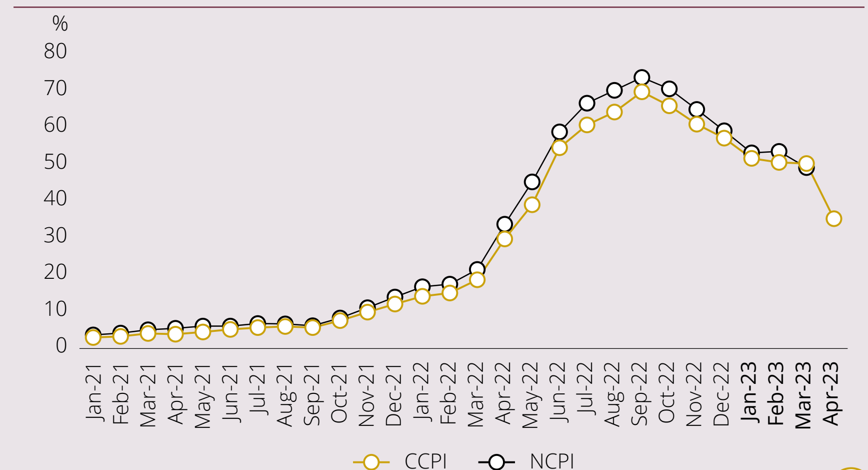
Our Response

- Risk of increase in borrowing cost was negated by Groups' conscious decision in the past to convert floating rate borrowings to fixed rate terms
- Benefited as Groups' strong financial position resulted in substantial growth in interest income
- Delaying large scale expansion projects due to increased cost of borrowing

RECORD HIGH INFLATION

The acceleration of inflation that was observed since end 2021 continued at a notable pace in 2022 leading to historically high levels of inflation. Substantial supply side disruptions both locally and globally, control price adjustments, sharp depreciation of the Sri Lanka Rupee against the US Dollar, and aggregate demand pressures associated with the lagged impact of monetary accommodation are major factors attributable to the recent surge in inflation. Sharp increase in fuel and electricity prices pushed towards hyper inflationary situation in the country. However, the policy intervention aimed at stabilising has been effective as inflation has shown signs of moderating since Q4 of 2022.

Inflation



Our Response

- Driving productivity and efficiency to ease the pressure on profit margins
- Increased investments in renewable energy generation
- Use of innovation and technology to reduce energy intensity
- Negotiating payment terms with suppliers

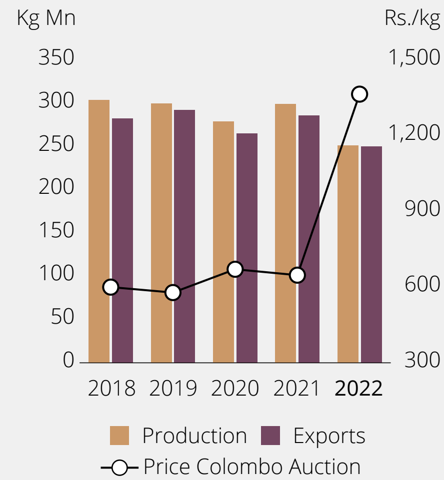
PLANTATION SECTOR

Plantation sector plays crucial role in our external sector with agricultural exports accounting for 19.6% of Sri Lankas' total exports with tea exports accounting for 9.6%. Sector continued to struggle due to inconsistent policies, acute shortage of fertilizer and agrochemicals and high labour costs.

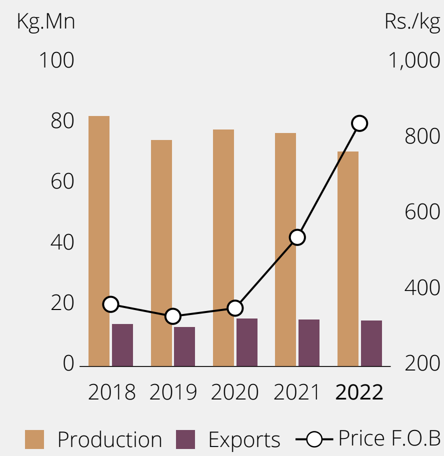
Tea production recorded a notable decline of 16% mainly because of the shortage of fertilizer and agrochemicals. Accordingly, production of high, medium, and low grown tea, which contributed to around 22%, 16%, and 62% of the total production, respectively, declined by 13.8%, 21.2%, and 15.4%, respectively, in 2022. Further, tea production also faced rise in production costs due to increased process of chemical fertilizer and other agricultural inputs combined with the shortage of those inputs. Further, the increased energy prices including fuel, electricity also exerted pressures on production costs, dampening Sri Lankas' competitiveness in the global tea market. However, tea prices at the Colombo Tea Auction reached the historically highest level in 2022 and remained buoyant throughout the year. Volume of tea exports fell by 15% to reach 238.6 Mn.kgs while Foreign currency earnings from tea exports declined by 5% to reach $1,259Mn. However, export earnings from Rupee terms recorded a growth of 56% due to devaluation of the currency.

Rubber production declined for the second consecutive year due to the combined effect of adverse weather conditions, fertilizer shortage and spread of Pestalotiopsis disease. Accordingly, rubber production fell by 7.8% to 70.9Mn.kg. The price of most varieties of rubber at the Colombo Rubber Auction reached historically high levels as global demand for rubber remained buoyant in the first half of 2022. However, prices were on a decelerating trend towards the latter part of the year due to weaker global and domestic demand.

Performance of the Tea Industry



Performance of the Rubber Industry

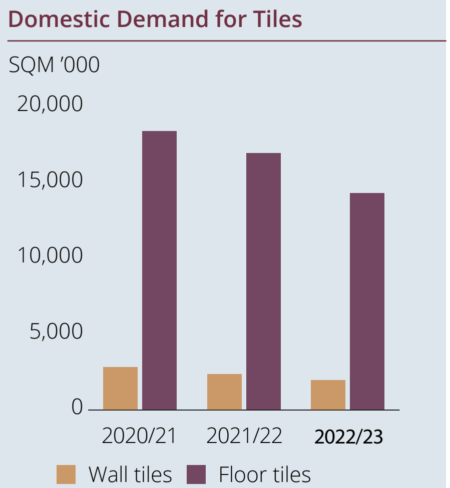


Operating Environment

CONSTRUCTION SECTOR

The Construction sector remained mostly stagnant, reflecting the impact of raw material shortage, surge in cost of inputs, increase in fuel prices, rising interest rates and tight fiscal conditions. The Construction sector which accounted for 28% of the service sector contracted by 20.9% during 2022.

Large scale Government construction projects came to a standstill due to fiscal challenges while the high interest rates for housing loans resulted in most home builders putting their plans on hold leading to only 3.1% growth in loans and advances granted by commercial banks in 2022.



TILES AND SANITARY WARE SECTOR

The domestic tile manufacturing industry continues to be dominated by four large companies namely, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC and Macktiles Lanka (Pvt) Ltd and capacities of most of the manufacturers were increased significantly during the year as the ban for tile imports continues to be in place. At present 100% of the local demand for tiles is met by local manufactures. However domestic manufacturers failed to reap the full benefit due to the lacklustre performance of the construction industry. Further, the industry faced many disruptions as there were difficulties in sourcing imported materials and fuel and extended durations of power outages caused production delays and disruptions. Additionally, the profits margins came under intense pressure as inflation reached record highs during the year and energy and fuel costs increased significantly.

Sri Lanka has five main bath ware manufacturers catering to the local demand. Local manufacturers often struggle to maintain their market share due to the over supply of cheaper imported alternatives.

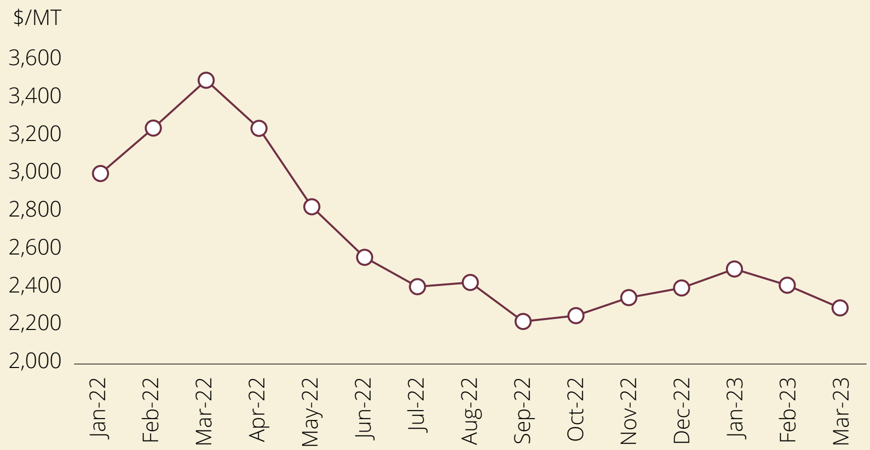
During the year value of tiles exports contracted by 33% to reach US$ 6Mn while tableware, household items and sanitaryware increased by an impressive 16% to reach US$ 29Mn.

ALUMINIUM

The domestic Aluminium extrusion industry faced severe challenges as the industry is largely dependent on the local construction industry which was stagnant in 2022. Most large-scale construction projects came to a standstill due to lack of foreign investments and fiscal constraints having a direct impact on demand for aluminium products. Further, the sector faced severe supply chain disruptions and cost escalations due to import restrictions and Rupee devaluation.

On the global front, Aluminium production increased marginally with China being the biggest producer and consumer of aluminium.

World Aluminium Prices



PACKAGING

The highly competitive packaging industry consists of over 40 manufacturers and is largely dependent on the FMCG, garments, cement, tea, rubber and tile sectors.

The industry faced headwinds as major export industries suffered a setback due to the downturn in the economy, resulting in a significant decline in demand.

The paper prices reached record high levels in 2022, however currently on a downward trend. Despite this downward trend the price margins of the domestic packaging industry remain under pressure due to the price sensitive nature of the industry.

Value of paper imports which accounted for 2.5% of Sri Lanka's total imports reached US$466Mn during 2022.

US$ 466 Mn
Value of Paper Imports

>40
Manufactures

Business Line Reviews

Tiles and Associated Products

Our flagship brands 'Rocell' and 'LANKATILES' continues to dominate the domestic porcelain and ceramic tiles market with its variety and aesthetically pleasing designs. Rocell Group has several world class manufacturing facilities that drive innovation by adopting new technologies to produce world class tiles for the domestic and export markets. We continue to make significant investments in enhancing these facilities to maintain our competitive edge in the local market while expanding our export destinations. At present, the Group accounts for 85% and 65% of the domestic wall tiles and floor tiles markets respectively.

OUR PRESENCE IN THE VALUE CHAIN

Design
- Foreign and local expertise
- Innovation and technology
- Research & development

Sourcing
- **2,042** Local Suppliers
- **141** Overseas Suppliers

Manufacturing
- **4** Tile manufacturing facilities
- **1** Grout & adhesive manufacturing plant

Warehousing
- **10** Main Warehouses

Distribution
- **59** Own showrooms
- **53** Franchises
- **100** Dealers
- **87** Distributors
- **36** Hybrid & Factory Outlets

RELEVANCE TO THE GROUP

Revenue	Profit	Employees	Material Consumption	Assets
74%	76%	70%	79%	71%

Capital Value Creation

Financial Capital

	2022/23	2021/22	%
Revenue (Rs.Mn)	46,787	38,438	22
Profit after tax (Rs.Mn)	7,984	9,668	(17)
Total assets (Rs.Mn)	57,086	50,186	14
Total liabilities (Rs.Mn)	27,158	21,429	27

Human Capital

	2022/23	2021/22	%
No of employees	3,256	3,220	1
Total remuneration (Rs.Mn)	5,331	4,529	18
Training hours	30,529	14,694	105

Manufactured Capital

	2022/23	2021/22	%
Manufacturing capacity (SQM/Per Day)	41,500	41,500	-
Capacity utilization (%)	89	98	(9)
Capital investment (Rs.Mn)	4,811	2,377	102

Intellectual capital

ISO 9001 CE Marking	ISO 14001 Green SL Labelling System	SLS 1181 SLS ISO 18001

Social & Relationship Capital

	2022/23	2021/22	%
Suppliers	2,183	2,045	7
Own showrooms	59	58	2
Franchise showrooms	53	50	6
Hybrid & factory outlets	36	37	(3)
Dealers & distributors	187	190	(2)
Tiler club members	5,450	5,100	7

Natural Capital

	2022/23	2021/22	%
Material consumption (MT)	299,927	309,667	(3)
Water discharged (Liters.Mn)	139	129	8
Energy consumption (GJ.'000)	990	1,045	(5)

Our Brands

Rocell
Eternal elegance

LANKATILES
Fine Living Redefined

SWISSTEK
SWISSTEK (CEYLON) PLC

Tiles and Associated Products

OVERVIEW

Strategic Focus Areas

- Enhancing production capacities
- Ensuring timely sourcing of raw materials for uninterrupted operations
- Increased focus on expanding exports
- Driving efficiency to minimise strain on profit margins

Impacts from the Operating Environment

- Difficulty in purchasing required materials from overseas due to lack of foreign currency reserves in the country
- High inflation and interest rates exerting pressure on profit margins and new investments
- Downturn in the construction industry having a direct impact on sales
- High shipping cost and delays due to global logistic disruptions.

Action Taken

- Increased production capacities where possible with minimal capital infusions
- Driving efficiency through innovation and technology
- Strengthening relationships with suppliers and finding alternate suppliers/products
- Persistent cost saving initiatives

PERFORMANCE CONTEXT

The sector stood resilient amidst unprecedented challenges during the year. Import restrictions for tiles continued to be in place, How ever the downturn in the construction industry caused by the high inflation and high interest rates had a negative impact on the sector performance. The Group had several expansion projects in the pipeline at the beginning of the year to meet the requirements of order books that ran up lengthy periods. However, these plans had to be thought through due to the unfavourable economic conditions. Expansion plans for our factory in Eheliyagoda was put on hold and the expansion of our plant in Horana exceeded the expected completion timelines with the cost overrun by more than two fold due to Rupee depreciation and lack of foreign currency reserves in the country. Despite the dull performance in the Construction Sector the group maintained its growth momentum by maintaining strong order book and operated the factories at full capacity through the year.

Sourcing imported materials became a challenge due to the lack of foreign currency reserves in the country and freight issues. This resulted in production delays and re-scheduling of production planning causing overall lower production volumes. However, there were no factory closures during the period, as despite the difficulties the Group managed to source the required materials owing to our strong financial position and foreign currency earned revenue generated from export sales. Further, we increased inventory level keeping buffer stocks and strengthened relationships with our existing suppliers while looking for alternate merchants and products in order to minimise any supply chain disruptions.

POLITICAL

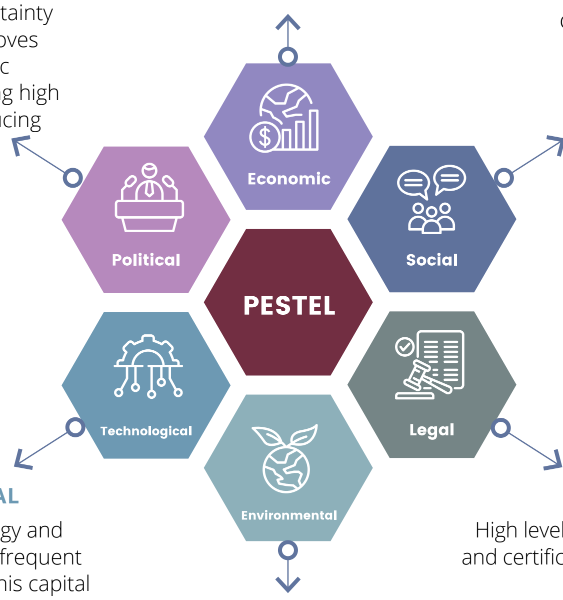
Political uncertainty during 1st quarter of the year, policy uncertainty as the country moves towards economic recovery ,imposing high taxes and introducing new levies.

ECONOMICAL

Economic crisis and resultant increases in inflation and interest rates

SOCIAL

Inflationary pressures on wages and challenges in talent retention



TECHNOLOGICAL

Evolving technology and formats requires frequent reinvestment in this capital intensive industry

LEGAL

High levels of ESG compliance and certifications requirements

ENVIRONMENTAL

Emissions, resource depletion and potential damage to ecosystems from mining of clay

INTEGRATED PERFORMANCE REVIEW

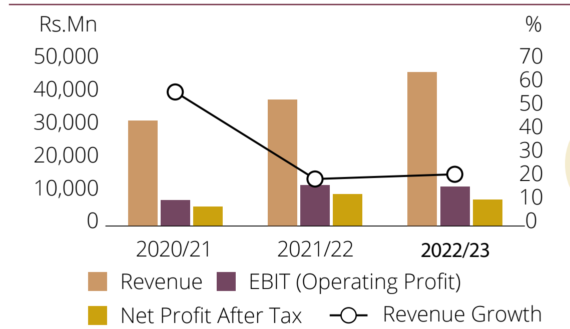
Profit margins came under pressure as raw materials and energy prices increased substantially. Group's efforts in innovation and other initiatives to increase productivity and drive efficiencies succeeded in offsetting this to a certain extent.

Production of certain smaller size tiles were discontinued in order to increase the capacity of larger sizes that is more in demand at present. Innovation and technology played a key role in the production process and resulted in higher quality products and increased productivity. The Group sought foreign technical expertise in improving our Mosaic line, enabling us to better compete in the foreign markets. This has resulted in gaining interest of several potential buyers in the American market.

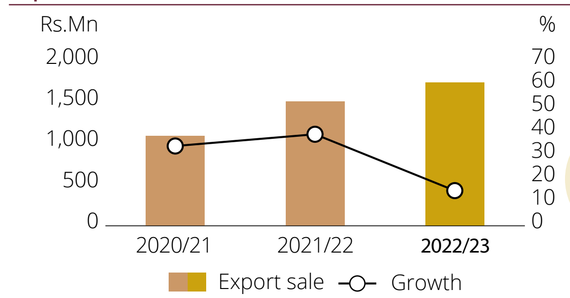
Lacklustre performance in the domestic construction industry drove the Group to explore opportunities in the export market. Our efforts in this regard were evident as the Group recorded the best export performance with a revenue of Rs. 1,746Mn in Rupee terms due to appreciation of US dollar against Sri Lankan Rupees.

- The sector reported a revenue of Rs. 46,787Mn. recording a growth of 22%. Revenue from exports grew by 15% to reach Rs. 1,746Mn, the mainly due to Rupee depreciation. Gross profit margin declined to 44% from previous year's 47% owing to increased raw material and energy costs. Gross profit improved by 13% to reach Rs. 20,558Mn.
- Both distribution costs and administrative costs increased by 32% and 50% respectively, resulting in a contraction in operating profit margin from 32% to 26%. Administration cost increased is mainly due to social security levy of Rs. 548Mn charged with effect from 1st October 2022. Segment reported an operating profit of Rs. 11,933Mn, recording a decline of 3%.
- Finance cost increased by 180% to reach Rs. 1,346Mn while finance income grew by 139% to reach Rs. 1,137Mn, owing to the high interest rates.
- Profit before tax decreased by 5% to reach Rs. 11,724Mn. The sector reported a negative growth in net profit on the burden from increased tax rate. Net profit for the year amounted to Rs. 7,978Mn, 17% contraction compared to Rs. 9,668Mn recorded in the previous year.
- Total assets base grew by 14% to reach Rs. 57,086Mn with capital expenditure amounting to Rs. 4,811Mn, compared to Rs. 2,377Mn in the previous year driven by capex on capacity enhancement.
- Our distribution network expanded by opening a new showroom in Kalmunai.

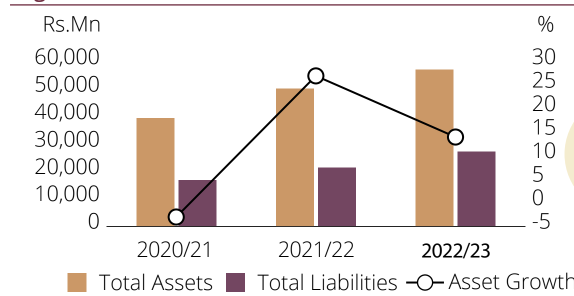
Sector Performance



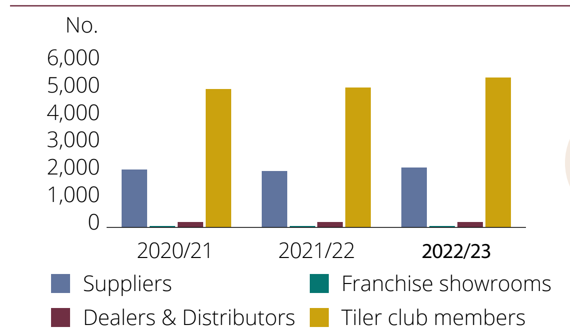
Export Performance



Segment Financial Position



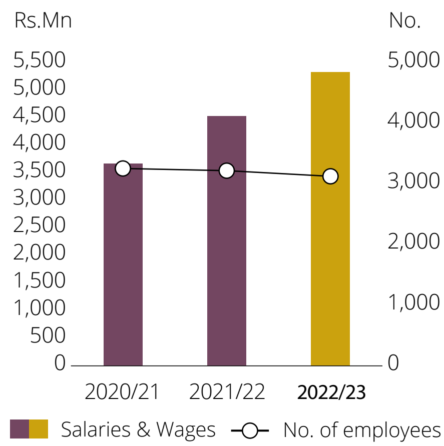
Business Partners



Tiles and Associated Products

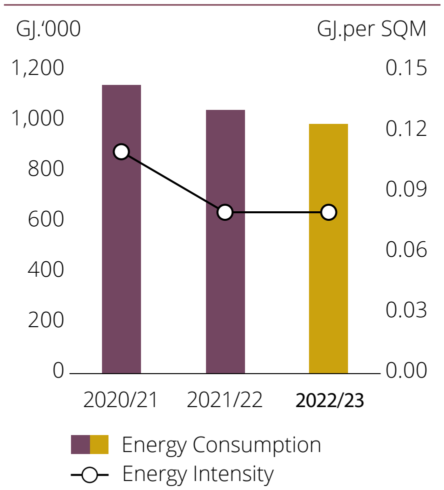
- Employee costs increased as we paid higher increments to support employees through the economic crisis as inflation and food inflation reached historic highs.

Value to Employee

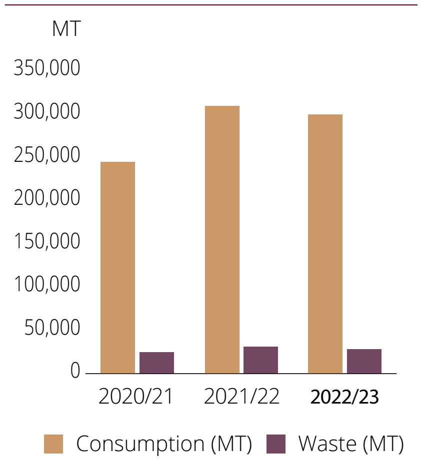


- Both material and energy consumption declined by 5% due to lower production volumes in addition to energy savings projects carried out under TPM. However, water consumption increased marginally by 4% due to new projects carried out during the year and change in product mix.
- Waste generated also declined by 8% in line with the lower material consumption.

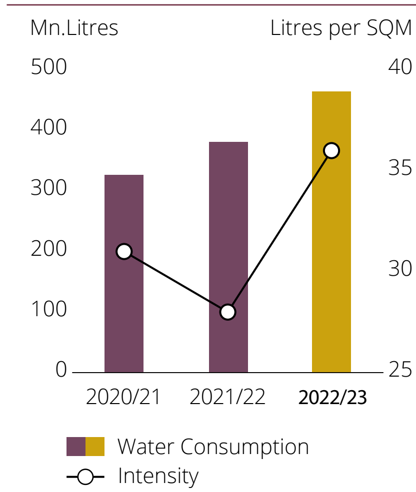
Energy Consumption & Intensity



Material Consumption & Waste



Water Consumption & Intensity



OUTLOOK

We expect to enhance our production capacities in the coming year with the completion of expansion projects that are currently ongoing. With these improved production capacity we will aggressively pursue opportunities to expand our export revenue with a wider and more innovative product range that is on par with global tile manufacturers.

We are hopeful that the Government will intervene and take initiative to revive the domestic construction industry and are prepared to reap benefits of this recovery. The sector is acutely aware of the strain on our supply chain and have taken initiative to increase raw material inventory as a precaution while exploring alternate supplier options.

While the unpredictability of the operating landscape in the coming year seems daunting, we're cautiously optimistic that the sector will navigate through the challenges owing to our agile strategy and strong financial position.

Business Line Reviews

Sanitaryware

Rocell Bathware Ltd is a leading sanitaryware manufacturer in Sri Lanka with domestic market share of 52% and its presence in five export destinations. Our state-of-the-art manufacturing facility and collaboration with Italian technical experts has enabled us to produce innovative, aesthetically pleasing and environmentally friendly products that is on par with world class sanitaryware manufacturers.

OUR PRESENCE IN THE VALUE CHAIN

Design
- Foreign and local expertise
- Innovation and technology
- Research & development

Sourcing
- **217** local suppliers
- **47** Overseas suppliers

Manufacturing
- Sanitaryware manufacturing plant in Homagama with a capacity of **35,000** pieces per month

Warehousing
- **5** Main Warehouses

Distribution
- **57** Showrooms
- **73** Dealers & Distributors
- **17** Hybrid and factory outlets

RELEVANCE TO THE GROUP

Revenue	Profit	Employees	Material Consumption	Assets
5%	4%	10%	1%	9%

Capital Value Creation

Financial Capital

	2022/23	2021/22	%
Revenue (Rs.Mn)	3,401	3,625	(6)
Profit after tax (Rs.Mn)	443	543	(18)
Total assets (Rs.Mn)	7,584	5,460	39
Total liabilities (Rs.Mn)	3,471	1,385	151

Human Capital

	2022/23	2021/22	%
No of employees	460	456	1
Total remuneration (Rs.Mn)	518	447	16
Training hours	159	-	100

Manufactured Capital

	2022/23	2021/22	%
Manufacturing capacity (Pcs/per annum)	376,000	336,000	12
Capacity utilization (%)	91%	97%	(6)
Capital Investment (Rs.Mn)	168	233	(28)

Intellectual Capital

ISO 9001 SLS 1181	ISO 14001 Green SL Labeling System	CE Marking Watermark Certification WELS

Social & Relationship Capital

	2022/23	2021/22	%
Suppliers	264	260	2
Own showrooms	57	56	2
Hybrid & factory outlets	17	17	-
Dealers & distributors	73	77	(5)

Natural Capital

	2022/23	2021/22	%
Material consumption (MT)	4,628	4,468	4
Water discharged (Liters.Mn)	24	18	31
Energy consumption (GJ.'000)	113	100	13

Our Brands

ROCELL BATHWARE

Export Revenue of Rs. 394 Mn

Sanitaryware

OVERVIEW

Strategic Focus Areas

- Capacity expansion with minimal capital influx
- Aggressively pursue export opportunities
- Increasing productivity and efficiency to minimise pressure on margins
- Ensuring continuous supply of raw materials

Impacts from the Operating Environment

- High inflation and interest rate exerting pressure on profit margin
- Difficulty in importing bath ware accessories due to import restrictions.
- Excess supply of bath ware products in the market pose challenges in selling and operating factory at full capacity.
- High shipping cost and delays due to global logistic disruptions
- Challenges in sourcing the required raw materials from overseas due to lack of foreign currency reserves in the country
- High inflation and interest rates causing a slowdown in the domestic construction industry

Action Taken

- Increasing production capacity by introducing a second shift in casting and also by improving green yield
- Using export earnings to settle overseas raw material suppliers
- Persistent cost saving initiatives.
- Curtail production to prevent stock building in the latter part of the year

PERFORMANCE CONTEXT

Despite the challenging operating landscape, the sanitaryware sector recorded a commendable performance during the year. Rocell Bathware increased its production capacity by running a second shift for casting, streamlining our production process and increasing capacity with minimal capital input.

The foreign currency shortage in the country posed challenges in securing required raw materials from overseas. As a result we were compelled to maintain higher than average inventory levels. Sector also faced difficulties in meeting the payments due to our foreign suppliers due to the lack of foreign reserves in the country. However the sector managed to utilize the export earnings to settle these dues. Import restrictions that are still in place posed challenges to import bath ware accessories. However our existing inventory helped us to cater customer demand.

Low levels of activity in the domestic construction industry and the excess supply of imported bath ware products in the markets forced Rocell Bathware to aggressively pursue opportunities in the export markets. Our efforts were rewarded as the segment reported increased export earnings of Rs. 394 Mn for the year, 75% above the previous year.

POLITICAL

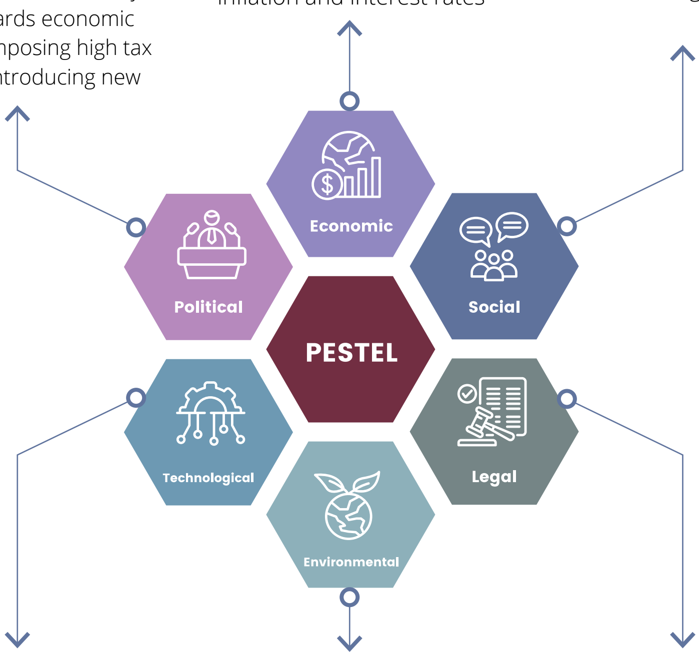
Political uncertainty during 1st quarter of the year, policy uncertainty as the country moves towards economic recovery. Imposing high tax rates and introducing new levies

ECONOMIC

Economic crisis and resultant increases in inflation and interest rates

SOCIAL

Inflationary pressures on wages and challenges in talent retention



TECHNOLOGICAL

Evolving technology requires frequent reinvestment in this capital intensive industry

ENVIRONMENTAL

Emission and resource depletion

LEGAL

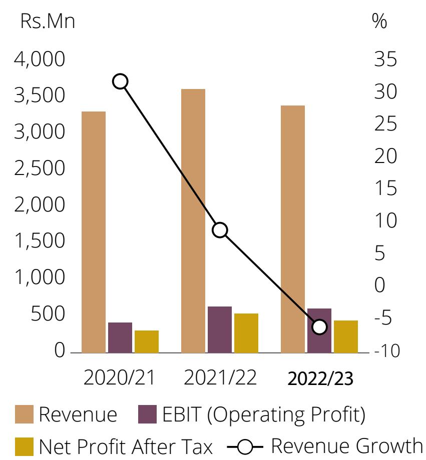
High levels of ESG compliance and certifications requirements

INTEGRATED PERFORMANCE REVIEW

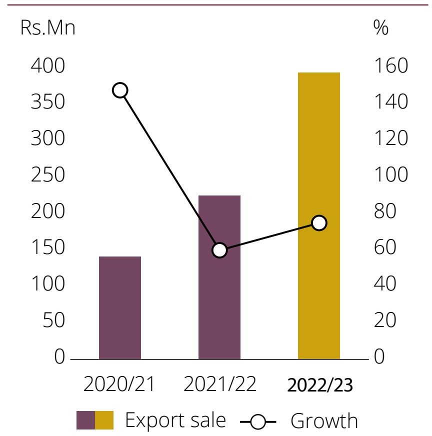
The Sanitaryware segment recorded a revenue of Rs. 3,401 Mn, reporting a marginal drop of 6%. Export earnings for the year grew by a commendable75% to reach Rs. 394 Mn.

- Despite the inflationary pressures, the sector managed to increase Gross Profit margins through its efforts in increase the efficiency and productivity.
- Other operating income drop by 47% to Rs. 78 Mn due to reduction in exchange gain.
- Operating profit dropped by 5% to reach Rs. 608 Mn.
- Finance costs increased by 871% on the back of substantially higher interest rates and increased investment in working capital.
- Sector reported a net profit of Rs. 443 Mn, recording a drop of 18%.
- Total assets base grew by 39% to reach Rs. 7,584 Mn with capital expenditure amounting to Rs. 168 Mn, compared to Rs. 233 Mn in the previous year.

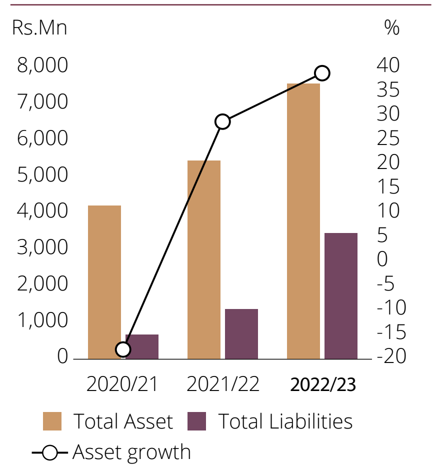
Sector Performance



Export Performance

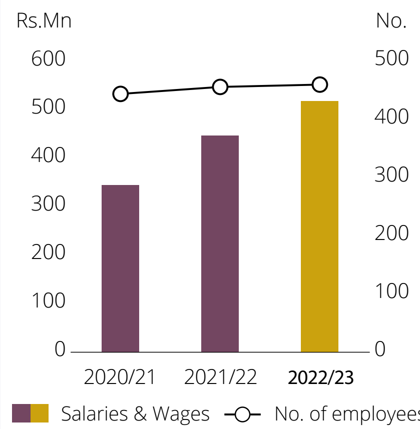


Segment Financial Position



- Employee costs increased as we supported employees through the economic crisis as inflation and food inflation reached historic highs.

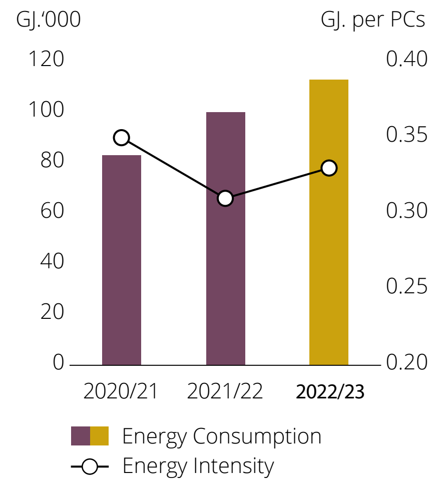
Value to Employee



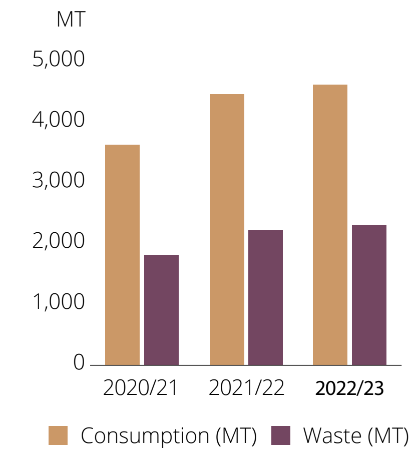
Sanitaryware

- Material consumption increased by 4%, driven by enhanced production. Accordingly, both water usage and energy consumption increased by 18% and 13% respectively.
- Waste generated by the sector increased due to higher production volumes and increased material consumption.

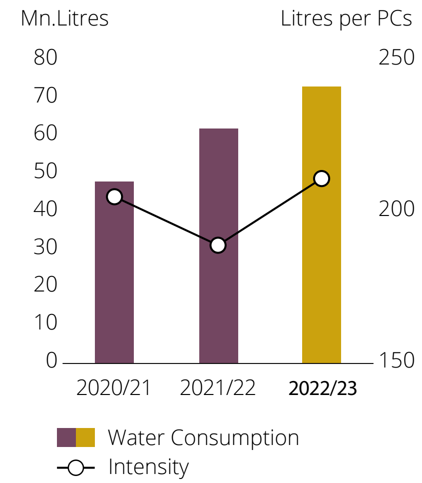
Energy Consumption & Intensity



Material Consumption & Waste



Water Consumption & Intensity



OUTLOOK

Despite the unpredictability, we are cautiously optimistic of managing the challenges of the current volatile economic conditions. Our efforts in expanding our export performance will continue with more vigour as domestic construction industry continues to be bleak. However, we are hopeful that the Government will intervene to revive the local construction sector.

We will continue to look to drive productivity in order to maintain our margins and to better compete with the imported sanitaryware in the market. We are seeking the expertise of our suppliers to improve the quality and the yield of our bathware products and are confident of reaping benefits of these efforts in the coming year.

Business Line Reviews

Aluminium

Swisstek Aluminium is recognised as one of Sri Lanka's leading aluminium extrusion companies with an extensive and innovative product portfolio catering to a diverse customer base. Our strength lies in our stringent quality assurance process and innovation resulting in a value-added product portfolio that is preferred by most high rise construction projects in the country.

OUR PRESENCE IN THE VALUE CHAIN

Sourcing

- **232** local suppliers
- **85** overseas suppliers

Manufacturing

- Plant in Dompe with a capacity of **700 MT** per month

Warehousing

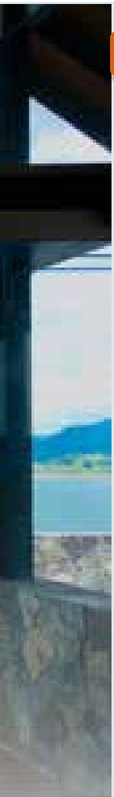
- **1** Warehouse

Distribution

- **1** Own showroom
- **13** Franchises
- **177** Dealers
- **18** Consignment Agents

RELEVANCE TO THE GROUP

Revenue	Profit	Employees	Material Consumption	Assets
8%	-10%	8%	1%	9%



Capital Value Creation

Financial Capital

	2022/23	2021/22	%
Revenue (Rs.Mn)	5,257	7,315	(28)
Profit after tax (Rs.Mn)	(1,069)	454	(335)
Total assets (Rs.Mn)	7,377	7,522	(2)
Total liabilities (Rs.Mn)	6,812	5,898	16

Human Capital

	2022/23	2021/22	%
No of employees	369	408	(10)
Total remuneration (Rs.Mn)	419	459	(9)
Training hours	1,914	52	358

Manufactured Capital

	2022/23	2021/22	%
Manufacturing capacity (MT/Per Month)	700	700	-
Capacity utilization (%)	36	82	(46)
Capital Investment (Rs.Mn)	135	184	(27)

Intellectual Capital

ISO 50001: 2018	SLS 1410: 2011	Jotun Approved Applicator
ISO 14001: 2015	Qualicoat Certificate	Green Labelled Product
ISO 9001: 2015	Qualicoat Sea Side Certificate	

Social & Relationship Capital

	2022/23	2021/22	%
Suppliers	317	400	(21)
Own showrooms	1	1	-
Franchise showrooms	13	17	(24)
Dealers & consignment agents	195	185	5
Aluminium fabricators	1,207	752	61

Natural Capital

	2022/23	2021/22	%
Material consumption (MT)	3,936	8,990	(56)
Water discharged (Liters.Mn)	9	20	(51)
Energy consumption (GJ.'000)	40	67	(40)

Our Brands

ALLURA
INSPIRED BY DESIGN

SWISSTEK
ALUMINIUM
FOR THE PERFECT FINISH

Export Revenue of Rs. 245 Mn

Aluminium

OVERVIEW

Strategic Focus Areas

- Driving cost efficiencies to minimise the pressure on profit margins
- Product innovation
- Market development
- Aggressively pursuing export opportunities

Impacts from the Operating Environment

- Rupee depreciation having a negative impact on product cost as 85% of raw materials are imported
- Increase in borrowing cost due to high interest rates
- Subdued performance of the construction industry having a direct impact on revenue
- High inflation exerts pressure on profit margin
- High shipping cost and delays due to global logistic disruptions.

Action Taken

- Manufacturing our own 7 inch aluminium billets instead of importing
- Driving cost efficiencies with the implementation of Kaizen and TPM
- Expanding export destinations
- Limiting production to prevent stock build-up

PERFORMANCE CONTEXT

It was a difficult year for the aluminium sector as the downturn in the economy posed several challenges. Devaluation of the Rupee had a substantial negative impact as the industry is heavily dependent on imported raw materials. This put a heavy strain on our profit margins, and we were compelled to revise prices twice within the year in order to maintain profitability. Further, scarcity of foreign currency reserves in the country led to factory closures as we were unable to source the required material on time. Payments to suppliers had to be made in advance through Telegraphic Transfers as banks were unable to facilitate to open Letters of Credit. This resulted in substantial forex losses and high finance cost for Swisstek Aluminium.

On a positive note, we began manufacturing our own 7 inch billets, which were sourced from overseas previously. This required modifications to our manufacturing plant but resulted in a cost saving of over Rs.200Mn. In addition, the sector continued to implement Kaizen and TPM concept, leading to substantial cost savings during the year.

The subdued performance of the domestic construction industry led to pursuit of other markets. We were successful in expanding our export destinations. Our export destinations are USA, Australia, India, Mauritius and Canada.

ECONOMIC

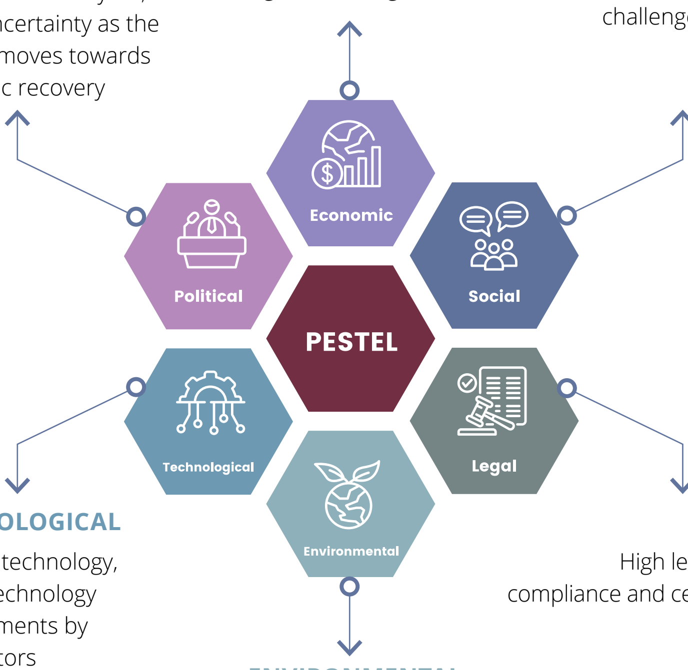
Import restrictions, foreign currency liquidity issues, devaluation of the rupee, high borrowing costs

POLITICAL

Political uncertainty during 1st quarter of the year, policy uncertainty as the country moves towards economic recovery

SOCIAL

Inflationary pressures on wages and challenges in talent retention



TECHNOLOGICAL

Evolving technology, recent technology developments by competitors

LEGAL

High levels of ESG compliance and certifications

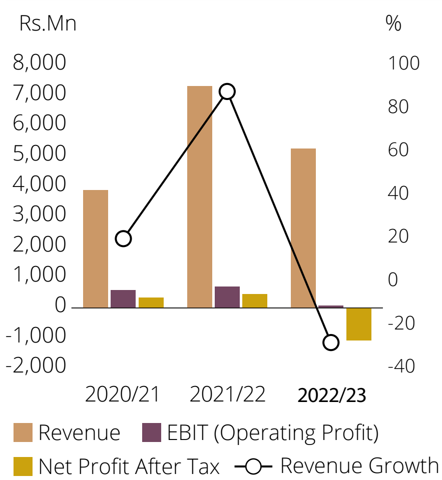
ENVIRONMENTAL

Emission and resource depletion

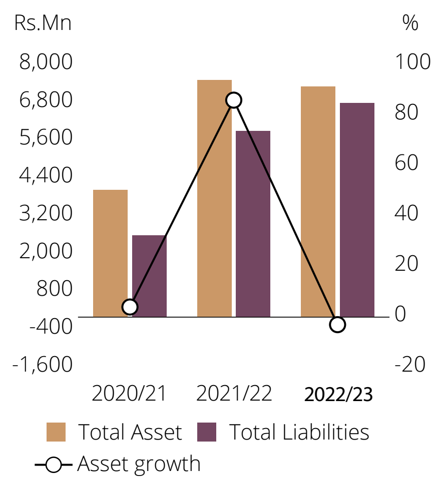
INTEGRATED PERFORMANCE REVIEW

- The Aluminium segment reported a revenue of Rs. 5,257 Mn, recording a contraction of 29%. This negative growth was mainly due to poor sales owing to lacklustre performance of the construction industry.
- Gross profit amounted to Rs. 1,280 Mn, recording a drop of 12%.
- Operating expenses increased by 4% owing to inflationary pressures.
- Finance costs increased by almost 10 folds due to increased borrowings on the back of advance payments made to overseas suppliers. Finance cost for the period amounted to Rs. 1,392 Mn, compared to a cost of Rs. 146 Mn in the previous year.
- Aluminium segment reported a net loss of Rs. 1,069 Mn, having reported a profit of Rs. 454 Mn in the previous year.
- Total assets base dropped by 1.9% to reach Rs. 7,378 Mn with capital expenditure amounting of Rs. 135 Mn.

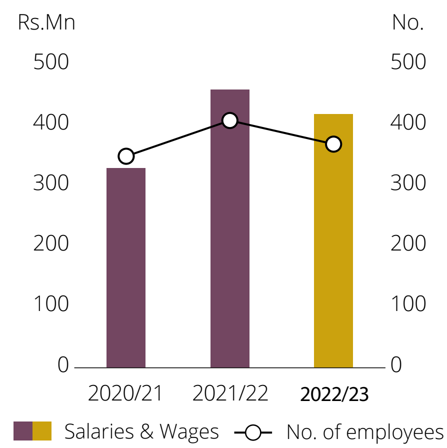
Sector Performance



Segment Financial Position

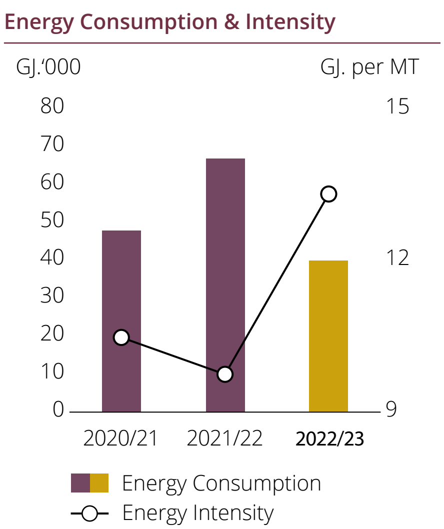


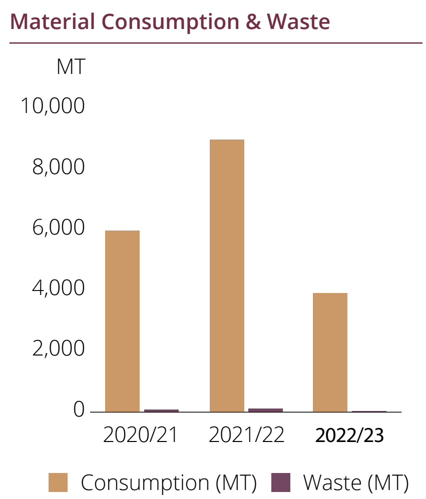
Value to Employee

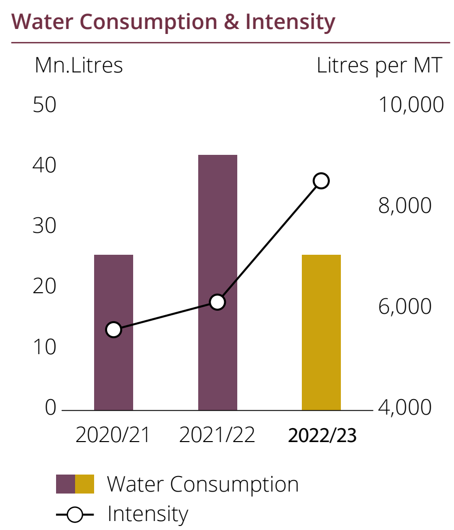


Aluminium

- Material consumption came down by 56% as production volumes came down. This also led to a 39% and 40% decline in water usage and energy consumption respectively.
- Accordingly, waste generated by the aluminium sector also declined by 67%.







New Products

OUTLOOK

Despite the grim outlook we are hopeful of a resurgence in the construction sector leading to a recovery of demand for aluminium extrusion products. We will continue our efforts in expanding our product range, capitalizing on our strength of having a product range that is best suited for Asian climate. Product innovation and enhancing productivity will take focus in the coming year while exploring new export opportunities.

Business Line Reviews

Packaging

Unidil is one of Sri Lanka's premier packaging solutions provider manufacturing paper sacks and corrugated cartons with a market share of 18% for corrugated cartons and 40% for paper sacks. Over the years we have created a strong brand presence owing to our ability to offer customers with specific products.

OUR PRESENCE IN THE VALUE CHAIN

Sourcing

- Paper and other raw material suppliers
- **488** local suppliers
- **22** Overseas suppliers

Manufacturing

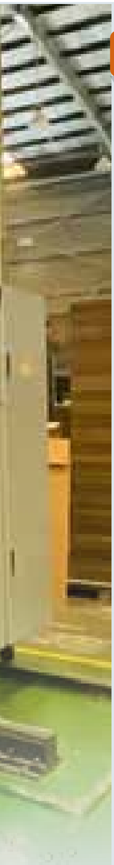
- **33,000 MT** Corrugated cartons and **3,600 MT** paper sacks per annum

Warehousing

- Direct to customers in apparel, tea, rubber, FMCG and home appliances

RELEVANCE TO THE GROUP

Revenue	Profit	Employees	Material Consumption	Assets
13%	9%	10%	6%	7%



Capital Value Creation

Financial Capital

	2022/23	2021/22	%
Revenue (Rs.Mn)	9,226	6,578	40
Profit after tax (Rs.Mn)	923	596	55
Total assets (Rs.Mn)	5,279	5,038	5
Total liabilities (Rs.Mn)	2,988	3,042	(2)

Human Capital

	2022/23	2021/22	%
No. of employees	457	521	(12)
Total remuneration (Rs.Mn)	618	535	15
Training hours	1,194	1,598	(25)

Manufactured Capital

	2022/23	2021/22	%
Manufacturing capacity (Per Annum) (MT)	33,000	33,000	-
Capacity utilization (Corrugated Cartons)	63%	83%	-20%
Capital investment	195	214	(9)

Intellectual Capital

ISO 9001	ISO 14001	HACCP
ISO 22000	WRAP Certification	SMETA Certification

Social & Relationship Capital

	2022/23	2021/22	%
Suppliers	510	789	(35)

Natural Capital

	2022/23	2021/22	%
Material consumption (MT)	23,668	31,234	(24)
Water discharged (Liters.Mn)	13.20	18.07	(27)
Energy consumption (GJ.'000)	15	17	(12)

Our Brands

UNIDIL
THE LEADER IN PACKAGING

Packaging

OVERVIEW

Strategic Focus Areas

- Driving cost efficiencies to minimise the pressure on profit margins
- Product innovation
- Market development
- Aggressively pursuing export opportunities

Impacts from the Operating Environment

- Slowdown in economic activities having a direct negative impact on demand for packaging material
- Reduction in market prices due to drop in demand
- High inflation and interest rate affecting profit margins
- Paper prices escalation in international markets
- High shipping cost and delays due to global logistic disruptions.
- Difficulty in sourcing raw materials due to lack of foreign currency reserves in the country

Action Taken

- Driving cost efficiencies through TPM and other cost saving initiatives
- Expanding our indirect export sales

PERFORMANCE CONTEXT

The year began with a healthy demand for packaging material, how ever, as the economic conditions deteriorated the demand contracted leading to substantial reduction in prices of packaging material due to the highly price sensitive nature of the industry. Slowdown in economic activities and exports caused the demand from garment industry and FMCG industry to contract by 18% and 28% respectively.

Paper prices increased to record highs during the year, however was on a downward trend towards the later part of the year. In order to maintain our profit margins we continued to drive efficiencies and cost reduction initiatives.

We further strengthened our production capacities by producing next alternative products to assist our customers when import restrictions are in place.

ECONOMIC

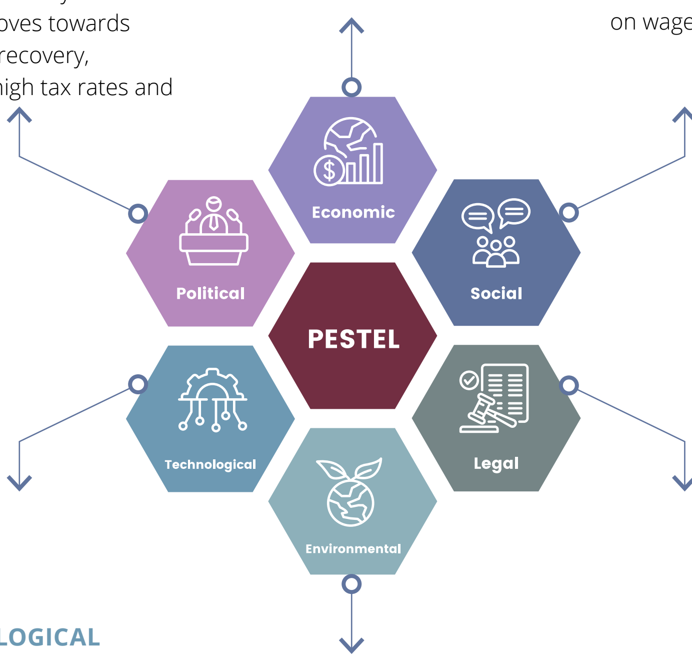
Economic crisis and resultant increase in inflation and interest rates

POLITICAL

Political uncertainty during 1st quarter of the year, policy uncertainty as the country moves towards economic recovery, imposing high tax rates and new levies

SOCIAL

Social unrest in 1st quarter and inflationary pressures on wages and talent retention



TECHNOLOGICAL

Evolving technology requires frequent reinvestment

ENVIRONMENTAL

Increasing demand for environmentally friendly packing material

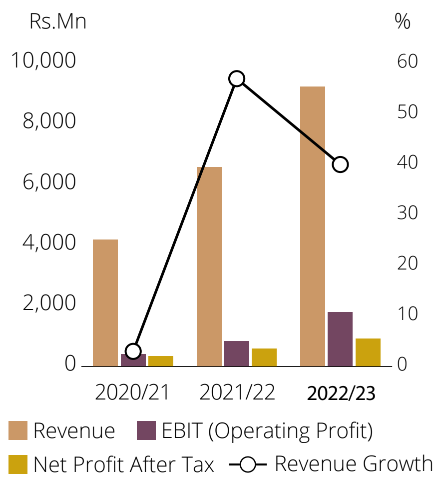
LEGAL

High levels of ESG compliance and certifications requirement

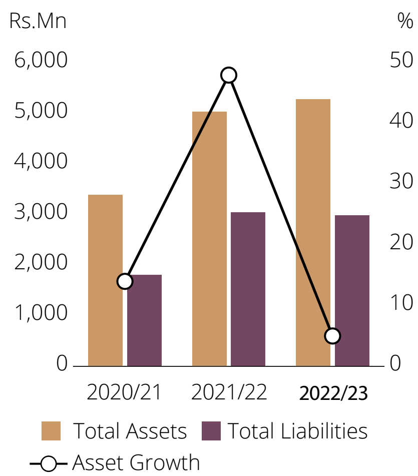
INTEGRATED PERFORMANCE REVIEW

- Revenue increased by 40% to reach Rs. 9,226 Mn. 56% of revenue was accounted for by domestic sales and the remaining by indirect exports. The increase in revenue was mainly due to Rupee devaluation as prices for export-oriented industries are quoted in Dollars.
- Operating expenses increased by 50% to reach Rs.734 Mn, mainly driven by inflationary pressure.
- Sector reported an operating profit of Rs. 1,888 Mn, compared to Rs. 839 Mn recorded in the previous year.
- Finance expenses increased by 433% due to fresh borrowings obtained of Rs. 82 Mn and increase in interest rates.
- Packaging sector reported a net profit of Rs. 923 Mn, recording a commendable growth of 55% from previous year.

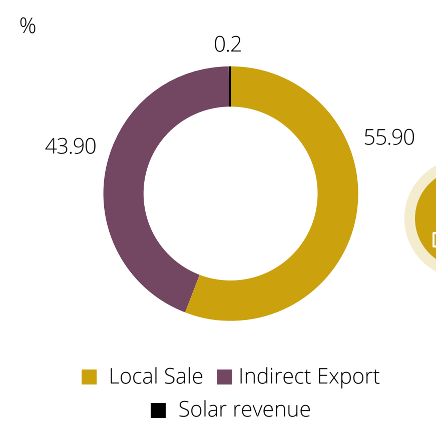
Sector Performance



Segment Financial Position

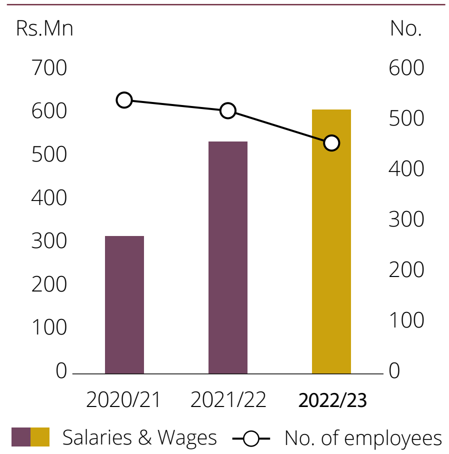


Contribution to Revenue



- Employee costs increased by 15% as we supported employees with salary hikes and other benefits through the economic crisis as inflation and food inflation reached historic highs.

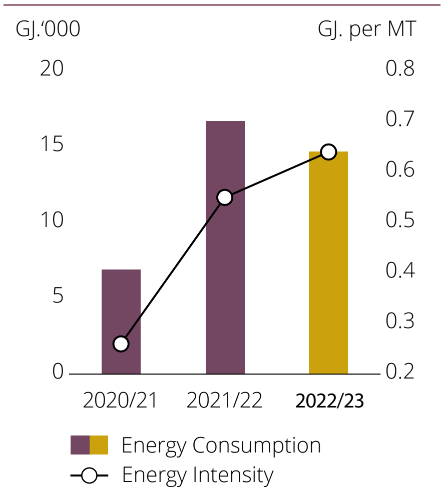
Value to Employee



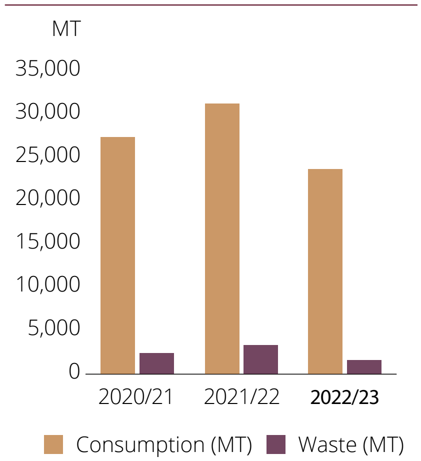
Packaging

- Lower production volume led to a 24% decline in material consumption. Consequently, both water and energy consumption declined by 18% and 12% respectively.
- Waste generated declined by 51% on the back of lower production and efforts in minimizing waste.

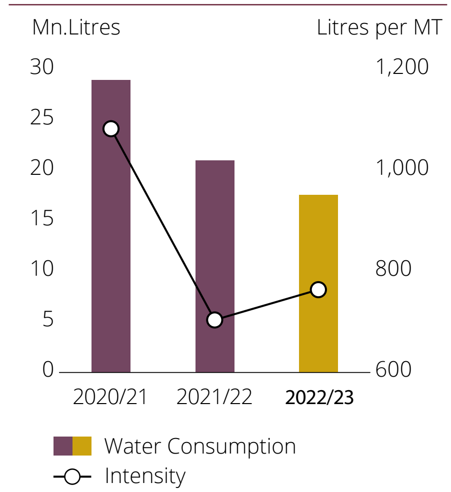
Energy Consumption & Intensity



Material Consumption & Waste



Water Consumption & Intensity



OUTLOOK

Despite the grim outlook we are cautiously optimistic of the coming year. We will closely monitor our operating environment in order to manage the uncertainties. Unidil will capitalise on enhanced production capacities and will aggressively pursue opportunities in both domestic and overseas markets.

Business Line Reviews

Plantations

Group's stake in Horana Plantations PLC, through which Group had its presence in the plantations industry was divested during fourth quarter of this financial year, aligning the group's Portfolio to the construction sector.

Horana Plantations covers the operations of 14 estates spread over 6,500 hectares in low and high elevations. The Company, one of the most diversified plantation companies in Sri Lanka specializes in tea and have diversified crops such as rubber, oil palm, cinnamon and other perennial crops. The ban on oil palm cultivation hampered the progress of diversification of the Company.

It was a year of mixed fortunes for the plantations industry as we benefited from the devaluation of the Rupee and the war in Ukraine. However, the local industry faced major setbacks due to the shortage of fertilizer and chemicals.

OUR PRESENCE IN THE VALUE CHAIN

Cultivation

- **2,003** Hectares of tea
- **1,052** Hectares of rubber
- **250** Hectares of oil palm
- **3,214** Hectares of others

Processing

- **9** Tea factories
- **3** Rubber factories

Distribution

- Colombo tea auction
- Direct sales
- Rubber auction

Finest Quality Products

- **2,178** MT of tea
- **630** MT of rubber

OUR CERTIFICATIONS

Quality Certification

Social Certifications

Environmental Certifications

OVERVIEW

Strategic Focus Areas

- Diversifying revenue streams
- Implementation of sustainable agricultural practices
- Automation to increase productivity and to drive efficiency
- Significant investments in renewable energy.

Impacts from the Operating Environment

- Benefited from the Rupee devaluation for the better part of the year, however was negatively affected as the Rupee strengthened.
- Crop volumes effected due to the lack of fertilizer
- Loss of significant number of skilled workers due to migration

Action Taken

- Completion of a successful pilot project for coffee cultivation and commercial cultivation to begin next year.
- Rehabilitation of two mini hydro plants.
- Significant investments in rooftop solar power systems in factories and bungalows

PERFORMANCE CONTEXT

We navigated through both head winds and tail winds in 2022/23. The Sri Lankan tea industry benefited from the Rupee devaluation which resulted in better prices in Rupee terms. However, the industry was negatively affected by the shortage in fertilizer and loss of skilled workers due to talent migration. Crop volumes contracted due to the scarcity of fertilizer, but this was offset to some extent by the rainfall received during the dry season. Further, the high cost of fertilizer, fuel and other agricultural inputs had an adverse effect on margins despite the favourable prices received at the Colombo Tea Auction.

Horana plantations continued to make significant headway in crop diversification by carrying out a successful pilot project for coffee cultivation. In addition, we expanded our coconut and cinnamon plantations while enhancing the yields of our oil palm cultivation. Investments in renewable energy continues to be a priority as five of our factories and the majority of the estate bungalows are now fitted with rooftop solar panels, resulting in significant savings during the year. Further, we have invested Rs. 24Mn in rehabilitating 2 mini hydro plants and these are expected to be commissioned in the next financial year.

POLITICAL

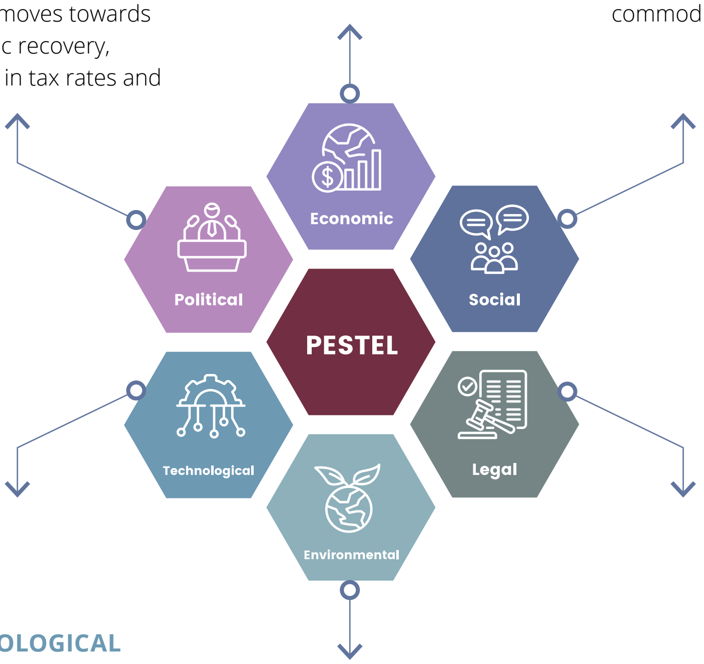
Political uncertainty during 1st quarter of the year Policy uncertainty as the country moves towards economic recovery, increase in tax rates and levies

ECONOMIC

Economic crisis and resultant increases in inflation and interest rates

SOCIAL

Hyper inflation caused hardship to the workers due to the exorbitant in commodity prices.



TECHNOLOGICAL

Automation of field activities due to scarcity of skilled labour

ENVIRONMENTAL

Unpredictable weather patterns having a negative impact on agricultural industry

LEGAL

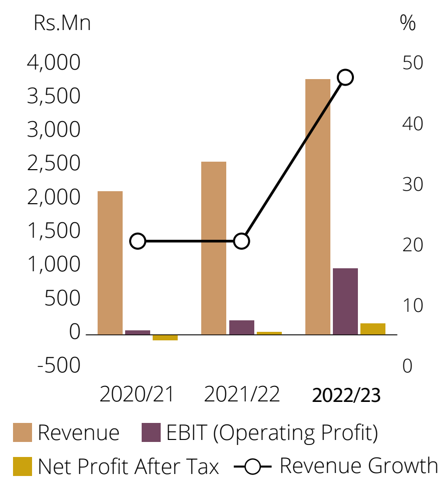
Ongoing legal action regarding the wage increase

Plantations

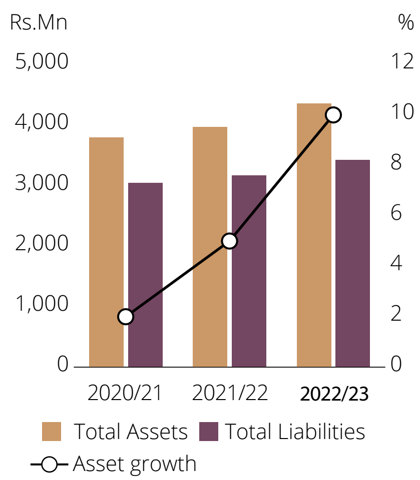
INTEGRATED PERFORMANCE REVIEW

- Tea production fell by 23% due to the scarcity of fertilizer and sales volume also contracted by 25% mainly as a result of Russia's invasion of Ukraine, two of Sri Lanka's best customers of bulk and orthodox teas. Despite the drop in production and sales volume, the revenue from tea increased by 57% to reach Rs. 2,912 Mn. This was on the back of favourable Rupee prices received at the auction.
- Rubber production improved marginally with the introduction of rain guards which resulted in better yields. Further, Horana Plantations was less affected by the rubber trees lefe disease that hampered rubber production in Sri Lanka. This also led to a short supply of rubber in the market, resulting in favourable prices during the year.
- Revenue reported by the plantation sector grew by 48% to reach Rs. 3,794 Mn. Revenue from tea accounted for Rs. 2,912 Mn, while rubber and other crops contributed by Rs. 558 Mn and Rs. 324 Mn respectively.
- Sector reported a gross profit of Rs. 1,235 Mn, reporting a growth of 232% amidst high production costs and high labour costs.
- Administrative expenses increased by 27% to reach Rs. 235 Mn. Finance costs increased by 137% on the back of increased borrowings and substantially higher interest rates.
- The Plantation sector reported a net profit of Rs. 170 Mn compared to last year's profit of Rs. 42 Mn driven mainly by the favourable tea prices that led to the growth in topline.

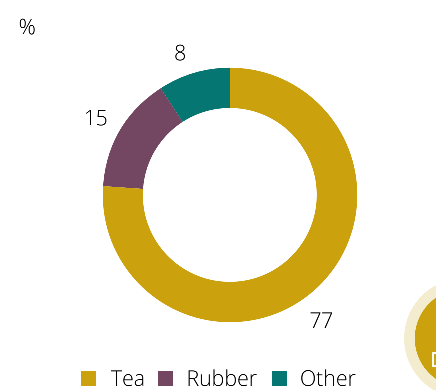
Sector Performance



Segment Financial Position



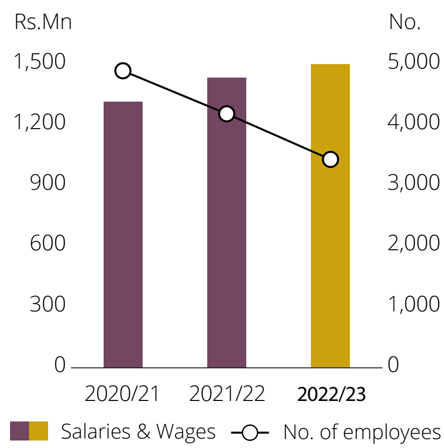
Contribution to Revenue



Rs. Mn	Tea		Rubber		Others		Total	
	2022/23	2022/21	2022/23	2022/21	2022/23	2022/21	2022/23	2022/21
Revenue	2,912	1,857	558	430	324	276	3,794	2,564
Cost of Sales	1,932	1,680	454	365	173	147	2,559	2,193
Gross Profit	981	177	103	65	151	129	1,234	371

- Horana Plantations was awarded the Great Place to Work® certification and was ranked amongst the Top 15 employers in the country. This is a testament to the comprehensive value proposition offered to our employees and employee loyalty we have developed over the years.

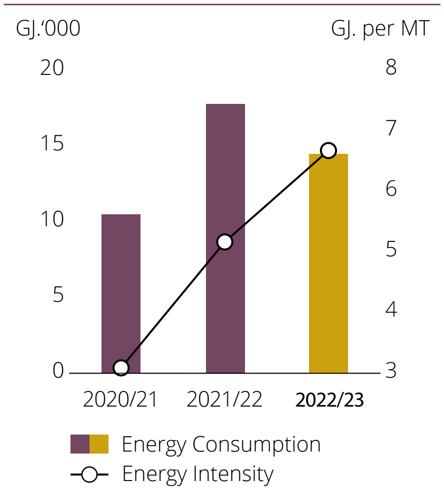
Value to Employee



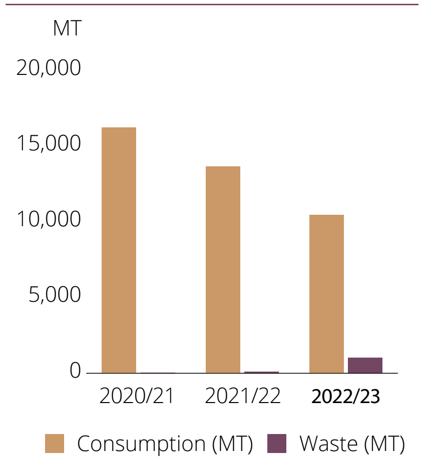
Great Place To Work® Certified FEB 2023-FEB 2024 LKA

- Material consumption and energy consumption declined by 22% and 19% respectively as crop volumes declined. However, water consumption increased by 18%.

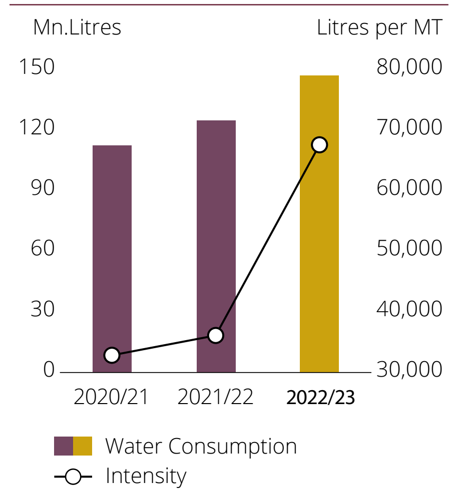
Energy Consumption & Intensity



Material Consumption & Waste



Water Consumption & Intensity



Financial Capital

The Current and Quick asset ratios stand at 1.4 and 0.51 respectively indicating strong liquidity. Additionally, the debt equity ratio is 0.37 times reflecting prudent financial management and resilience with significant headroom for growth.

63.2Bn
REVENUE

10.6Bn
PROFIT AFTER TAX

90.6Bn
TOTAL ASSETS

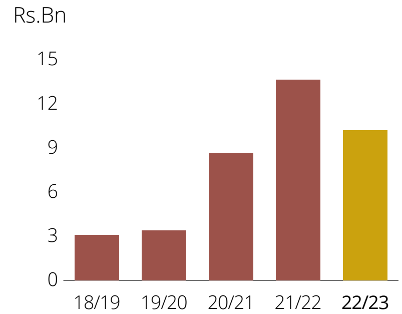
	Tiles & Associated Products			Sanitaryware			Packaging			Aluminium			Mining & Other		
	22/23	21/22	%	**22/23**	21/22	%	**22/23**	21/22	%	**22/23**	21/22	%	**22/23**	21/22	%
Revenue (Rs.Mn)	**46,787**	38,438	22	**3,401**	3,625	(6)	**9,226**	6,578	40	**5,257**	7,315	(28)	**447**	428	4
Profit after tax (Rs.Mn)	**7,978**	9,668	(17)	**443**	543	(18)	**923**	596	55	**(1,069)**	454	(335)	**(80)**	71	(214)
Assets (Rs.Mn)	**57,086**	50,186	14	**7,584**	5,460	39	**5,279**	5,038	5	**7,378**	7,522	(2)	**3,628**	2,447	48
Liabilities (Rs.Mn)	**27,158**	21,429	27	**3,471**	1,385	151	**2,988**	3,042	(2)	**6,812**	5,898	16	**807**	806	0
ROA (%)	**14**	19	(5)	**6**	10	(4)	**17**	12	6	**(14)**	6	(21)	**(2)**	3	(5)
ROE (%)	**27**	34	(7)	**11**	13	(2)	**40**	30	10	**(189)**	28	(217)	**(3)**	4	(7)

Royal Ceramics Group recorded a strong top line growth of 15% to Rs. 63 Bn during the financial year even as the country recorded a contraction in its economy reflecting the resilience of the Group's operations. It was a year of two halves with the first half marked by excess demand that had waiting times of over 4 months. The second half was marked by a gradual easing of waiting times and a buildup of inventory as demand patterns flipped with the downturn in the construction industry. The gradual normalization of the construction industry towards the end of the year is encouraging, supporting demand as import restrictions eased. The Group has also increased its efforts in developing new export markets as well as growing existing ones with notable success as exports doubled during the year, albeit relative to a low base mainly due to devaluation of Rupee.

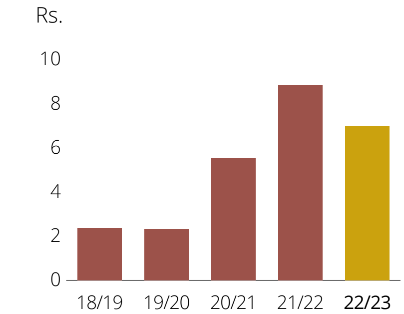
Total Assets of the Group increased by 5% to Rs. 90.6Bn as inventory levels increased by 86% reflecting both increased capacity and lower demand together with increase in manufacturing cost due to rise in inflation during the year. Managing working capital continues to be the main challenge as we seek to optimise production costs, ensuring we remain competitive both locally and in export markets. Total Borrowings increased by 40% to Rs.19.6Bn financing the expansion in the balance sheet. The Current and Quick asset ratios stand at 1.4 and 0.51 respectively indicating strong liquidity. Additionally, the debt equity ratio is 37% reflecting prudent financial management and resilience with significant headroom for growth.

Profitable

Profit After Tax

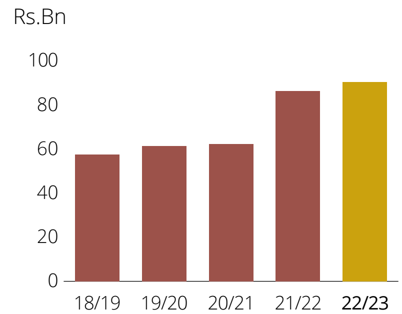


Earnings per Share

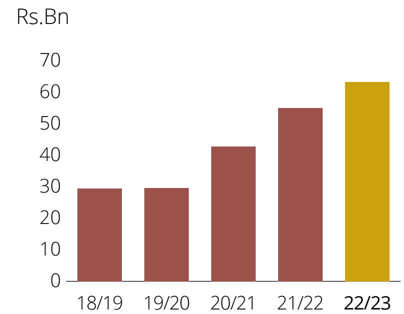


Growing

Total Asset

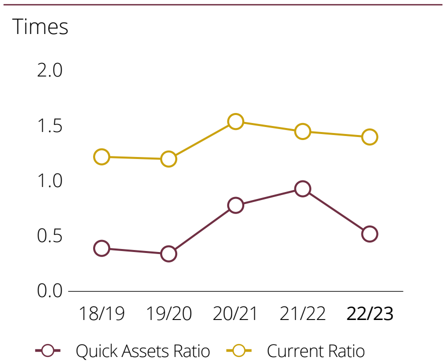


Revenue

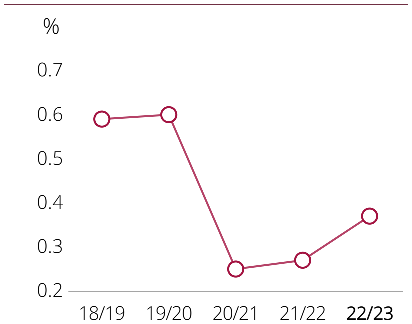


Resilient

Current and Quick Asset Ratio



Debt to Equity Ratio



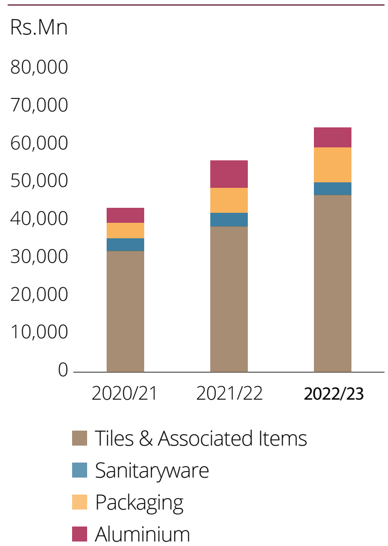
Financial Capital

REVENUE

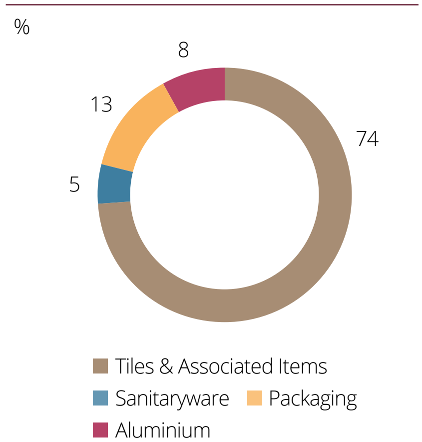
Amidst heightened economic uncertainties the Group reported an impressive revenue growth of 15%, recording the Group's best ever turnover of Rs. 63.21Bn. The Group also marked its best export performance by recording a revenue of Rs. 2.4 Bn. This topline growth was supported mostly by price increases resulted by cost increases due to inflationary pressure across all sectors as the lackluster performance of the construction sector had a severe negative impact on volumes across tiles, sanitaryware and aluminium sectors while packaging sector was affected by the slowdown in export industries.

Tiles and associated products continued to be the biggest source of revenue for the Group with a contribution of 74%, grew by 22% to reach Rs.46.8Bn with earnings from exports amounting to Rs. 1,800 Mn. Despite the import restrictions on tiles, the demand for tiles was hampered by the grim performance of the construction industry. This also had a negative impact on the demand for sanitaryware and aluminium products. Revenue from both sanitaryware and aluminium sectors contracted by 6% and 28% to reach Rs.3.4Bn and 5.3Bn respectively. Packaging sector contributed to 13%% of the Group's revenue and recorded a growth of 40% to reach Rs.9.2Bn.

Turnover



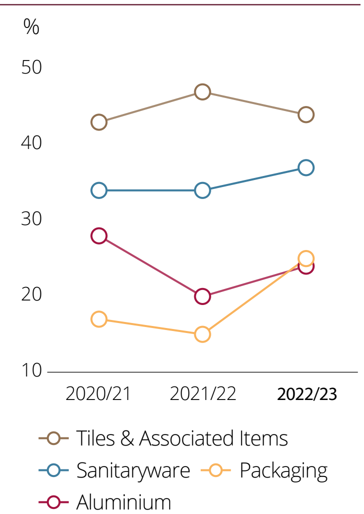
Contribution to Revenue



GROSS PROFIT

Gross profit improved by 16% to reach Rs.25.5Bn. This was driven by the revenue growth and improved margins across sanitaryware, packaging and aluminium sectors which cushioned the impact of declined margin in tiles and associated products sector. Improved margin in sanitaryware was mainly due to the enhanced production by running a second shift in casting and improved productivity achieved with the assistance of the expert advice. Packaging sector continued its efforts in minimizing wastage and improving productivity through various other measures resulting in an improved gross profit margin of 25% compared to last years' 15%. Apart from this increase in export revenue resulted from Rupee devaluation also positively contributed towards improving margins across all sectors.

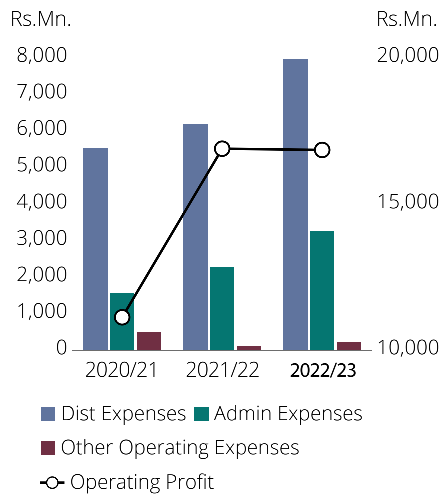
Gross Profit Margin



OPERATING PROFIT

Operating expenses soared across all sectors amidst inflationary pressures leading to a decline in operating profit in tiles, sanitaryware and aluminium sectors by 3%, 5% and 90% respectively. However, this impact was negated by a 125% growth in operating profit in the packaging segment driven by revenue growth combined with the improved GP margin. Group operating profit declined marginally by 1% to reach Rs.16.9Bn.

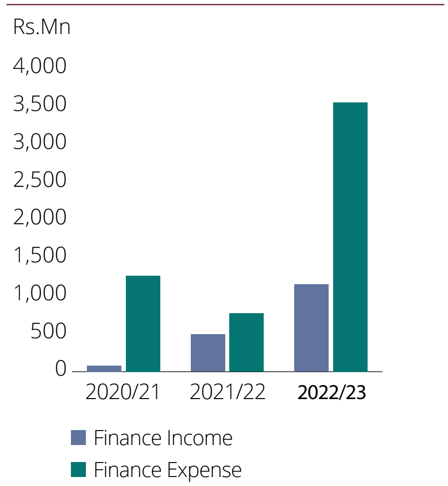
Operating Expenses and Profit



FINANCE COSTS

Finance costs escalated across all sectors driven by the high interest rates and increased borrowings. Aluminium sector reported a finance cost of Rs. 1.4 Bn due to excessive borrowing obtained to settle dues to overseas suppliers who demand advance payment due to country's foreign reserves crisis.

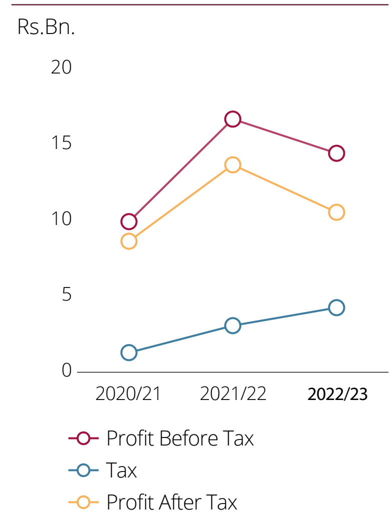
Finance Income and Expense



PROFIT BEFORE AND AFTER TAX

Group reported a pre-tax profit of Rs.14.5Bn, a contraction of 13.5% compared to the previous year with Group's associate company LB Finance making a contribution of Rs. 2.2Bn. Post-tax profits declined by 23% to reach Rs.10.6Bn owing to reduced operating profits and increased tax rates. The tiles sector, the largest contributor to net profit reported a profit of Rs.7.99Bn, a decline of 17% as effective tax rate increased to 37%. Net profit from sanitaryware declined by 18% to reach Rs.443Mn while the packaging sector recorded an impressive profit growth of 55%. Aluminium sector recorded a net loss of Rs.1.1Bn amidst substantial forex losses. Profit share from Horana Plantations, which was divested during the year amounted to Rs.376Mn, inclusive of disposal profit.

Pre and Post Tax Profits

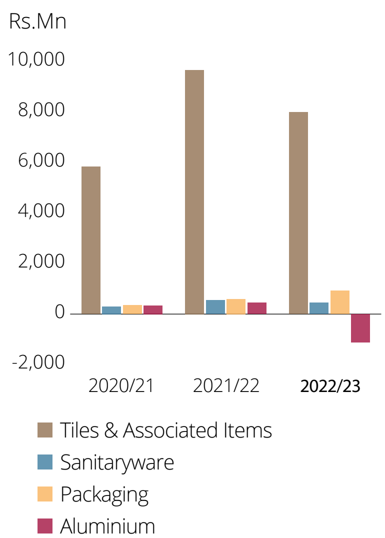


Financial Capital

CASH FLOWS

Operating activities generated a negative cash flow of Rs.9.4Bn, a decline of 162% compared to the previous year, owing to the increased inventory and decline in contract liabilities mainly due to cost increases. Investment activities reflect the investments in capital expenditure of Rs. 5.9Bn and interest income of Rs. 1.1Bn. Cash flows under financing activities reflects borrowings of Rs. 27 Bn during the year and repayments of Rs. 22Bn.

Segmental Profits



STABILITY AND RESILIENCE

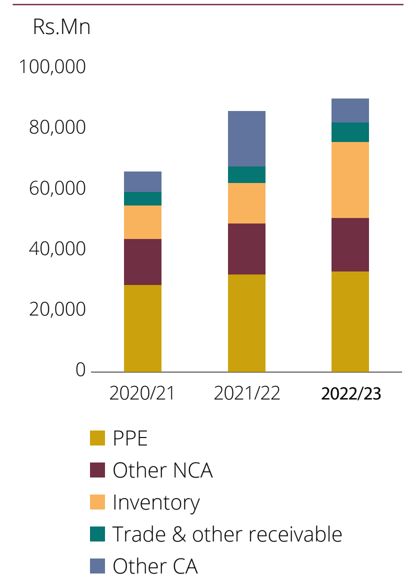
Total assets of the Group increased by 5% to Rs.90Bn, driven mainly by the 86% increase in inventory due to prudent increase in all stock levels to manage any supply chain disruptions. Property, plant and equipment increased by 3% while investments in associates increased by 13%. The Group invested Rs. 6Bn in acquisition of property, plant and equipments across all sectors. Cash balances reduced by 77% to Rs. 3.6Bn

59% of the Group's total assets is funded by equity and 22% is accounted for by interest bearing liabilities. Borrowings increased by 40% during the year on the back of loans obtained for capacity expansion and funding working capital requirements. This led to an increase in gearing ratio to 27% from last year's 21%

Contract liabilities reduced by 62% as Group was able to fullfil back orders with increased production capacities.

	2022/23 Rs.Bn	% Change
Property, plant & Equipment	33.1	3
Investments in Associates	13.4	13
Inventories	25.0	86
Cash & cash equivalents	3.6	(77)
Other current and non-current assets	15.5	14
Equity	53.6	4
Interest bearing loans and borrowings	19.6	40
Other current and non-current liabilities	17.4	(17)

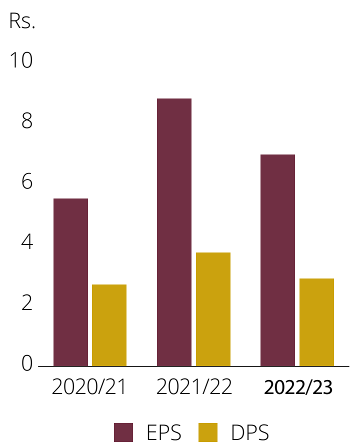
Composition of Assets



SHAREHOLDER RETURNS

In line with the reduced profits, earnings per share and dividend per share declined by 21% and 23% respectively. The share price declined by 32% to reach due to the dull performance of the Colombo Stock Exchange led by negative investor sentiment. Market capitalization at the end of the year stood at Rs.30.5 Bn.

EPS & DPS



Human Capital

The knowledge, attitude and skills of our people have been key to driving resilience and the sustainability of our business in this period of extreme volatility. In turn we remained steadfast in our commitment to nurturing them through a holistic value proposition which aligned both personal and organizational goals.

Employees by Sector

Sector	Employees
TILE AND ASSOCIATED PRODUCTS	3,256
SANITARYWARE	460
ALUMINIUM	369
PACKAGING	457
OTHER	77

HR Vision

Our strategic aspirations are to create an HR where people thrive, partnerships prevail and performance excels.

HR Mission

Our Human Resource provides leading HR services that attract, sustain and inspire excellence in people.

HR Mission

The Human Resource will help sustain excellence, foster active engagement and build collaborative learning associates to champion the mission and values of the Group

Strategic Imperatives

Remuneration, Recognition and Rewards

Full remuneration, bonuses and increments were paid despite the challenging operating environment

Rs. **8,479** Mn
paid as salaries and wages during the year

Creating a Safe and Conducive Workplace

No Gender based discriminations

Rs. **45** Mn
spent on ensuring health and safety

Lanka Tiles PLC and Lanka Walltiles PLC are certified by the Occupational Health and Safety Assessment Series (OHSAS)

Royal Ceramics Lanka PLC Eheliyagoda factory is certified with ISO 45001: 2018- Occupational Health and Safety Management System

Providing Opportunities for Training and Development

40,153
Hours of training

Rs. **38** Mn
investment in training and development

Introduction of the
LMS; Rocell Learning Hub

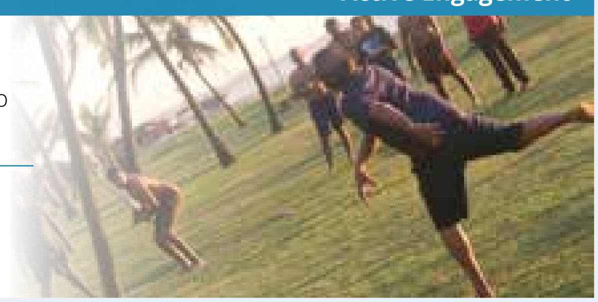
Active Engagement

Open door policy

ZERO
disruptions to work due to industrial disputes

Uplifting employee wellbeing through virtual and physical events

Formal grievance handling mechanism



Diversity and Inclusion

11%
Female representation

ZERO
Tolerance for child labour

Agile and Conducive organizational culture

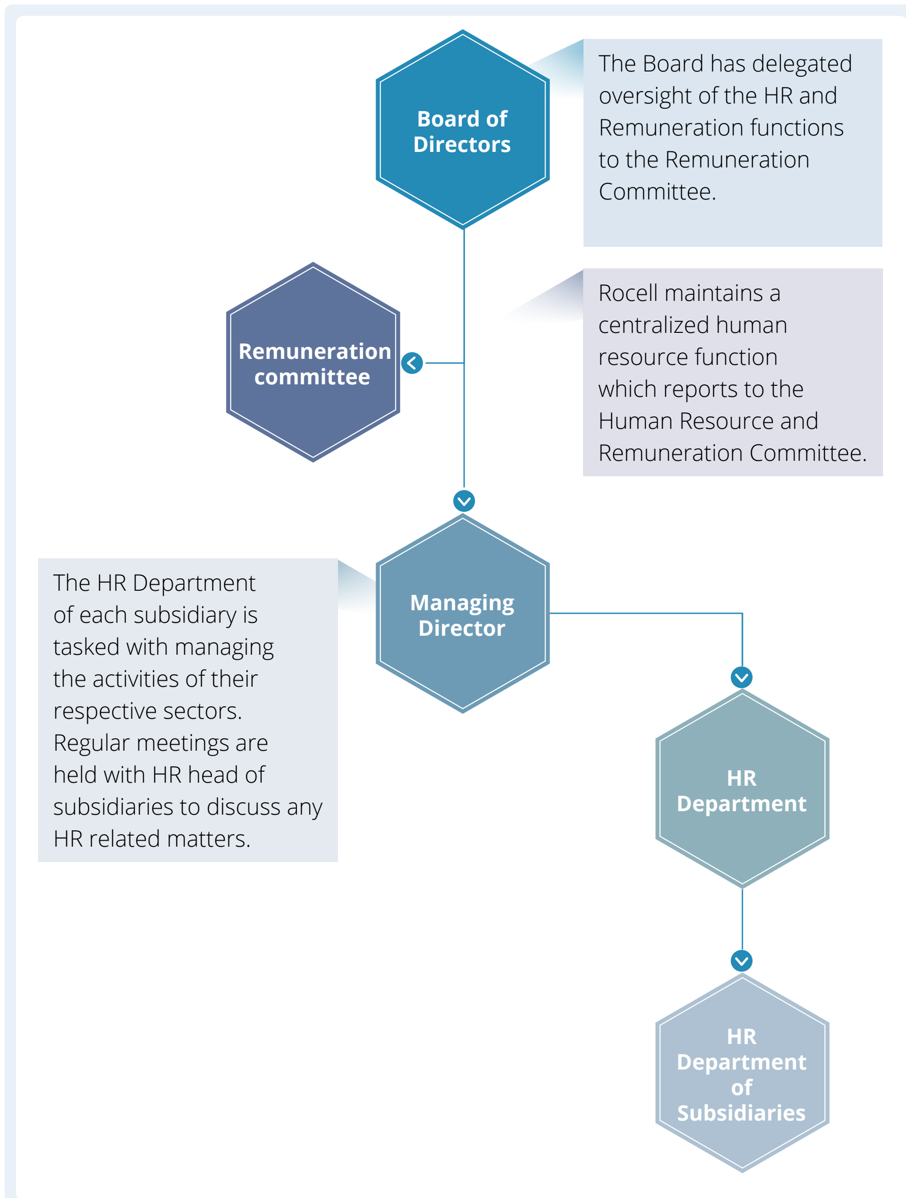
Human Capital

OUR MANAGEMENT APPROACH

Relevant HR Policies

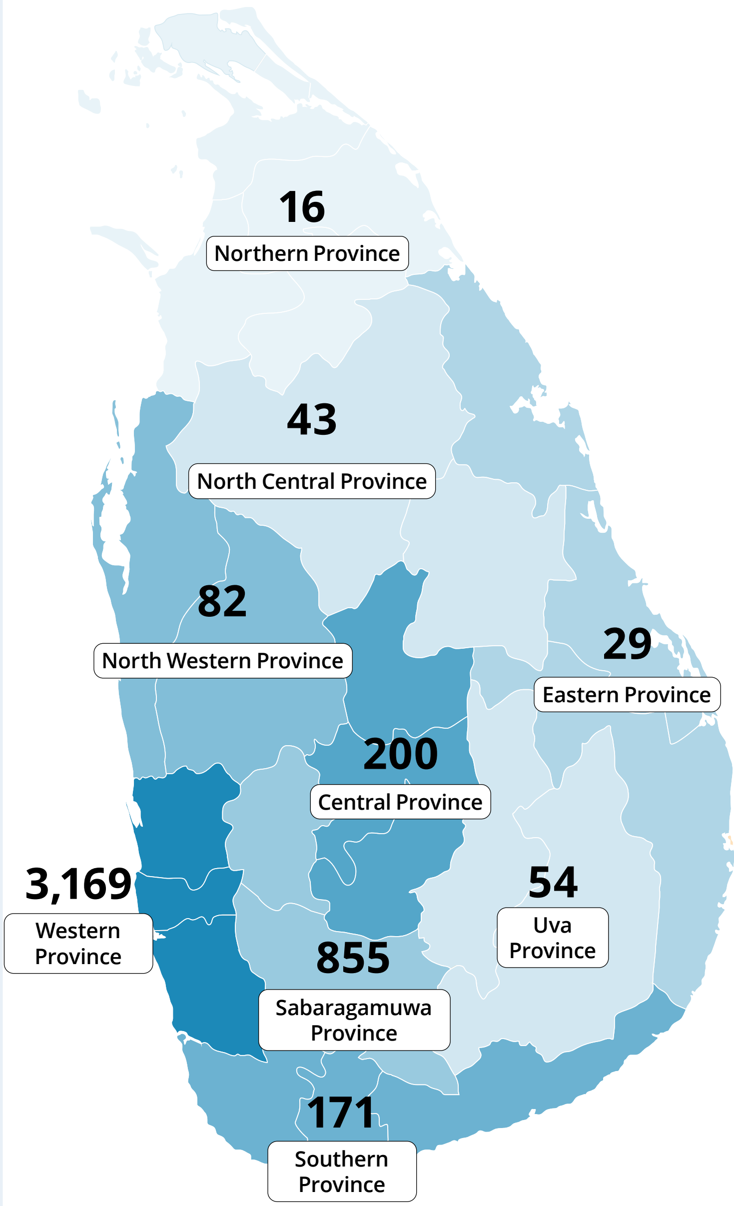
- Disciplinary Procedure Policy
- Opportunities for Intern-ship and training
- Policy on Orientation & Induction
- Policy on Types of Employment
- Policy on Exit Procedure
- Performance Management Policy
- Policy on Superannuation
- Occupational Safety and Health Policy
- Recruitment policy
- Grievance Handling Policy
- Attendance and Leave Policy
- Training and Development Policy
- Policy on Maintenance of HR records
- Transfers, Secondment & Job Rotation Policy
- Whistleblowing Policy

Management of human capital is underpinned by our HR policies and procedures which are compliant with the relevant Sri Lankan labour laws and regulatory standards and aligned to industry best practices. It seeks to facilitate a diverse and conducive work environment which promotes the equitable treatment of all employees. The HR governance structure set out below is a core part of Human Resource Management and further supports the HR policies in place in managing our people.

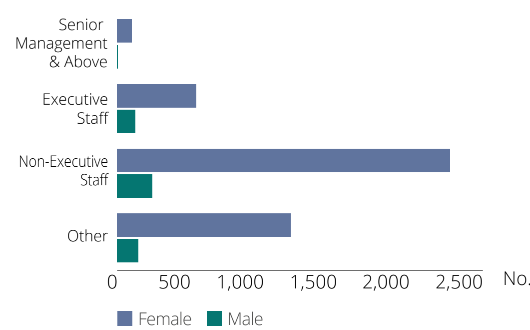


Team Profile

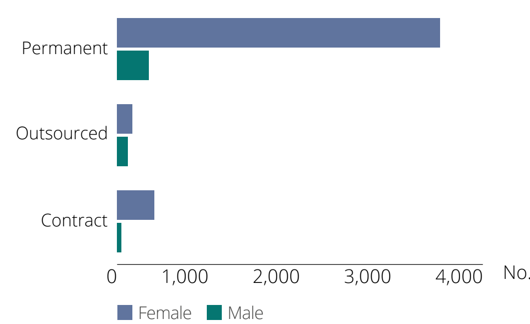
The Rocell Group comprises 4,619 employees who drive our strategic ambitions and unlock value across diverse sectors. As an equal opportunity employer, we do not discriminate based on gender, age, religion or race and have been able to attract, nurture and retain top talent within this fast-growing group. The profile of our team is presented below:



Employees by Staff Category & Gender



Employees by Contract & Gender



Human Capital

MOVEMENTS IN OUR TEAM

We seek to attract talented individuals through a holistic employee value proposition which includes competitive remuneration and opportunities for development and career progression. Our talent pool was strengthened with 910 new recruits during the year.

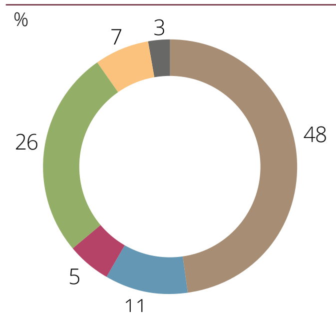
All new recruits in the staff and above categories undergo a systematic corporate induction programme which includes a briefing on the Company code of conduct and health and safety procedures as well as a factory visit.

The country's economic crisis spurred high levels of migration which made recruitment and retention of employees a challenge during the year. 1,716 employees resigned and retired during the year.

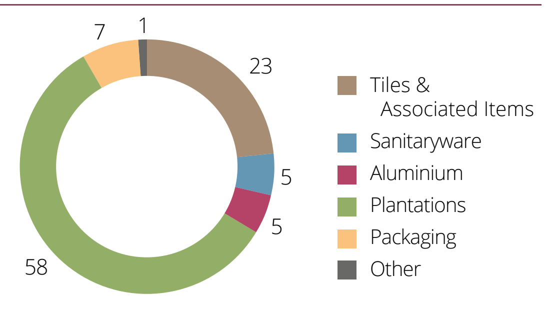
Profile of new recruits and exits are graphically presented below:

> Retention of seasoned workers in the plantation sector became increasingly challenging during the year, with workers migrating overseas in search of better opportunities.

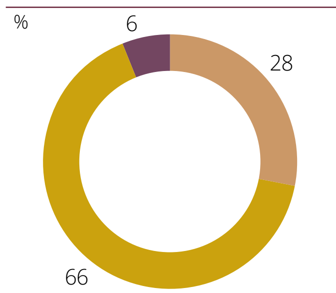
New Recruits by Sector



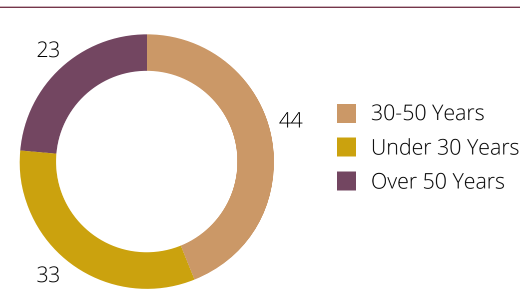
Turnover by Sector



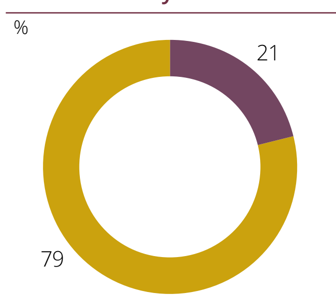
Recruitment by age



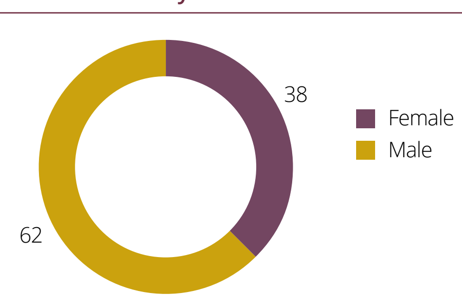
Turnover by age



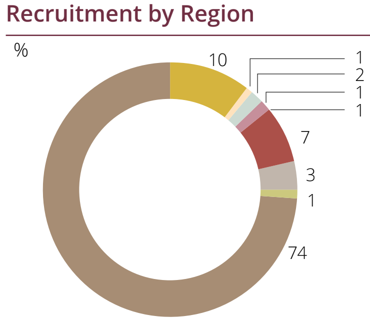
Recruitment by Gender



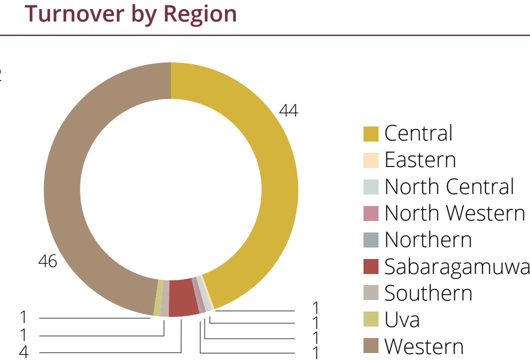
Turnover by Gender



Recruitment by Region



Turnover by Region



REMUNERATION, RECOGNITION AND REWARDS

Remuneration and Other Benefits

We offer all employees across the group an attractive remuneration package which is linked to employee performance and in line with industry best practices.

Total staff cost amounted to Rs. 8,479 million and we did not face any penalties due to non-compliance with labour laws and regulations. We also maintained an adequate notice period prior to any significant operational changes. In addition to the remuneration, we offer a range of other benefits and rewards comprising both fixed and variable elements designed to retain and motivate employees.

Supporting Our People during the Economic Crisis

- Transport facilities were provided during the fuel crisis
- An additional allowance was paid monthly for blue collar employees
- All employees were paid their full salaries, bonuses and increments and there were no redundancies during the year.
- Operative grade employees of tiles factories were paid additional one month basic salary as a concession.

Performance Management

All employees undergo performance appraisals based on predetermined key performance indicators. Individuals who meet targets are recognized and rewarded through salary increments, annual bonuses and promotions without any discrimination based on gender thereby boosting employee morale.

Employee Recognition

Best performing employees at showroom level are recognized each quarter in an effort to enhance productivity and keep them motivated. Their creativity is encouraged with granting of special gifts. We also recognize employees for their tenure of service with employees completing 20+ years presented cash awards.

Fixed Component

- Basic Salary
- Allowances
  - Travelling
  - Meal
  - Accommodation
  - Vehicle
- Statutory Pension Contributions

Variable Component

Monetary and non-monetary benefits including:

- Reimbursement of medical costs
- Financial assistance for educational qualifications
- Foreign trips for top performing employees
- Health insurance
- Subsided meals
- Staff above assistant manager post are provided residential facilities at the tile factories
- Housing for plantation workers
- Funeral fund
- Annual medical checkups
- Uniforms
- Staff discount scheme

180-degree appraisal was introduced this year for assistant manager and above levels.

Ratio of entry level wage to minimum wage 1:1

Human Capital

Health and Safety in the Workplace

Given the nature of the Group's operations, ensuring employee safety, reducing workplace risks and creating a conducive work environment is a top priority. Accordingly, stringent health and safety controls and standards that are on par with international best practices have been implemented across all manufacturing facilities, which has ensured our workplace is increasingly safe over the years.

Health and Safety Committee at each factory.

Rs. 45 Mn was spent on ensuring health and safety of our employees.

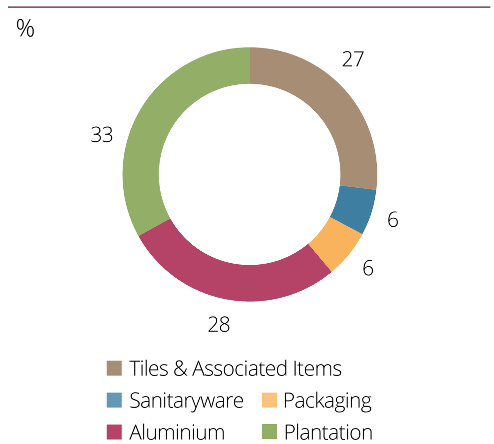
Only minor injuries reported during the year despite the high activity levels.

Lanka Tiles PLC and Lanka Walltiles PLC are certified by the Occupational Health and safety Assessment Series (OHSAS).

Royal Ceramics Lanka PLC Eheliyagoda factory is certified with ISO 45001: 2018- Occupational Health and Safety Management System

No reported incidents of non-compliance with health and safety regulations

Incidents of Occupational injuries by Sector



Managing Health and Safety

Safety Measures

- Periodic safety audits
- Provision of necessary safety gear
- Ensuring safety of machinery and equipment
- Safety committees
- Monitoring of injuries and accidents in the workplace
- Hazard analysis programme
- Safety training programmes

Health and Well-being

- Factory level employees are subjected to monthly health checks
- Regular monitoring of physical and mental health of employees
- Maintaining health records
- Staff medical scheme
- Visiting doctors services in Eheliyagoda factory

Training and Awareness

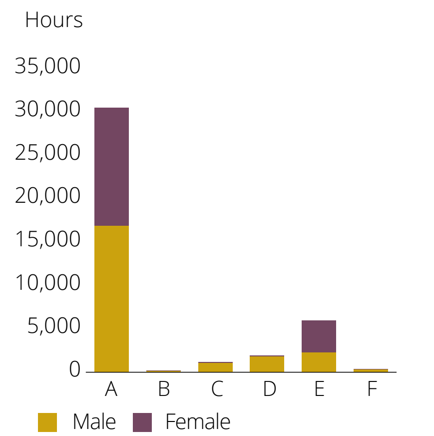
- Occupational health and safety training and awareness programmes are provided for all levels of employees with emphasis on minimizing injuries, preventing occupational hazards and creating awareness on safety standards
- More than 200 programmes conducted during the year

OPPORTUNITIES FOR TRAINING AND DEVELOPMENT

We equip our employees with the right skills and knowledge by providing ongoing opportunities for training and development. Training needs are identified through the performance appraisal and collated into the annual training needs analysis. Training programmes comprised external and internal development programmes as well as on-the-job training and certification programmes. Foreign training also provided to improve competencies of our employees.

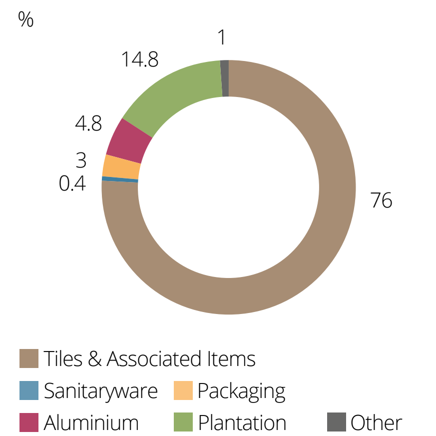
> Training programmes comprised external and internal development programmes as well as on-the-job training and certification programmes.

Training Hours By Gender

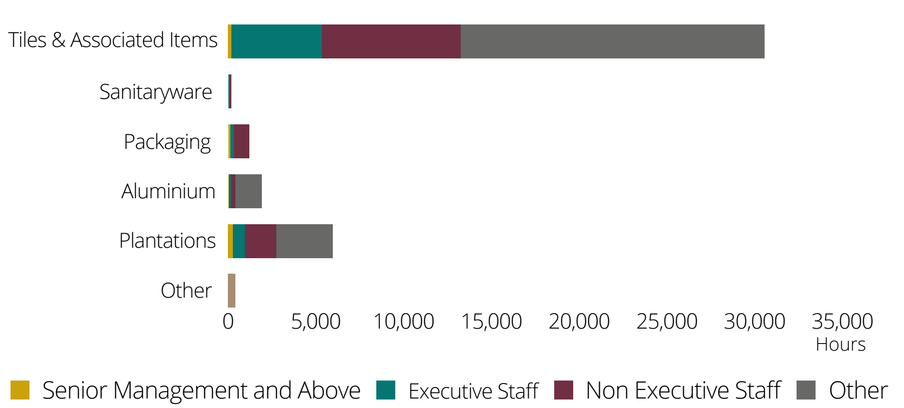


A - Tiles & Associated Items B - Sanitaryware
C - Packaging D - Aluminium E - Plantation
F - Other

Training Hours By Sector



Training Hours By Employee Category



Human Capital

Our training proposition includes the following:

Mentoring and knowledge sharing sessions

Technical Training Programmes

Live a happy life motivational programme

Health and Safety Training

Attitude building training

Rocell Learning Hub

- Employees in the staff and above categories are given access to the learning management system which was introduced in November 2022, where a series of learning programmes are accessible to employees to complete during a specific time period / as per own pace as applicable.
- The LMS will be connected to the employee appraisal and employees who complete courses will be scored based on their performance.
- This is expected to enhance the technical and soft skills of employees across all entities.

TPM Training

- 3 of our Total Productive maintenance managers were sent to Japan on a one-week study tour

Rocell Five Steps Service Excellence Framework

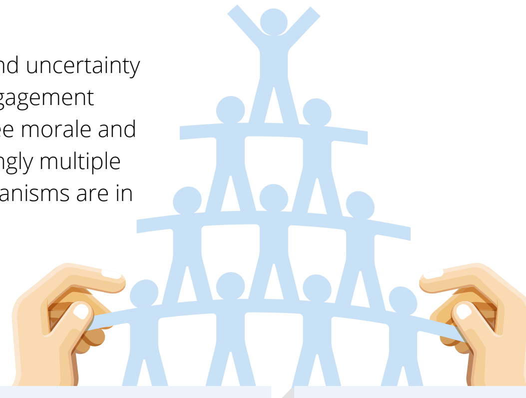
- HR introduced a special training programme for the sales force together with Marketing and Sales in order to develop the service offering to customers with a unique Rocell flavour.

Tiler Certification Programme

- The NVQ level 3 and 4 certified programme for technicians which was launched in 2021/22 in collaboration with Rocell, Lanka Tiles and DP Foundation was continued during the year. Upon completion of the programme these tilers will be able to register themselves and avail their services to customers through our dedicated website.

Active Engagement

Given the unprecedented challenges and uncertainty that prevailed last year, the Group's engagement initiatives aimed to strengthen employee morale and keep the workforce motivated. Accordingly multiple formal and informal engagement mechanisms are in place to address employee concerns.



- Open door policy encourages employees to come forward with their grievances at any time.
- Formal grievance handling, whistleblower, and disciplinary process.
- Regular staff and team meetings ensure effective communication.
- Annual welfare events create a sense of satisfaction

Engagement activities carried out to promote work life balance during the Year

Open day for factory employees and their families. Competitions and a musical extravaganza was held.

Family trip

Family trip for the first time for warehouse and logistics staff

Year end gathering

Annual pirith ceremony

Volleyball/ Cricket matches

Human Capital

TRADE UNION RELATIONSHIPS

Cordial relationships are maintained with three trade unions representing our employees at the three factories. Management's open-door policy with the unions contributed to improved decision making. We also collaborate with the trade unions in formulating work practices and ensuring the health and safety of workers. Bi-monthly meetings are held with union representatives to address any concerns and maintain engagement.

During the year, the collective agreement at Horana factory was renewed for a further 3 years.

OUTLOOK

We will continue to drive our comprehensive value proposition to employees by placing emphasis on training and development, career progression and employee engagement thereby building a team that is skilled, motivated and future fit to drive our growth plans.

DIVERSITY AND INCLUSION

We believe that a diverse and inclusive work environment enriches decision making through the combination of different skills, ideas, and perspectives. We have taken measures to ensure a conducive work environment free from discrimination for all our employees. Our human resource management framework provides equal opportunity to individuals regardless of age, gender, race or religion and our policy framework, employee practices and procedures reflect the same.

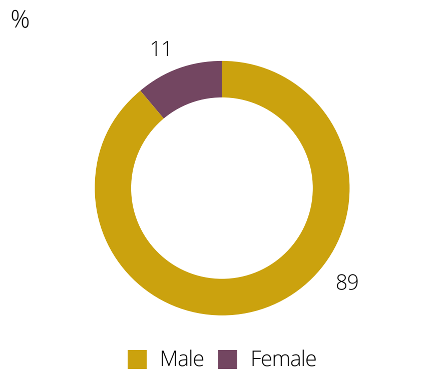
Zero tolerance policy on racism that is reflected in the recruitment, talent development and career progression processes

Zero tolerance towards sexual harassment in the work place

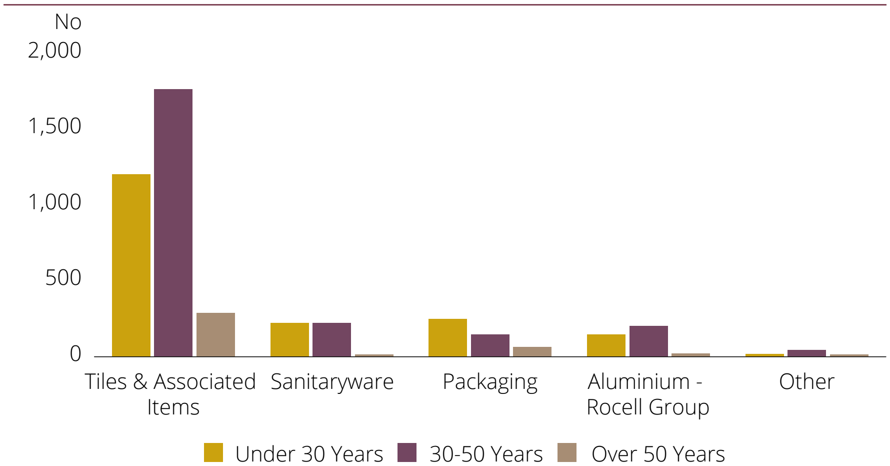
Employees are encouraged to report instances of discrimination through the Grievance, Open Door and Whistleblowing policies.

Zero reported incidents of discrimination during the year

Diversity and inclusion by Gender



Diversity and Inclusion by Age



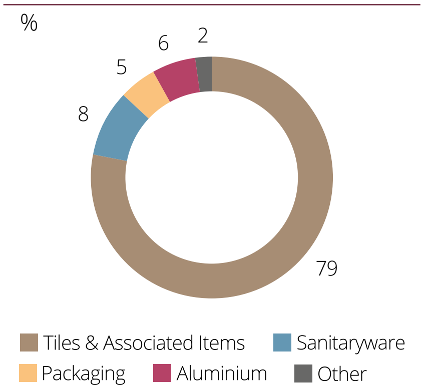
Manufactured Capital

Our manufactured capital consists of buildings, plant and machinery, showroom fixtures and fittings etc. Group's manufactured capital of Rs. 23,538Mn accounts for 26% of Groups' total assets and plays a vital role in our value creation process. Industries in which we operate requires substantial capital investments for specialised assets. However during the year such investments were thought-through due to the challenging operating environment.

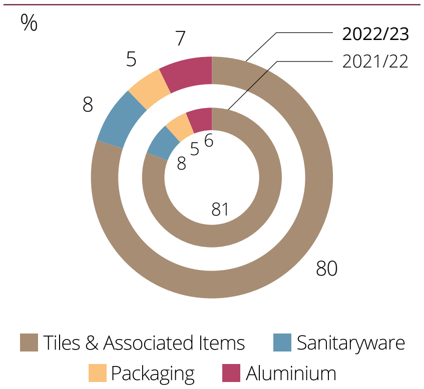
Capital expenditure of Rs. 5,950Mn

Buildings	Rs. **7,783** Mn
Motor Vehicles	Rs. **102** Mn
Plant & Machinery	Rs. **7,795** Mn
Office and Other Equipment	Rs. **1,843** Mn
Showroom Fixtures & Fittings	Rs. **880** Mn

Segmental Analysis of Manufactured Capital



Depreciation by Sector



How we enhance our manufactured capital

- Streamlining manufacturing process to increase capacity
- Use of technology and innovation to improve efficiency
- Enhance capacity to fulfill order book
- Expand our reach

Plans for 2023/24

- Completion of the proposed expansion of Horana factory with an expected additional capacity of 3,000 SQM per day
- Expansion project Completion of Lanka Walltiles factory in Meepe
- Installation of a new heat recovery system in Eheliyagoda plant
- Installation of a new kiln in Lanka Tiles factory in Ranala.
- Installations of high pressure casting machine in Homagama plant.
- Use of digitisation and Robotic Process Automation to enhance efficiency in all our locations.

Manufactured Capital

ENHANCING OUR MANUFACTURED CAPITAL

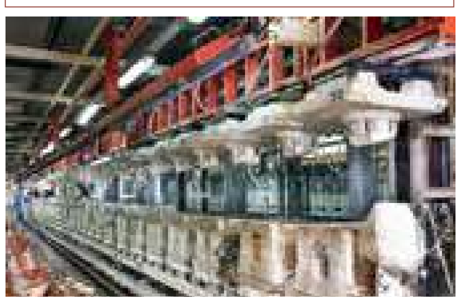
The Group dedicates a significant amount of its monetized capital towards improving our manufacturing capabilities in order to stay ahead of our competitors. The Board is responsible for guiding all expansion plans, taking into account factors such as demand, design trends, technology, and return on investment. Some of the expansion projects that were ongoing at the beginning of the year had to be put on hold due to forex issues and other macroeconomic challenges. However, both tiles and bathware capacities were significantly enhanced during the year with minimal capital investments.

OUR MANUFACTURING FACILITIES

TILES AND ASSOCIATED PRODUCTS

	Horana – Royal Ceramics Lanka PLC	Eheliyagoda – Royal Ceramics Lanka PLC
		
Description	Produces vitrified ceramic tiles and glazed porcelain tiles.	Manufactures homogeneous full body porcelain tiles and glazed porcelain tiles.
Current Capacity	10,500 m2/day	6,500 m2/day
Capacity Utilisation	95%	86%

SANITARYWARE / ALUMINIUM

	SANITARYWARE: Panagoda – Rocell Bathware Limited	ALUMINIUM: Dompe – Swisstek Aluminium Limited
		
Description	Produces vitreous China and fine fire clay sanitaryware products.	Produces aluminium profiles to fabricate all types of doors, sliding doors, windows, shop fronts, partitions, curtain walls, roller shutters, ladders and tile beading.
Current Capacity	35,000 pieces per month	700 MT/month
Capacity Utilisation	91%	36%

Tile sector which accounts for 79% of Group's manufacturing capital achieved 89% capacity utilisation compared to 98% of the previous year. Import restrictions that resulted in supply chain disruptions had a negative impact on capacity utilization. Production capacity of sanitaryware was increased up to 35,000 pieces by running a second shift and by streamlining the production process.

Ranala – Lanka Tiles PLC	Meepe – Lanka Walltiles PLC	Ballummahara – Swisstek (Ceylon) PLC
		
The largest tile manufacturing facility in Sri Lanka, produces glazed, vitrified wall floor tiles and Mosaic tiles.	Produces wall and floor tiles in a variety of colours, textures and sizes including mosaic tiles, special trim tiles and decorated tiles, as well as handmade tiles with double firing technologies	Produce tile grouts, tile mortar and decorative pebbles.
16,500 m2/day	8,000 m2/day	85,000 MT/annum
90%	82%	66%

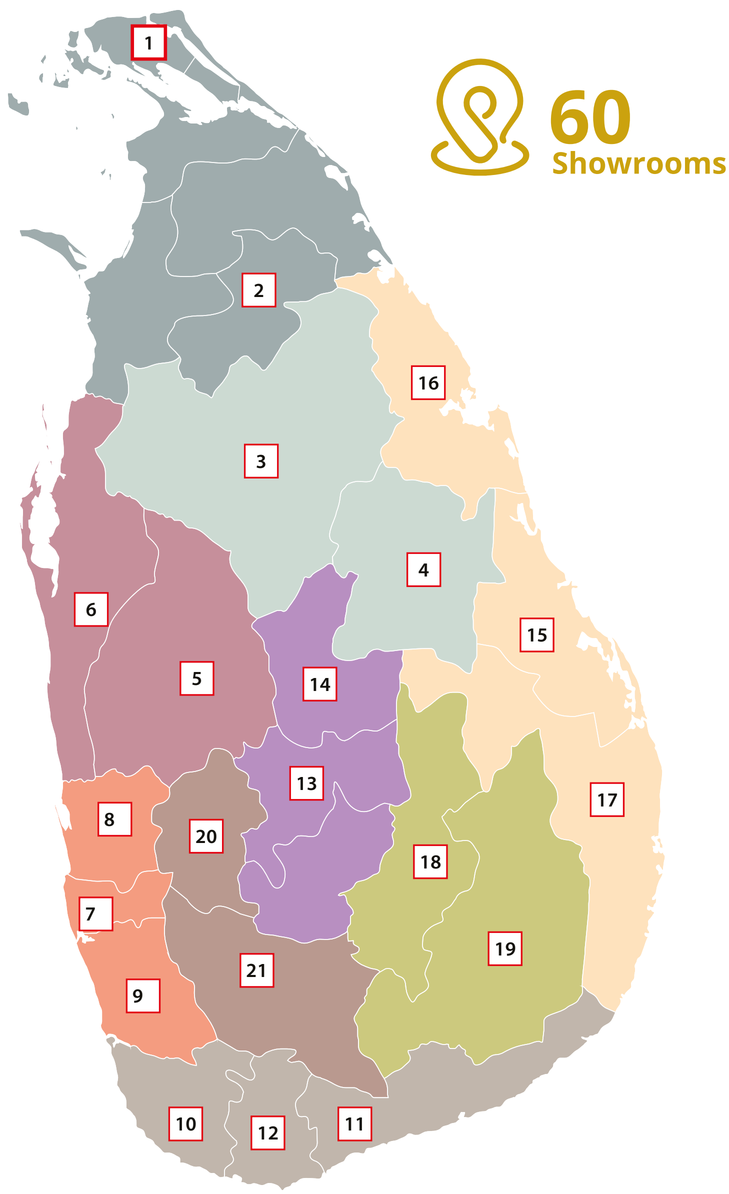
PACKAGING	PLANTATIONS
Dekatana – Unidil Packaging	**Horana Plantations**
	
Produces corrugated packaging and paper sacks for various industry requirements.	8 estates in Nuwara Eliya & 1 estate in Kalutara District producing tea and 5 estates in Kalutara District producing rubber.
33,000 MT corrugated packaging and 3,600 MT paper sacks per annum	Tea - 4,505 MT/annum, Rubber – 1,050 MT/annum
Corrugated packaging - 63% , Paper sacks - 26%	

Manufactured Capital

OUR BRANCH NETWORK

The challenging economic conditions and the lacklustre construction industry forced us to put our expansion plans on hold. However, during the year we expanded our reach by opening a new showroom in Kalmunai at a cost of Rs. 55Mn.

Northern Province	2
1. Jaffna District	1
2. Vavuniya District	1
North Central Province	**2**
3. Anuradhapura District	1
4. Polonnaruwa District	1
North Western Province	**4**
5. Kurunegala District	2
6. Puttalam District	2
Western Province	**30**
7. Colombo District	16
8. Gampaha District	9
9. Kalutara District	5
Southern Province	**4**
10. Galle District	2
11. Hambantota District	1
12. Matara District	1
Central Province	**7**
13. Kandy District	5
14. Matale District	2
Eastern Province	**3**
15. Batticaloa District	1
16. Trincomalee District	1
17. Ampara District	1
Uva Province	**3**
18. Badulla District	2
19. Monaragala District	1
Sabaragamuwa Province	**5**
20. Kegalle District	1
21. Ratnapura District	4



	Showroom	Address	Telephone
1	Ambalangoda	Sanga Raja Maha Viharaya, 754 Galle Rd, Ambalangoda	091-4944731/ 091-2253263
2	Ambalanthota	76 A Tangalle Road, Ambalantota	047-4932446, 047-4379092
3	Anuradhapura	512 B, Maithreepala Senanayaka Mawatha, Anuradhapura	025-4581221/ 025-4580294
4	Athurugiriya	39, Godagama Road, Athurugiriya.	011-4443641/ 2
5	Badulla	70, Bank Road, Badulla.	055-4499780/ 782
6	Balangoda	52, Barnes Ratwatta Mawatha, Balangoda.	045-4927365
7	Bandarawela	254 Bandarawela By Pass Rd, Bandarawela	057-4496014/ 057-4436038
8	Batticaloa	124 Bazaar St, Batticaloa	065-4929450
9	Beruwala	278, Galle Road, Massala, Beruwala	034-4288371/ 2
10	Chilaw	114 Chilaw - Colombo Main Rd, Chilaw	032-4934126
11	Colpetty	440, R.A. de Mel Mawatha, Colombo 03	011-4209204/5/ 6
12	Dambulla	679 Dambulla - Bakamuna - Kalugahawela Road, Dambulla	066-4935041/ 2
13	Dehiwala Concept Centre	106 Colombo - Galle Main Rd, Dehiwala-Mount Lavinia	011-7024729/30/ 28
14	Eheliyagoda	185B, Ratnapura Road, Eheliyagoda	036-4922946/ 036-2259553/ 034-4283403
15	Galle	W .D.S.Abeygunawardena Mawatha, 77 Old Matara Rd, Galle	091-4380033 / 091-4385120
16	Gampaha	174/A/2, Colombo Road, Gampaha.	033-4670937/ 755
17	Gampola	7,T.B.Panabokke Mawatha, Illawatura Rd, Gampola	081-4951436 / 081-4945257
18	Horana	173, Panadura Road, Horana.	034-4283403 / 034-4285033 / 034-4942797
19	Ja-Ela	Ja Ela Concept Center, 203, Colombo Road, Ja-Ela	011-4334173 / 011-4504480
20	Jaffna	218, Stanley Road, Jaffna	021-4927003/ 4
21	Kadawatha	No.336 Kandy Rd, Kadawatha	011-4322994
22	Kaduwela	384/B, Malabe Road,Kaduwela	011-4948182 / 0114541423
23	Kalmunai	125, Main Street, Kalmunai	067-4501197 / 0776372645
24	Kalutara	443, Galle Road, Kalutara North, Kalutara.	034-4280469 / 034 - 2480152
25	Kalutara	574, Galle Road, Kalutara South, Kalutara	034-4280933/ 4
26	Kandy	562, Peradeniya Road ,Mulgampola, Kandy.	081-447158/ 2
27	Kandy	185 William Gopallawa Mawatha, Kandy	081-4475825
28	Kandy	279, Katugastota Road, Kandy.	081-4481759/ 60
29	Kegalle	504/1, Kandy Road, Meepitiya, Kegalle	035-2230980 / 035- 4925290 / 035- 4925292
30	Kiribathgoda	218, Kandy Road, Kiribathgoda.	011-4817231 / 011- 4817230
31	Kottawa	472/1, High Level Road, Makumbura, Kottawa	011-4308413/011-4304170
32	Kuliyapitiya	181, Hettipola Road, Kuliyapitiya.	037-4930870, 037-4696134
33	Kundasale	120, Digana Road, Kundasale	081-4501044
34	Kurunegala	176 Colombo Road, Kurunegala	037-4690467
35	Maharagama	Elhena Rd, Maharagama	011-4319514 011- 4319646
36	Malabe	1st Ln, Malabe	011-4411775 / 011- 4411866
37	Matale	160, Kings Street, Matale	066-4460928 / 066- 2224270
38	Matara	139, Gunawardena Mawatha, Kotuwegoda, Matara.	041-4933629 / 041 - 4641007

Manufactured Capital

	Showroom	Address	Telephone
39	Minuwangoda	173, Colombo Road, Minuwangoda.	011-4969060 / 1
40	Monaragala	Kandaland Wellawaya Road,Monaragala	055-4936169 / 055- 4936170
41	Moratuwa	438 A2, Moratuwa	011-4210726 / 011 - 4210827
42	Nawala	101 Nawala Rd, Sri Jayawardenepura Kotte	011-4311311
43	Nawala	30, Narahenpita Road, Nawala.	011-4651000
44	Nawala	100 Narahenpita - Nawala Rd	011-4691705/06 /07 /08
45	Nawala	98, Nawala Road, Nugegoda.	011-4405160 / 011-4410088
46	Negombo	206, Chilaw Road, Negombo.	031-4922192 / 031-4874575
47	Nittambuwa	52, Kandy Road, Nittambuwa.	033-4929681 / 033 - 4928843
48	Panadura	504, Galle Road, Panadura.	038-4281898 /9
49	Pelmadulla	232. Rathnapura Road,Pelmadulla	045-4935060, 045-4935065
50	Piliyandala	114 Colombo - Horana Rd, Piliyandala	011-4210675 / 011-4215604
51	Polonnaruwa	13 Hospital Junction, Polonnaruwa	027-7634402
52	Ratnapura	225, Colombo Road,Ratnapura.	045-4360318 / 045- 4360297
53	Seeduwa	587 Migamuwa Rd, Seeduwa	011-4831987 / 011- 4831988
54	Trincomalee	2 Kandy Rd, Trincomalee	026-2225008 / 026-4925585 / 586
55	Vavuniya	Kandy Rd 1st Ln, Vavuniya	024-4928331/2
56	Wattala	158, Negombo Road, Wattala	011-4818563 / 69
57	Wennappuwa	338,Chilaw Road, Wennappuwa	031-4874656/57
58	Nawala-Lanka Tile	215, Nawala Road,Narahenpita	011-4526700
59	Perceptions Tile Gallery-Lanka Tile	133b, Jawatta Road, Colombo 5	011-3883510
60	Swisstek Aluminium Ltd	23,Narahenpita Road,Nawala	011-7807120

OUTLOOK

The Group is hopeful of completing the capacity expansion projects that were put on hold due to the challenges in the operating environment. With these planned expansions we aim to expand our product portfolio by introducing new designs and tiles of different formats and sizes.

We are conscious of the environmental impact of our manufacturing process and continuously strive to minimise any negative impact with the use of technology and innovation.

Social and Relationship Capital

Effective relationships with stakeholders are vital to sustaining our market position. Our aim is to maintain mutually beneficial relationships with our customers, suppliers and community and have a well-defined relationship management process in place.

CSR Spend Rs. 88 Mn

Value Delivered to Stakeholders

Customers

- 11,556,309 SQM of Tiles
- 166,297 of Bathware pieces
- 148,387 of Accessories
- 2,146 MT of Tea
- 643 MT of Rubber
- 20,575 MT of Corrugated Boxes
- 2,287 MT of Paper sacks
- 53,443 MT of Skim Coat & Motar
- 2,766 MT of Aluminum Products
- 29,850 MT of Feldspar
- 6,736 MT of Kaolin

Suppliers

- Rs. 52,286Mn paid to local suppliers
- Rs. 20,604Mn paid to foreign suppliers
- Transparency
- Timely payments

Regulators

- Rs. 15,317Mn of Direct Taxes and Indirect Taxes
- Export revenue of Rs. 2,440Mn

Community

- CSR spend of Rs. 88Mn
- Direct and indirect employment opportunities

How we enhance our Social and Relationship Capital

- Reinforcing engagement with supplier base
- Actively pursuing new export opportunities
- Creating brand loyalty
- Process and product innovation

Plans for 2023/24

- Strengthen supplier chain to minimise any potential supply chain disruptions
- Expand our export destinations.
- Expand our product portfolio with products with better yield and are more environmentally friendly.
- Knowledge sharing through industry collaborations to drive innovation and productivity.

Social and Relationship Capital

DELIVERING VALUE FOR OUR CUSTOMERS

Due to the diversity of the Group's business segments, we have a variety of customers with unique requirements.

To maintain our competitive advantage, it is crucial that we understand the unique requirements and preferences of our diverse customer base. Therefore, we communicate with them through various channels to comprehend their demand patterns and adjust our product portfolio accordingly.

Packaging

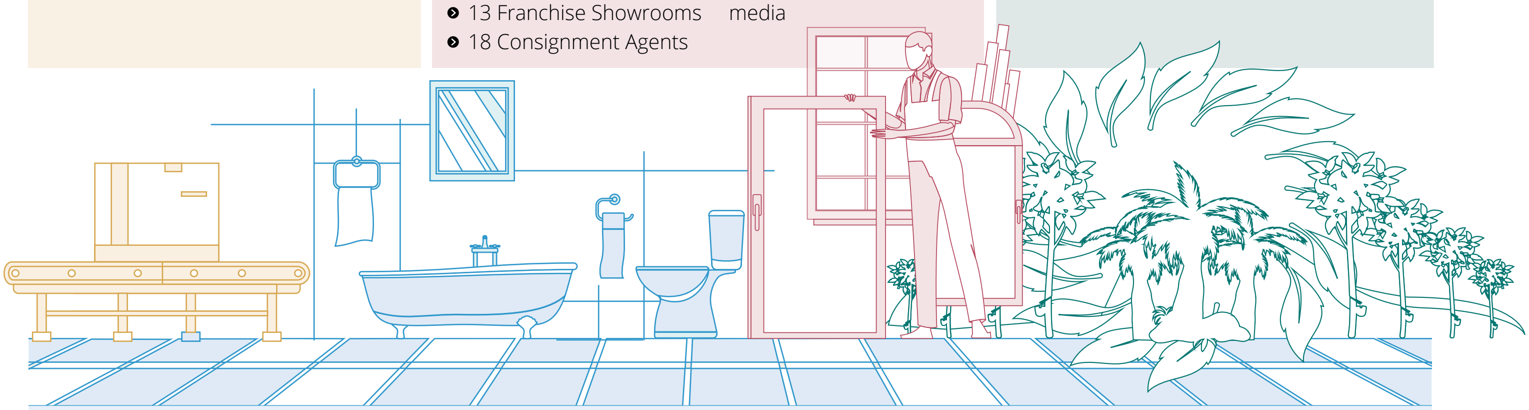
B2B customers

Aluminium

- 1 own Showroom
- 177 Dealers
- 13 Franchise Showrooms
- 18 Consignment Agents
- Aluminium Fabricators
- Print, digital and social media

Plantations

- Tea and rubber auctions
- International Trade Fairs



Tiles & Bathware

- 59 Own showrooms
- 53 Franchise showrooms
- 31 Factory outlets
- 5 Hybrid showrooms
- Tilers club
- 100 Dealers
- 87 Distributors
- Design conclave
- Android and iOS App
- Call centre
- Print, digital and social media

As illustrated above, the Group maintains multiple channels of engagement with our customer base enabling us to understand changes in customer preferences and requirements, which is essential to stay ahead of our competitors. Showroom staff has direct access to customers and are provided with adequate training in customer handling and service. Further, our island wide presence through our franchise and distributors network provides customers convenience and accessibility to our products.

We maintain stringent quality control measures throughout our production process in order to ensure premium quality products. The Group has several international quality accreditations to ensure quality while our state-of-the-art production facilities adopt innovation and latest technology.

Our products are subjects to assessments of health and safety impacts on the users and we committed to ensure maximum protection from harmful impacts of our offerings.

Despite the intense pressure on margins due to inflationary pressures we applied minimum price increases due to our various cost-saving measures and productivity and efficiency enhancement implemented in all our factories.

Product pricing is clearly displayed in all products meeting all regulatory requirements to ensure consumer protection and there were no incidents of noncompliance reported during the year.

A graphical illustration of Group's value proposition to our customer base is given below.

Value for Money

We maintain reasonable pricing for all our products and maintained fair prices during the year despite the intense pressures on margins due to inflationary pressure.

Superior Quality

Stringent quality assurance is maintained throughout the manufacturing process ensuring superior quality end products.

Innovation

A dedicated research team to design an innovative product portfolio. Group also employs third party foreign experts when required.

Customer Support

Well trained and competent showroom staff in place

A dedicated call centre

Efficient customer complain handling team

Convenience

An island wide presence through our distribution network

Variety

A comprehensive product portfolio that is aesthetically pleasing and environmentally friendly.

Social and Relationship Capital

RELATIONSHIPS WITH OUR SUPPLIERS

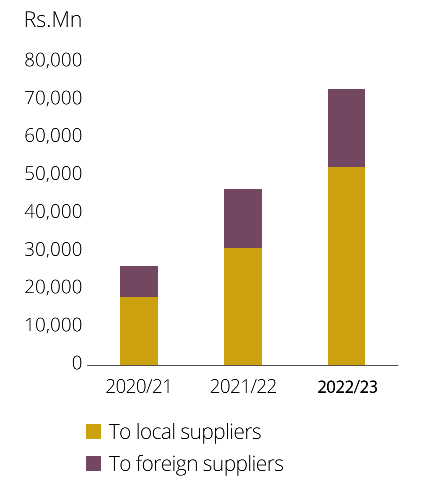
Managing the supplier base was crucial during the year as the Group was faced with numerous supply chain disruptions due to the challenging macro-economic conditions. Consequently, we reinforced our engagement with the existing supply base while looking for alternate suppliers in order to ensure timely supply of required raw materials. Further, the Group sought technical support from our suppliers to increase the productivity of our operations with the aim to relieving the pressure on profit margins. The Group also continued to hold larger inventory levels as a precaution to ensure uninterrupted operations.

Despite the challenges in meeting payments to suppliers, the Group managed to make all payments to both local and foreign suppliers. Payment to overseas suppliers were met using Group's export earnings while positive relationships with the supplier base helped us to negotiate more flexible payment terms.

The Group has a transparent and consistent procedure when selecting new suppliers as illustrated below and this was properly adhered to during the year.

Our Supplier Base

Payment to Suppliers



OUR COMPLIANCE

Securing trust between people, business and government is one of our greatest purpose in Rocell Group. We are committed to maintain highest ethical standards of honesty, integrity and transparency in all our business dealings by complying with all applicable laws and group policies. We adopt zero tolerance approach to any form of corruption including bribery, embezzlement, extortion, fraud or any other illegal or unethical conduct. Audit committee monitors the compliance regularly and re-launched the whistleblowing policy creating awareness with all levels of employees. There were no confirmed incidents of corruption or any legal action taken for anti-competitive behaviour, anti-trust, and monopoly practices during the year.

STRATEGIC PARTNERSHIPS

We continued to pursue partnerships with world renowned brands as demand for tiles and bathware products in the local market remained substantially low during the year. These alliances have paved way to new export destinations while attracting the interest of potential buyers

Further, we reinforced our relationships with industry and technical experts with the aim of improving our productivity and efficiencies and through these partnerships the Group was able to achieve significant process, productivity and quality improvements.

INDUSTRY COLLABORATIONS

We actively collaborate with professional bodies with the aim of contributing to the growth and development of our industry. Further, we encourage our employees to take part in these forums and use these opportunities to share knowledge with industry peers.

- The Institute of Chartered Accountants of Sri Lanka
- The Ceylon Chamber of Commerce
- The International Chamber of Commerce
- Chamber of Construction Industry of Sri Lanka
- Sri Lanka Ceramic and Glass Council
- Sri Lanka – Italy Business Council
- Geological Survey and Mines Bureau
- Institute of Supply and Material Management of Sri Lanka
- The Ceylon National Chamber of Industries (CNCI)

COMMUNITY ENGAGEMENT

We consider it our responsibility to contribute towards the development of the community we operate in. These efforts can be broadly categorized into social and environmental sustainability. Our efforts in this regard include,

- Distribution of LED panels for 55 Schools under the DP eduction project by the Royal Ceramics Lanka PLC
- Renovation of Eheliyagoda plant access road by Royal Ceramics Lanka PLC
- Tiles, cash and school uniforms donation to various schools and religious institutions
- Meal distribution for schools (nutrition programme)
- Blood donation camp by Swisstek Aluminium Limited
- Dansal organised by Rocell Bathware Ltd.

Natural Capital

As an organization with significant manufacturing interests, we are aware of our impact on the environment through the consumption of natural resources and the discharge of outputs generated from our operations. We remain dedicated to reducing our environmental footprint and generating positive impacts through efficient allocation of resources and innovative processes.

Highlights of 2022/23

Water Intensity

Sector	Unit	2020/21	2021/22	2022/23
Tiles & Associated Products	Litres per SQM	31	28	36
Sanitaryware	Litres per PCs	205	189	211
Packaging	Litres per MT	1,083	704	764
Aluminium	Litres per MT	5,600	6,146	8,550
Plantations	Litres per MT	32,835	36,106	67,598
Other	Litres per MT	37	16	15

Energy Intensity

Sector	Unit	2020/21	2021/22	2022/23
Tiles & Associated Products	GJ. per SQM	0.11	0.08	0.08
Sanitaryware	GJ. per PCs	0.35	0.31	0.33
Packaging	GJ. per MT	0.26	0.55	0.64
Aluminium	GJ. per MT	10.48	9.75	13.32
Plantations	GJ. per MT	3.09	5.17	6.68
Other	GJ. per MT	0.07	0.07	0.09

Awards and Accolades

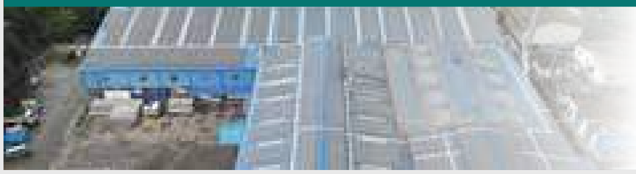
Royal Ceramics Lanka PLC, Eheliyagoda
Bronze

Royal Ceramics Lanka PLC, Horana Plant
Merit

awarded in the Chemical Industries category for the excellent contribution towards environmental conservation at the **Presidential Environment Awards 2021-22 conducted by the CEA/ Ministry of Environment**

Strategic Imperatives

Energy Management



Investing in energy efficient machinery

Energy savings through ongoing efforts to enhance energy efficiency

Material Consumption

Reused 10,317 MT
of materials during the year

Material consumption increase due to capacity expansions

Encouraging Responsible Disposal of Waste

Rs. **7,711** Mn
of waste recycled

47,084 MT
of solid waste segregated and disposed responsibly, in compliance with environmental regulations

Waste generated increased in line with materials consumption

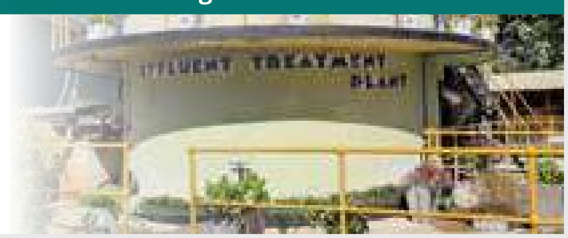
We are committed to reducing waste through efficiency improvements

Effective Management of Water & Effluents

All effluents are treated prior to being discharged

5,841,376 Litres
of water consumed during the year was sourced through third party water suppliers

68%
of water is recycled and used in the production process



Managing Our Emissions

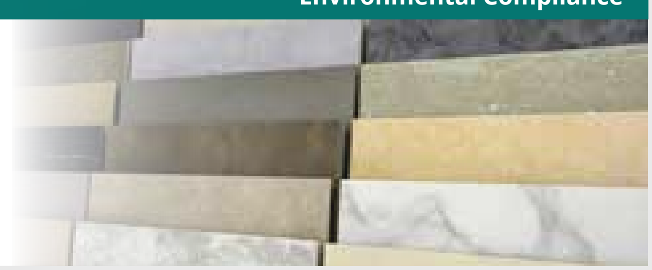
Committed to Climate action

Investment in
Solar Power

Environmental Compliance

ZERO
incidents of non-compliance with regulatory standards

All our factories are compliant with the ISO 14000 standard



Natural Capital

OUR MANAGEMENT APPROACH

We are committed to reducing the environmental footprint of our operations by using resources in a sustainable manner for the net benefit of the society. Our environmental strategy is guided by the ISO14001: 2015 Environmental Management Systems Standard.

The Safety, Health & Environment (SHE) pillar leader, under the guidance of the Managing Director /Director-Manufacturing and Deputy General Manager, Assistant General Manager, General Manager, Factory Manager, and TPM Manager assumes overall responsibility for all activities related to the management of natural capital at each factory. The SHE pillar leader is assisted by a team of four members in executing these responsibilities.

MONETIZED NATURAL CAPITAL

The Group has an extensive island-wide land bank consisting of agricultural land, clay mining land and other freehold property used for commercial purposes such as manufacturing plants, showrooms and warehouses.

Rocell Group holds over 220 acres of mining land which is crucial for ensuring long term sustainability of our key business activities as we procure our in-house clay requirements from these lands.

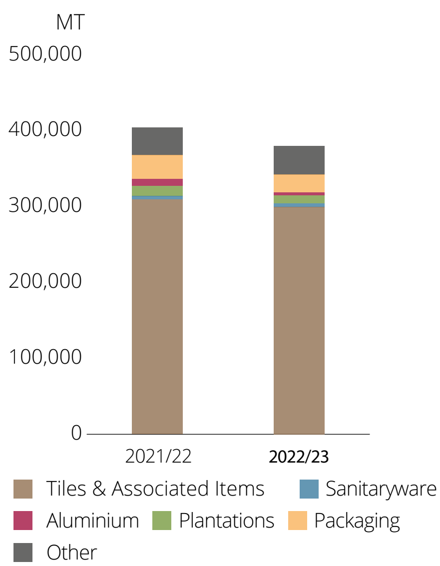
MATERIAL CONSUMPTION

We rely heavily on finite resources including ball clay, feldspar and kaolin for the production of tiles. We strive to minimize wastage and reuse materials where possible through the effective implementation of TPM and other process improvements as most of these materials are non-renewable in nature. Most of the minerals used in the manufacturing of tiles is recycled and reused, while the rest is used to refill clay mines. Material consumption during the year is as follows:

Material Consumption by Type (MT)

Type	2022/23	2021/22
Renewable		
Chemicals	1,464	2,010
Field latex rubber	785	747
Green leaf	9,930	12,932
Ink	572	125
Paper	23,154	30,540
Powder	73	132
Other	440	596
Total	36,418	47,142
Non-Renewable		
Billet	3,641	8,302
Ball clay	86,088	90,197
Feldspar	161,529	169,804
Cement	20,193	21,858
Kaolin	22,529	27,049
Silica sand	44,886	40,219
Other	5,356	5,615
Total	344,222	363,044

Material Consumed by Segment



344,222 MT
of non-renewable material was consumed during the year

10,317 MT
of materials were reused by the Group in 2022/23

ENERGY MANAGEMENT

As a group with significant manufacturing interests, our operations are relatively energy intensive. Higher production levels and increased automation of processes increased the energy usage in our operations prompting the group to manage its energy usage.

The overall energy usage decreased during the year by 6% to 1,176,077 GJ, the energy intensity levels of the group has increased despite the ongoing efforts to reduce the consumption of energy from non-renewable sources due to lower production levels operated during the year

Renewable Energy

Efficient Consumption of Energy

Supply constraints, price hikes and increased demand for costly energy sources due to power cuts led to an increase in energy cost with cost of energy accounting for 49% of our total production cost in our tiles and sanitaryware sectors during the year.

RELIANCE ON RENEWABLE ENERGY

Given the energy-intensive nature of our operations we have invested in green energy sources such as solar power to generate renewable energy and shift away from fossil fuels.

Rooftop Solar Installation

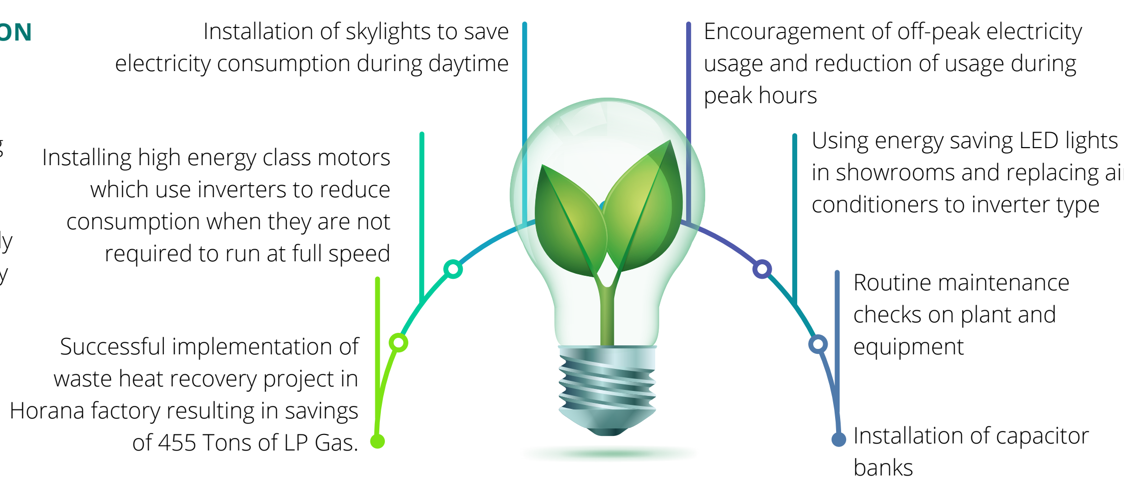
- Having installed a rooftop solar panels, we were able to generate 2,170 MW of our energy usage with renewable energy during the year from Eheliyagoda, Horana Plantations and Unidil Packaging Factories.
- There are 3 more solar power projects work in progress at Eheliyagoda, Horana and Homagama to generate 403 MW, 2,000 MW and 1,212 MW respectively.
- The Group plans to install solar panels with a capacity of 2,000MW per annum, at Lanka Walltiles and another one with a capacity of 631MW per annum at Lanka Tiles
- In the Plantation sector 5 factories are solar power generated while most bungalows are also on solar power enabling significant savings for the Group.

Shifting to Biomass

- 9% of energy consumed is sourced from Biomass, a decrease by a 1%.
- Reduced our dependency on fossil fuels in our packaging plant by shifting to renewable energy sources such as firewood.
- Planting of trees for fuel wood by Horana Plantations.

EFFICIENT CONSUMPTION OF ENERGY

TPM targets on reducing non-productive idle running times are in place across all our factories and our energy usage is continuously monitored. Energy efficiency initiatives include:



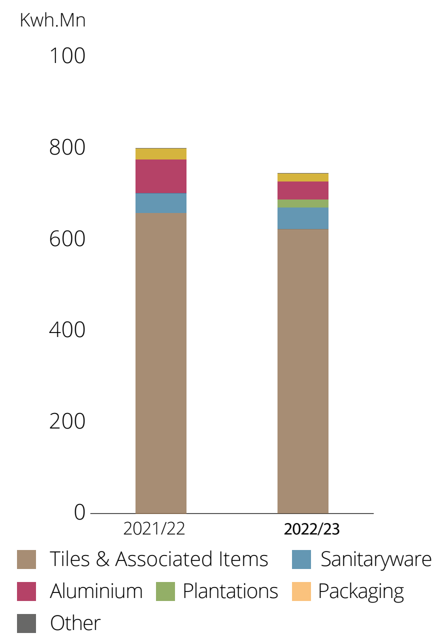
Natural Capital

A breakdown of our energy consumption is given below:

Energy Consumption by Type

Type	Unit ('000)	2022/23	2021/22
Renewable			
Firewood/Bio Mass	Kg	10,945	11,041
Solar Power	kWh	1,175	712
Non-Renewable			
Diesel	Litre	2,051	1,431
Furnace Oil	Litre	355	574
LPG	Kg	29,920	29,551
Purchased Electricity (From CEB)	kWh	74,630	82,868
Kerosene	Litre	419	2,502

Energy Consumed by Segment



WATER AND EFFLUENTS

Strategic emphasis is placed on reducing water usage as we are conscious of our significant water footprint. We strive to gradually reduce the water withdrawn for our operations by reducing wastage and re-using water discharged from our processes.

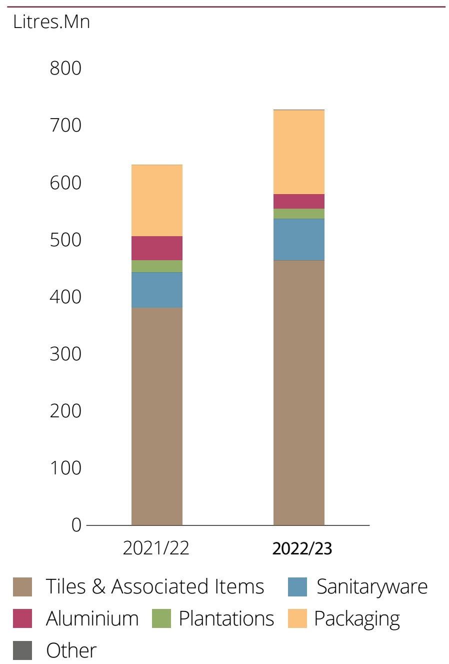
Wastewater discharged from our operations are treated prior to being released to water bodies or re-used. All factories are equipped with modern effluent treatment plants and the quality of water discharged is continuously monitored. These continue to be within the parameters specified by the Central Environmental Authority.

> The tiles and manufacturing segment accounts for 63% of the Group's water consumption, with the rest of the Group accounting for the remainder for various operational needs.

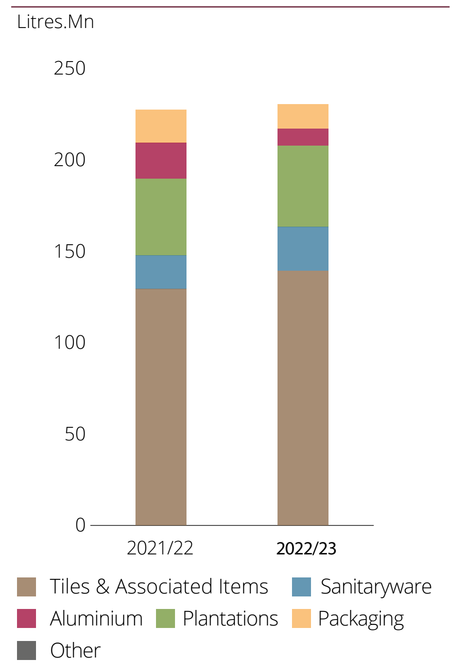
Recycling Water

- Nearly 100% of water used in our operations is recycled and reused in the production process after treatment.
- Our treatment plant is continuously upgraded with the latest technology to ensure right quality levels are maintained.

Water Consumed by Segment

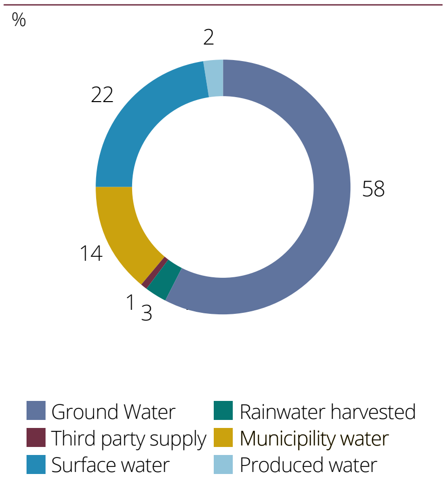


Water Discharged by Segment

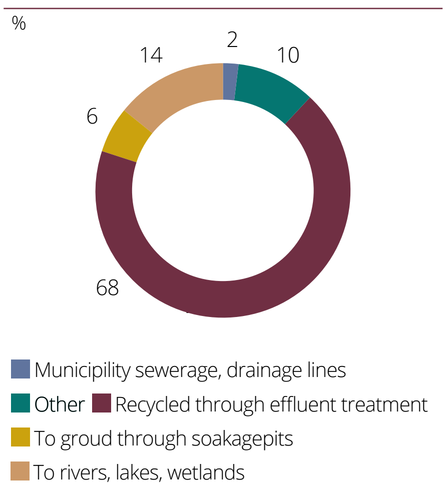


6%
of the water consumed is sourced through
ground water withdrawals.

Water Consumption by Source (Litres)



Waste Water (Litres)



Responsible Disposal of Waste

Solid waste generated from our operations are segregated and disposed of in compliance to environmental regulations and industry best practices. Periodic internal audits are conducted to ensure conformity to guidelines stipulated by the Central Environmental Authority (CEA).

Partnerships for Innovation

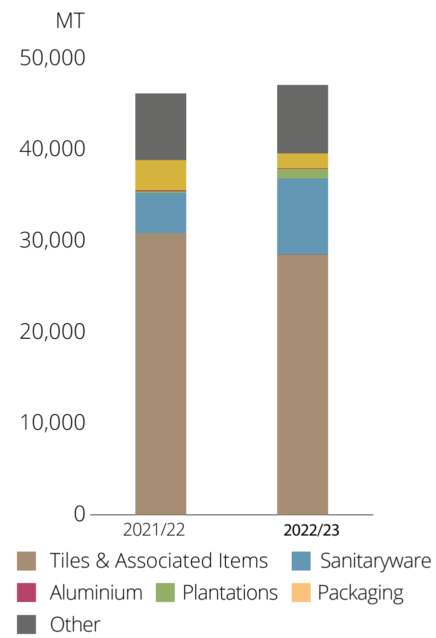
- We are working on recycling waste materials from the sanitaryware factory to be used as an input in our tile manufacturing plant at Horana. Materials that are released with wastewater is filtered and used as clay allowing for better workability.

Recycled Input Materials

- Waste from the polishing and squaring process which is used to be sent out for re-filing mines is being recycled and used as an input in the production process at the Horana factory.

The total volume of waste generated by the Group during the year amounted to 47,084 MT. Various TPM projects and other initiatives are carried out within the group to minimize wastage.

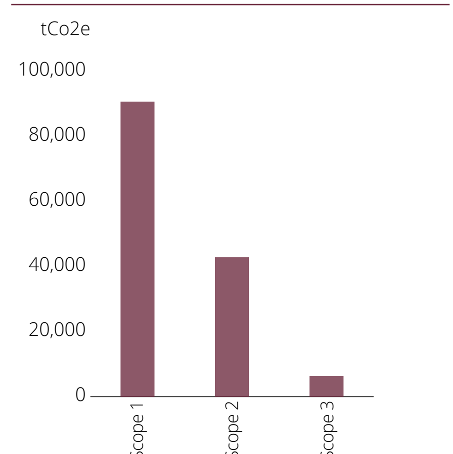
Waste Discharged by Segment



GHG Emissions

We strive to reduce our emissions by improving filtering systems and recycling. Greater emphasis is placed on monitoring and controlling our carbon footprint for sustainable business operation.

GHG Emission

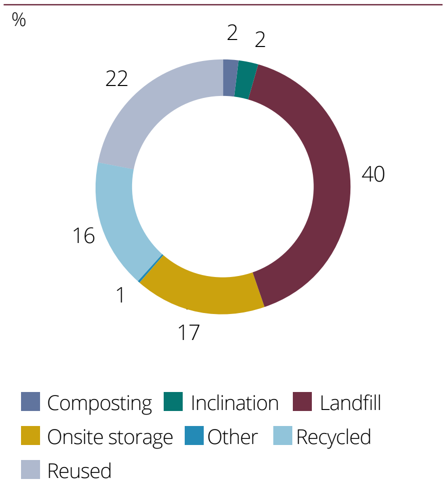


Natural Capital

Details of waste and methods of disposal are given below:

Hazardous waste	Sent to cement manufacturing factories
Paper waste Organic waste Waste materials	Sold to third parties or reused in the manufacturing process. 10,317 MT of such waste was converted to reusable forms during the year.
Food waste	Segregated to be used as animal food

Disposal of Solid Waste



MANAGING OUR EMISSIONS

As a responsible corporate who is cognisant of our impact on the environment, we have directed our efforts to reduce our carbon footprint in a sustained manner. Our approach focuses on gradually reducing our carbon footprint through the efficient consumption of energy while also reducing our reliance on fossil fuels.

The implementation of waste heat recovery systems is a key project undertaken to reduce our emission levels. Details of this project are presented alongside.

A few other initiatives to manage our emissions include:

Using heat exhaust chimneys

Assessment of clay mines of our suppliers to ensure the mines are adequately back-filled

Ensuring safe emission of gases from the melting furnace and other energy saving initiatives

Significant investments in renewable energy sources such as solar power over the last few years

Recycling Emission Heat into the Combustion System

We re-use waste heat through modern heat recovery systems which have been installed at the Horana factory. This has saved upto 2,010 MT of LPG in the last 4 years including 455 MT in the year 22/23.

We have also invested in a similar heat recovery system in the Lanka Tiles PLC factory in Ranala which will be in operation from the year 23/24.

Two other projects are planned to be implemented in the Eheliyagoda factory and the Lanka Walltiles factory in Meepe. This gives us an additional benefit as it not only reduces the heat but also the emission of greenhouse gases to the air.

ENVIRONMENTAL COMPLIANCE

We comply with the relevant environmental regulations of the Central Environmental Authority and have obtained the Environmental Protection License for all our factories. This is reviewed annually through internal audits and compliance reporting.

Given below is a list of environmental compliance related certifications we complied with in 2022/23.

Certifications	Tiles & Associated Products	Sanitaryware	Plantations	Aluminium	Packaging
ISO 14001	✓			✓	✓
Green SL Labelling System	✓				
Green Labelling Certification		✓			
WELS Certification		✓			
Ethical Tea Partnership			✓		
Rainforest Alliance			✓		

OUTLOOK

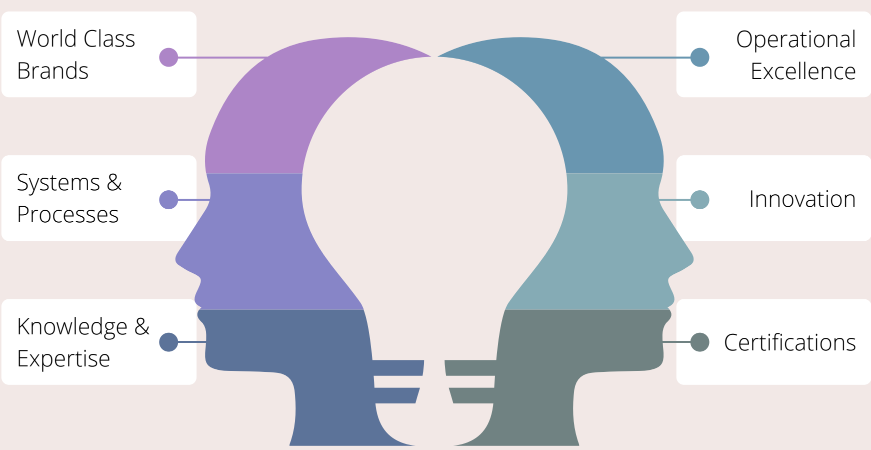
We will continue to drive sustainable production practices across the Group seeking to become more responsible in our consumption of energy, water and raw materials. We will also seek to minimize environmental impacts through reusing, recycling and safe disposal of waste and effluent discharge.

Intellectual Capital

Group's intangible assets provides us the competitive edge to maintain our market position while upholding our reputation to deliver of superior quality products. Our flagship brands 'Rocell' and 'LANKATILES' continue to dominate the local market while the skills and expertise of our team provide us the competitive edge to stay ahead of our competition.

How we enhance our Intellectual Capital

- Increasing our brand visibility
- Continuous training and development to upskill our team
- Use of technology to enhance productivity and efficiency
- Stringent compliance to world-class quality controls



Awards and Accolades

- TAGS Awards 2022 of CA Sri Lanka
    - Royal Ceramics Lanka PLC - Silver Award in the manufacturing sector (Turnover above Rs. 10Bn)
    - Horana Plantations PLC - Bronze Award in plantation sector
- Top 40 Corporate Performers by Business Today 2021/22
    - Royal Ceramics Lanka PLC ranked 9th place
    - Lanka Walltiles PLC ranked 20th place
- CNCI Achievers Award 2022
    - Rocell Bathware Limited - Extra Large Manufacturing Sector - National Merit Award
    - Royal Ceramics Lanka PLC (Horana Factory) - Extra Large Manufacturing Sector - National Merit Award and Top 10 Award
    - Royal Ceramics Lanka PLC (Eheliyagoda factory) - Extra Large Manufacturing Sector - Provincial Level Silver Award
- Unidil Packaging Limited - 7 Gold Awards at National quality and Productivity Award 2022 by SLAAQP
- Green Apple Environment Awards 2022 - Horana Plantations PLC
- Overall Best Trade Stall Award at Architect Exhibition 2023 -Lanka Tiles PLC
- Most Innovative and Informative Trade Stall Award at Architect exhibition 2023-Lanka Tiles PLC
- Great place to work certification- Horana Plantations PLC
- Presidential environmental Awards- Merit Award- Royal Ceramics Lanka PLC (Horana Factory)
- Presidential Environmental Awards- Bronze Award- Royal Ceramics Lanka PLC (Eheliyagoda Factory)
- Best Stall - Kedella Construction Expo 2022 - Swisstek Aluminium Ltd
- Overall Gold Winner Bestweb.lk 2022 - Organized by alupenters.lk - Swisstek Aluminium Ltd

WORLD-CLASS BRANDS

Our flagship brands, 'Rocell' and 'Lanka Tiles' have a strong brand presence in Sri Lanka while retaining market leadership in both wall tiles and floor tiles. The aesthetically pleasing designs that are unmatched in quality has opened doors for many export destinations. Rocell together with Lanka Tiles dominate the local wall tile and floor tile market by having more than 71% of the market share while Rocell Bathware meets 39% of the domestic requirement.

Horana Plantations PLC continues to maintain its reputation for producing some of Sri Lanka's finest teas while attracting above average pricing at the Colombo Tea Auction while both Swisstek and Unidil are among the top competitors in their respective industries.

Intellectual Capital

Systems and Processes

We continue our efforts in process innovation and constantly upgrading our systems to latest technologies with the aim of increasing productivity and efficiencies. Rocell has robust systems that has been refined over the years giving Rocell the competitive edge to maintain our market dominance.

Listed below are some of the work carried out during the year to upgrade our existing systems.

Area	Task
Customized Credit control module	Designed and developed to suit specific requirements of Rocell. This module features, • Auto-update credit limit based on sum of bank guarantees • Maintaining multiple credit limits of customer expiring on different dates • PO wise credit limit within global credit limit • Allowing grace credit limit and grace credit period for booking • Prevent booking in case of credit check failure
Sales Incentive Module	To calculate incentives of, • Entire showroom network • For projects • For Dealers
Order Entry Form	• For warehouse priority for showrooms • For optimum allocation of stock lots • To reduce administrative workload
Customized Module for automation of Internal Sales Orders (ISOs) based on routes	• Maintaining routes in the system for automatic stock transfer • Generating ISOs automatically based on routes • Users are not required to generate ISO manually
Automatic Allocation of Bathware Products	Auto-allocation of bathware products to customer sales orders.
Oracle Alerts Implementation	Business stakeholders are sent automatic emails based on certain business events.
Discount Approval via email	• Enabling discount approval on email. • Holding a sales order when approval is in progress • Enabling discount change from email and copying changed discount to sales order. • Releasing sales order after discount is approved. • Keeping track of all discount approvals/rejections with default discount, changed discount, approved discount and others.
HRIS - Oracle Integration	Integrating Oracle E Business Suite (EBS) with HRIS (Human Resources System) to automate hiring/resignation of the employees into EBS.
Andriod - Oracle Integration	Integrating Oracle EBS with Android mobile application which allows to automate entry of finished goods production into Oracle EBS.
Sending Customer Letters to Credit Customers	Customer letters are automatically emailed to credit customers at the month end.

Area	Task
SMS Gateway - Oracle Integration	To improve visibility of sales order status, SMSs are sent to customers on their registered phone numbers, on various business events, e.g.: • Order Booking • Order Picking completion • Warning of upcoming overdue invoice • Cheque Receipt Entry • Cheque Clearance • Expiry of Bank Guarantee
Auto Stock Replenishment	Auto-stock replenishment for Trading Items.
Automatic transfer of small lots to Lot Yard	Based on pre-defined rules, automatic transfer requests are generated for transferring of small lots to the Lot yard.
Bank Statements Auto-Reconciliation	Auto-Bank reconciliation for MT-940 is done for some bank accounts. We are in progress of rolling over to all bank accounts of the company.

KNOWLEDGE AND EXPERTISE

Our ability to both attract and retain the necessary skill sets required to meet customer expectations has been made possible by implementing an efficient recruitment process and offering a thorough employee value proposition. Furthermore, the Group's ongoing commitment to investing in training and development has resulted in our team members' improved skill sets, which is apparent in the high quality of Rocell products. As a result, our team's knowledge and experience play a significant role in our value creation process.

OPERATIONAL EXCELLENCE

Driving efficiency in our production process became a priority during the year as high inflation exerted pressure on profit margins across the Group. Group took various measures to mitigate the effects of increasing cost of raw materials. These initiatives include,

Eheliyagoda plant

- Reduction of warp damages by 1% in one of the production lines.
- Further reduction of before firing damages by 1% of the fired product (60x60 & 60x30)
- Reduction of after firing damages
- Reduction of powder consumption of 60x60 tiles by 1kg
- Saving on packing materials cost by increasing pack size
- Reduce cycle time from 72 to70 in one of the kilns (60x60).
- Reduction of electricity consumption in the polishing plant by 10%
- Reduction of gas consumption by 5% in one of the Kilns.

Horana plant

- Reduction of warp damages in polishing, squaring and dry squaring section
- Cost saving by using of alternative materials (glaze materials, stain & chemicals)
- GVT firing of 60x120 and 45x90-Saving-Fuel and FOH cost saving by product development

Ranala plant

- Elimination of Talc from Body Formula.
- Reduce glaze cost in all PM 200 base designs by transferring to low cost base

Meepe plant

- Reduce wastage due to bald edge by 30% in plant A & B
- Tile thickness reduction for floor tiles

Homagama plant

- Yield improvement of VC WB and PD by 10%
- Yield improvement of WT by 10%
- Yield improvement of Open rim WC by 10%
- Yield improvement of Xylem WC by 10%
- Reduction of total green ware damages in inspection department by 3%

INNOVATION

Product and process innovation is key to maintaining our market leadership and sustaining our growth momentum, especially in this challenging economic landscape. The Group sought the expertise of our suppliers to drive innovation with the aim of increasing productivity. Dedicated Research and Development personnel is in place in every production facility to work closely with suppliers in this regard.

Our Collections

ROCELL

Stone
Marble
Cement
Wood
Metal
Earthen
Fashion
Mono colour
Speckled

LANKA TILES

Majestica
Mosaics
Concrete
Essential +
Hearts of Earth
Senses
Xilosophy
Bathware
Coloma

ROCELL BATHWARE

Suits
Slide
Giuly
Azza
Summer Blue
Flo
Urbanity
Eternity
Aqua +
Rivera
Elements
Acqua
Dune
Urban d
Efi
Infinity

Other

Deep blue
Nautina
Dew point
Zen
Zero
Quadro
Sub zero
Elan
Aqua tank
Eclipse
Acqa
Marquee
Aqua arc
Aqua cube
Capsule
Artisan

UNIDIL

Regular Slotted Carton
Boards And Partitions
Hanger Cartons
Top and Bottom Cartons
Die Cut Cartons
Laminated Cartons
Display Racks
Cement Sacks
Rigid Paper Sacks
Multiwall Paper Sacks

SWISSTEK CEYLON

Tile adhesive
Tile grout
Skim coat
Quick flow
Grout sealer
Epoxy tile grout sealant
Decorative Pebbles
Tile cleaner
Swissparkett
General purpose silicone
Aqua Shield 2K Waterproofer

SWISSTEK ALUMINIUM

Doors
Windows
Kitchen Cabinets
Curtain walls
Shop Front partitions
Louvers
Handrails
Tile Products
Household Products
Industrial Products
Hardware Products

CERTIFICATIONS

Given below is a list of certifications we complied with during the year covering areas related to product quality, health and safety and sustainability. These certifications facilitate benchmarking with global industry best practice, ensuring that our processes evolve continuously to the highest standards for the respective products or processes. These certificates support our brands, enhancing customer confidence in our production processes.

Certification	Royal Ceramics Lanka PLC	Rocell Bathware Ltd.	Lanka Tiles PLC	Lanka Walltiles PLC	Swisstek Aluminium	Unidil Packaging	Horana Plantations PLC
SLS ISO 14001 Certificate of the Environmental Management System by the Sri Lanka Standards Institution	✓	✓	✓	✓			
SLS ISO 9001 Authorized Schedule and Certificate of Conformity to ISO 9001 standards, issued by Sri Lanka Standards Institution for Glazed Ceramic Floor Tiles, Glazed Vitrified Tiles, Glazed Porcelain Floor Tiles.	✓	✓	✓	✓	✓	✓	
Watermark Certification Watermark certification of conformity level 1 and 2		✓					
CE Marking Certificate of Conformity to European standards issued by Euro Veritas Limited – Glazed Ceramic Tiles.	✓	✓					
SLS 1181 Certificate of Conformity issued by Sri Lanka Standard Institute for Rocell brand dry pressed ceramic tiles.	✓						
Green SL Labeling System Certificate for environmental performance issued by the Green Building Council of Sri Lanka	✓	✓	✓	✓			
WELS Water Efficiency Labelling Scheme, Australia - 4 Star rating.		✓					
SLS 1410 Certificate of conformity issued by Sri Lanka Standard Institution for Swisstek Aluminium brand extruded aluminium alloy profiles				✓			
ISO 14001 Certification of quality management system for environmental management						✓	

Intellectual Capital

Certification	Royal Ceramics Lanka PLC	Rocell Bathware Ltd.	Lanka Tiles PLC	Lanka Walltiles PLC	Swisstek Aluminium	Unidil Packaging	Horana Plantations PLC
WRAP Worldwide Responsible Accredited Production						✓	
SMETA Sedex Members Ethical Trade Audit						✓	
Qualicoat Certification Authorisation to use the quality sign of 'Qualicoat'				✓			
Ethical Tea Partnership Certification of internationally recognised social and environmental standards							✓
Rainforest Alliance Certified conformity to principles of sustainable farming addressing Biodiversity conservation, improved livelihoods and human well-being, natural resource conservation and effective planning and farm management systems.							✓
FSC Certification for Rubber and Oil Palm Estates Awarded by the Forest Stewardship Council (FSC) which certifies sustainable forest management practices after a thorough evaluation of all three pillars of sustainability namely environmentally friendly, socially acceptable and economically viable.							✓
SLS ISO 18001 Occupational health and safety assessment series			✓	✓			
HACCP Certification by SGS Lanka for food safety.						✓	
ISO 22000 Certification of Quality Management System for food safety.						✓	
ISO 45001 : 2018 Occupational health and safety management system	✓					✓	

FORGING NEW VALUE PARTNERSHIPS

Stewardship

Corporate Governance

Leadership to Create Value

Sound governance and leadership is pivotal to the success of the Royal Ceramics Group as the Board focuses on strategies that create sustainable value for stakeholders while building resilience to withstand potential shocks. The structures, policies and processes support these overreaching goals while maintaining accountability and a cycle of continuous improvement which is core to effective governance. This report provides a brief summary of how the Board discharges its duties in line with regulatory requirements and voluntarily adopted standards and codes ensuring evolution of the organisation's governance processes.

Key Governance Practices

- A balance of power established with a majority of Non Executive Directors of whom 80% are independent
- The Chairman is an Independent Non-Executive Director and a Senior Independent Director is also appointed
- Annual rotation of a minimum of 1/3 of the Board
- Annual evaluation of the effectiveness of the Board
- Shareholders have the right to call for special meetings
- The Nominations Committee of the parent company, Vallibel One PLC oversees the needs of Rocell Group.
- A separate committee reviews the related party transactions of the Group
- Internal Audit reports directly to the Audit Committee

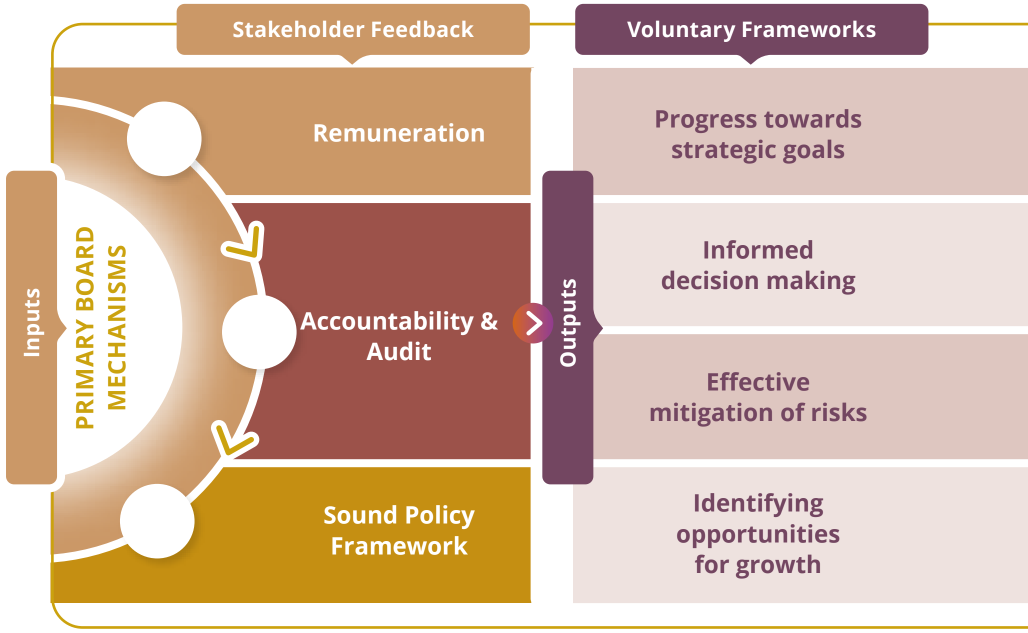
Oversight of Subsidiaries & Associates

- Chairman and other Directors sit on the Boards of subsidiaries and provide feedback to the main Board on matters of concern.
- The Audit Committee of the Group serves as the Audit Committee of the subsidiaries, ensuring oversight of internal controls, financial reporting, internal and external audit.
- Finance and Human Resources functions have regular meetings with heads of corresponding functions in the subsidiaries to ensure harmonization and sharing of best practices.
- Internal audit co-ordinates with internal auditors of the respective subsidiaries to ensure that audits are conducted in line with expected standards and in line with the agreed audit plans.

A process to create value

Defined responsibilities of the Board

- Value creation to stakeholders
- Strategy formulation
- Resource allocation
- Appointment of Key Management Personnel
- Performance oversight
- Risk management
- Regulatory compliance adherence
- Financial and other regulatory reporting compliance



A sound governance structure

Composition & Balance

		Male	Female
03	Executive Directors	3	0
02	Non-Independent Non-Executive Directors	1	1
08	Independent Non-Executive Directors	7	1

Skills & Experience

02	Engineering	01	Law
01	Marketing	02	Entrepreneurship
04	Accounting	03	Other

Age Diversity

		Male	Female
04	20-45	2	2
06	46 - 65	6	0
02	66-75	2	0
01	>76	1	0

Tenure on Board

05	0 - 5 years
04	5 - 10 years
02	10 - 20 years
02	>20 years

Gender Diversity

Male	Female
11	02

Director Induction & Learning

Outcome

- Sustainable value to stakeholders
- Enhanced resources
- Management of impacts to people and planet
- Progress on sustainability goals

Corporate Governance

Defined responsibilities of the Board	Mr. K.D.D.Perera resigned as Chairman with effect from 10th June 2022
	Mr. Harsha Amarasekera was unanimously elected as Chairman of the Board
	Appointment of Ms. K.D.B Perera to the Board with effect from 19th October 2022
Disposal of Assets	Sale of Horana Plantations PLC to Hayleys Plantation Services Ltd on 29 March 2023
Board Evaluations	Carried out Board evaluations
Approval of Policies	13 new policies approved

MAKE UP OF THE BOARD

The Board comprises 13 Directors. There are 10 Non-Executive Directors of whom 8 are independent including the Chairman. The Chairman and one other Director, are also Directors of Vallibel One PLC, the parent company of Royal Ceramics Lanka PLC. 1/3rd of the Board are independent in accordance with section 7.10.2 of the CSE Continued Listing Rules. The combination of executive and Non Executive directors and the diversity of skills and experience facilitates objective and informed deliberation of matters set before the Board.

Name	Shareholding	Role	AC	RC	RPTRC	No. of Appointments at Public Listed entities	No. of Appointments at other entities
Mr. S H Amarasekera	-	Chairman		★		9	2
Mr. A M Weerasinghe	331,763	Deputy Chairman				6	4
Mr. M Y A Perera	2,200	Managing Director				3	1
Mr. T G Thoradeniya	1,856,800	Director - Marketing and Business Development				5	6
Mr. L N de S Wijeyeratne	-	Senior Independent Director	★	●	●	6	2
Mr. G A R D Prasanna	50,000	Independent Non Executive Director				2	3
Mr. R N Asirwatham	-	Independent Non Executive Director	●	●	★	7	3
Ms. N R Thambiayah	-	Independent Non Executive Director				4	3
Mr. S M Liyanage	-	Non Executive Director				6	2
Mr. N J Weerakoon	-	Independent Non Executive Director	●		●	1	6
Mr. S R Jayaweera	-	Independent Non Executive Director	●			3	1
Mr. J R Gunaratne	-	Independent Non Executive Director				3	3
Ms. K A D B Perera	-	Non Executive Director				10	6

★ Chairman | AC - Audit Committee

● Member | RC – Remuneration Committee | RPTRC – Related Party Transactions Review Committee

Corporate Governance

APPOINTMENTS & EXITS

The Nominations Committee of Vallibel One PLC assists the Board in finding suitable candidates in line with the business needs of the Group and the Board's independence and diversity requirements. The Board makes recommendations to shareholders for appointment at the Annual General Meeting. The Colombo Stock Exchange is notified of appointments without delay together with a brief resume of the Director, interests or shareholding in the company, current appointments and whether he/she is an executive, non-executive or independent Director.

The Board may appoint Directors to fill any casual vacancies that may arise during the year as provided in the Articles of Association. Directors appointed in this manner hold office until the next Annual General Meeting and are eligible for re-election by the shareholders at that meeting, strengthening shareholder rights.

One third of the Directors retire at each Annual General Meeting by rotation and are generally eligible for re-election. A separate resolution is framed for the election/re-election of each Directors as set out on page 143 of the Annual Report. Provisions of the Articles of the Company do not require the Director who is the Chief Executive to retire by rotation.

DETERMINING INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

Independence of the Directors is determined by the Board based on the annual declarations submitted by the Non-Executive Directors in accordance with the Listing Rules of the Colombo Stock Exchange. Directors are able to exercise their independent judgement as they do not participate in day-to day management nor have any business relationships with the Company.

Ms. N R Thambiayah, Mr. L N de S Wijeyeratne and Mr. N J Weerakoon qualify against the criteria for independence as per Rule 7.10.4 of the Listing Rules and the Board, based on declarations submitted by the said Directors has determined that they are Independent Directors.

The period of service of Mr. G A R D Prasanna and Mr. R N Asirwatham exceeds nine years. Mr. R N Asirwatham and Mr. S H Amarasekera serve as Independent Directors of Vallibel One PLC, which has a significant shareholding in the Company. However, the Board is of the view that the period of service of Mr. G A R D Prasanna and Mr. R N Asirwatham and the Directorships of Mr. S H Amarasekera and Mr. R N Asirwatham do not compromise their independence and objectivity in discharging their functions as Directors and therefore based on declarations submitted by the said Directors, has determined that those Directors shall nevertheless be "independent" as per the Listing Rules.

ROLE OF THE CHAIRMAN AND MANAGING DIRECTOR

The roles of the Chairman and CEO are separate facilitating a balance of power on the Board. The Chairman is responsible for determining the frequency of the meetings, setting the agenda, conducting the meeting, ensuring Board members have sufficient information for decision making and that all Board members participate effectively. The Managing Director/ Chief Executive Officer is responsible for implementing strategy within the agreed policy framework and in compliance with the regulatory requirements.

ROLE OF THE COMPANY SECRETARY

Company Secretarial services are provided by M/S P W Corporate Secretarial (Pvt) Ltd who facilitate the scheduling of meetings, circulation of Board papers, maintain minutes and file the necessary returns. They also play a key role in advising the Directors regarding board procedures and legal requirements with respect to their duties and responsibilities. They are also responsible for arranging the Annual General Meetings, Extraordinary General Meetings, shareholder communications and disclosures to the CSE. Their appointment and removal is a matter for the Board as a whole.

BOARD COMMITTEES

Three Board Committees are established by the Board to assist with discharging its duties and responsibilities effectively and efficiently as set out below.

Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Composition		
Four independent Non-Executive Directors. Three of them are members of professional accounting bodies • Mr. L N De S Wijeyeratne - Chairman • Mr. R N Asirwatham • Mr. S R Jayaweera • Mr. N J Weerakoon	Three Non-Executive Independent Directors • Mr. S H Amarasekera – Chairman • Mr. R N Asirwatham • Mr. L N De S Wijeyeratne	Three Non-Executive Independent Directors • Mr. R N Asirwatham - Chairman • Mr. L N De S Wijeyeratne • Mr. N J Weerakoon
Monitor and supervise management's financial reporting process in ensuring: 1. The integrity of financial statements in accordance with Sri Lanka Financial Reporting Standards. 2. The compliance with legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements. 3. The External Auditor's independence and performance. 4. Review of the adequacy and effectiveness of the Company's Internal Control and Risk Management systems, over the financial reporting process.	The Committee focuses on and is responsible for ensuring that the total package is competitive to attract the best talent for the benefit of the Company. Recommend the remuneration payable to the Executive Directors and senior management.	To ensure on behalf of the Board, that all Related Party Transactions of Royal Ceramics Lanka PLC and its subsidiaries are consistent with the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka. 1. Ensure that the Company complies with the rules set out in the Code 2. Subject to the exceptions given under Rule 27 of the Code, review, in advance all proposed related party transactions 3. Perform other activities related to the Charter as requested by the Board. 4. Have meetings every fiscal quarter and report to the Board on the Committee's activities 5. Share information with the Audit Committee as necessary and as appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions. 6. Review the Charter and Policy at least annually and recommend amendments to the Charter and Policy to the Board as and when determined to be appropriate by the Committee.
Refer page 151 for Audit Committee Report	Refer page 153 for Remuneration Committee Report	Refer page 154 for Related Party Transactions Review Committee Report

Corporate Governance

GOVERNANCE FRAMEWORK

The governance framework of the Group is given below:

Regulatory

- Companies Act No.7 of 2007
- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- Continued Listing Requirements of the Colombo Stock Exchange
- The Shop and Office Employees Act No. 15 of 1954
- Factories Ordinance No. 45 of 1942
- Inland Revenue and other relevant Acts

Voluntary Standards, Codes & Frameworks

- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants 2017
- Integrated Reporting Framework
- Global Reporting Initiative Standards
- Quality standard certifications obtained by companies

Internal Documents

- Articles of Association
- Board Charter
- Policy Framework

MANAGING CONFLICTS OF INTEREST

Directors are required to declare their business interests on appointment and update thereafter and the Company Secretaries maintain a register of Directors' Interests. Directors interest in contracts are disclosed on page 144 to 145. Directors do not participate in the meeting when related party matters are discussed, absenting themselves from the Board room for the duration of the discussion.

Related party transactions are reviewed quarterly by the Related Party Transactions Review Committee who approve the transactions and ensure appropriate disclosures in line with regulatory requirements. Related party transactions are disclosed in Note 33 to the financial statements on page 260.

EFFECTIVE MEETINGS

Board meetings are held monthly in accordance with an annual calendar prepared by the Company Secretaries, with provision for additional meetings as maybe required. The agenda for the meeting is determined by the Chairman and the Company Secretary with inputs where needed from the Managing Director/ CEO. Relevant Board papers are circulated to the Directors seven days prior to the meeting allowing sufficient time to review and seek clarifications. Performance oversight, risk management and review of financial statements are regular items on the agenda of the Board.

Key Management Personnel (KMP) attend Board meetings on invitation to make presentations and update the Board on material issues that impact the business. They are also available for clarifications that may be required by Board members. Board minutes are circulated to members within 2 weeks.

Attendance of Directors at meetings is given below

Name	Date of Appointment	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Related Party Transactions Review Committee Meeting
Mr. S H Amarasekera	18th September 2014	10		3	
Mr. A M Weerasinghe	28th August 1990	11			
Mr. M Y A Perera	14th March 2017	11			
Mr. T G Thoradeniya	1st April 2003	10			
Mr. L N de S Wijeyeratne	16th May 2016	10	6	3	4
Mr. G A R D Prasanna	29th May 2009	11			
Mr. R N Asirwatham	25th September 2009	10	6	3	4
Ms. N R Thambiayah	10th January 2015	9			
Mr. S M Liyanage	21st February 2020	10			
Mr. N J Weerakoon	17th May 2019	11	6		4
Mr. S R Jayaweera	8th April 2021	11	6		
Mr. J R Gunaratne	28th April 2021	11			
Ms. K A D B Perera	19th October 2022	4			
Total No of Meetings		**11**	**6**	**3**	**4**

INDUCTION & TRAINING FOR DIRECTORS

Newly appointed Directors are formally inducted to enable effective contribution at Board meetings. The Chairman and the Managing Director/ CEO arrange meetings with themselves and Key Management Personnel to provide an overview. In addition, they are also taken on a tour of some of the manufacturing facilities.

Directors are expected to apprise themselves of developments in their areas of speciality and undertake learning activities necessary for the effective discharge of their duties. These requirements are coordinated through the Company Secretary.

APPRAISAL OF MD/CEO

The performance of the Managing Director/CEO is reviewed annually by the Chairman and the Board in line with goals agreed at the beginning of the year. The performance of the Group is assessed in the context of the operating environment and constructive feedback is provided. The outcome of the performance appraisal is linked to the annual increments for the fixed remuneration and determines the variable pay.

REMUNERATION POLICY

The Board is assisted by the Remuneration Committee in determining remuneration of Executive Directors, Non-Executive Directors, KMP and others. Remuneration policy is designed to attract and retain the skills, capabilities and experience required to pursue business objectives. Remuneration of KMP and Executive Directors are linked to performance of the Group. Please refer page 153 for the Report of the Remuneration Committee and Terms of Reference. Non-Executive Director remuneration comprise a fee for being a Director of the Board and additional fee for being a member of a committee.

ACCOUNTABILITY & AUDIT

The Board approved the quarterly reports prior to dissemination to the public through the CSE and the corporate website. The Audit Committee reviews the financial statements and recommend the financial statements for approval by the Board. The following reports set out further information required by the Code:

- The Directors' Report on page 143 (including the declaration that the company is a going concern)
- The Statement of Directors' Responsibility on page 150
- Report of the Auditors on page 159

External Auditor

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

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

RELATIONS WITH SHAREHOLDERS

The Group engages with shareholders through multiple channels. These include the Annual General Meeting (AGM), annual report, interim financial statements, the Company website and via the CSE's website. Shareholders also have the opportunity to ask questions, comment or make suggestions to the Board through the Company Secretaries and at the Annual General Meeting. All significant issues and concerns of Shareholders are referred to the Board with the views of the Management.

Constructive use of Annual General Meeting (AGM)

Shareholders are encouraged to participate at the AGM and the Chairman, Board members and Chairpersons of Board Sub-committees are available for discussion at the AGM and respond to questions directed to them by the Chairman. Additionally, KMPs of the Group are also present to assist the Directors in this regard.

Notice of the AGM, the Annual Report and Accounts and any other resolution together with the corresponding information that may be set before the shareholders at the AGM, are circulated to shareholders minimum 15 days prior to the AGM. Separate resolutions for each item of business, facilitating voting on each of such issue, separately. Voting procedures at the AGM are circulated to the shareholders in advance. The Company has an effective mechanism to record and count all proxy votes lodged for each resolution. In the event there is significant proportion of the votes cast against a resolution, the Board will take steps to understand the reasons behind the vote results and determine if any actions are required. The outcome of the vote on each resolution is informed to the CSE, soon after conclusion of the AGM.

Corporate Governance

COMPLIANCE

Given below is the status of compliance with the CSE Listing Rules – section 7-10 and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017.

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
A. Directors			
A. 1 The Board			
A. 1.1	Board Meetings	Held every month and special meetings held as and when necessary	✓
A. 1.2	Role of the Board	• Focus in on developing strategies for business development and to provide guidance to the management. • Sets the budget for the financial year and reviews progress at the monthly meetings. • Approving of major capital expenditure • Ensures that effective internal control and risk management framework is in place	✓
A. 1.3	Compliance with laws and access to independent professional advice	The Board seeks independent professional advice when deemed necessary, particularly before making any decisions which could have a significant impact on the Company. Further the Board is always mindful of the new laws/ regulations which are implemented and ensures compliance with same.	✓
A. 1.4	Access to advice from the Company Secretary Indemnifying the Board, Directors and key management personnel	All Directors have access to the advice of the Company Secretary.	✓
A. 1.5	Independent judgment of the Directors	Board comprises mainly of independent professionals who in turn exercise independent judgement in discharging their duties	✓
A. 1.6	Dedicating adequate time and effort	Regular Board meetings and sub-committee meetings are scheduled well in advance and Board papers circulated one week prior to the meetings, giving adequate time to prepare	✓
A. 1.7	Calls for resolutions	Resolutions are passed for all Board approvals and minutes are kept	✓
A. 1.8	Training of Directors	At the time a Director is appointed a letter confirming such appointment together with details on the duties of a Director in terms of the Act and Listing Rules are forwarded to them. All Directors have considerable experience in the industry. Relevant local and foreign training opportunities are made available.	✓

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
A. 2	Segregation of Roles of Chairman & CEO	Please refer Chairman and Managing Director Message page 16 - 21	✓
A. 3	Chairman's Role	The Chairman ensures that meetings are conducted in an orderly manner and that each Board Member and Member of staff is given an opportunity to present his views/concerns on matters.	✓
A. 4	Financial Acumen	Members of the Board and Management have sufficient financial knowledge and thus are able to provide guidance on financial matters.	✓
A. 5 Board Balance			
A. 5.1/ A. 5.2/ A. 5.3 & A. 5.5	Presence of Non-Executive Directors	Please refer an Effective Board in page 143	✓
7.10.1(a), 7.10.2(a) 7.10.2(a)	Independence of Non-Executive Directors		
A. 5.4 7.10.2(b)	Annual Declaration of Independence by the Non-Executive Directors	Annual declarations citing their independence is obtained by the secretary annually.	✓
A. 5.6	Alternate Director to a Non-Executive Director	No Alternate Directorships	✓
A. 5.7/ 5.8	Senior Independent Director	Mr L N de S Wijeyeratne performs as the Senior Independent Director	✓
A. 5.9	Chairman meeting with the Non-Executive Directors	When required the Executive Directors and Members of staff are excused from meetings	✓
A. 5.10	Recording concerns	Concerns of Directors are recorded in minutes even in the case of disagreement	✓
A. 6 Supply of Information			
A. 6.1	Obligation of the Management to provide appropriate and timely information	Board Papers and Committee papers are provided at least one week before the meeting	✓
A. 6.2	Board papers to be provided 7 days prior to Board Meeting	Board papers are provided one week prior to the Board meeting.	✓
A. 7 Appointments to the Board			
A. 7.1 / A .7.2	Nomination Committee and the assessment of composition of the Board	Nominations Committee of Vallibel One PLC will serve as the Nominations Committee of Royal Ceramics Lanka PLC.	✓

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
A. 7.3 7.10.3(d)	Disclosure of Appointment of a New Director	Disclosure pertaining to any new appointments are made to the CSE within two market days from the date of such appointment. The disclosure includes a brief profile of the Director and whether the Director is an Independent/Non-Executive/ Executive Director.	✓
A. 8 Re-election			
A. 8.1 / A. 8.2	Re-election	At each AGM one Non-Executive Director presents himself/ herself for re-election. Newly appointed Directors are re-elected at the 1st AGM following their appointment.	✓
A. 8.3	Resignation	In the event of a resignation, a letter of resignation is provided by the Director.	✓
A. 9 Appraisal of Board Performance			
A. 9.1/ A. 9.2/ A. 9.3/ A. 9.4	Appraisals of the Board and the sub committees	Board appraisals are done at the year end	✓
A. 10 Disclosure of Information in Respect of Directors			
A. 10.1	Profiles of the Board of Directors and other related information	The names of the Directors of the Board and their profiles are given on page 22	✓
A. 11 Appraisal of Chief Executive Officer			
A. 11.1 / A. 11.2	Setting of the annual targets and the appraisal of the CEO	Appraisal of the MD/Director Marketing and Business Development are done when considering increments/ bonuses to be paid. Achievement of the budget is a key factor that is considered.	✓
B. Directors' Remuneration			
B. 1 Remuneration Procedure			
B. 1.1	Set up a Remuneration Committee with agreed terms of reference	Refer Directors' Remuneration on page 261 The Report of the Remuneration Committee on page 153 gives the composition of the Committee and a description of its activities during the year.	✓
B. 1.2 7.10.5(a)	Remuneration Committee to consist of Non-Executive Directors only	Consists of three Independent Non-Executive Directors	✓
B. 1.3	List names of Remuneration Committee in Annual Report	Please refer page 153	✓

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
B. 1.4 7.10.5(b)	Determination of the remuneration of the Non-Executive Directors	Remuneration of the Non-Executive Directors is decided by the Board in consultation with the Chairman	✓
B. 1.5	Consultation with the Chairman and the Managing Director	The Chairman/ MD are consulted when determining the remuneration to be paid to the Executive Directors and Management, respectively.	✓
B. 2 The Level & Makeup of Remuneration			
B. 2.1/ B. 2.2/ B. 2.3/ B. 2.4	The level and makeup of the remuneration of Directors and comparison of remuneration with other companies	Remuneration levels have been designed to attract, retain and motivate Directors while remaining within the industry standards and Annual performance approved	✓
B. 2.5	Performance based remuneration	Part of the remuneration package of the Executive Directors are linked to achievement of targets and individual performance.	✓
B. 2.6	Executive share options		NA
B. 2.7	Designing schemes of performance-based remuneration	Refer the Report of the Remuneration Committee on page 153	✓
B. 2.8/ B. 2.9	Early Termination of Directors	There is no compensation for early termination of Non Executive Directors.	✓
B. 3 Disclosure of Remuneration			
B.3.1 7.10.5.(c)	Disclosure of Remuneration	Report of the Remuneration Committee on page 153 Notes 33.2.1 and 33.2.2 in the financial statements on page 261	✓
C. Relations with Shareholders			
C. 1 Constructive use of AGM and Conduct of Meetings			
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	Notice of Meeting, the Agenda for the Annual General Meeting and the Annual Report are circulated to shareholders prior to 15 working days prior to the meeting days as required by the Articles of Association and the Code.	✓
C.1.2	Separate resolution for substantially separate issues.	Separate resolutions are passed for each matter taken up at the AGM	✓
C.1.3	Accurate recording and counting valid proxy appointments received for general meeting	Valid proxies are listed together with the number of shares held by the shareholder appointing the proxy.	✓
C.1.4	Availability of Chairman of Board Committees at the Annual General Meeting	The Chairmen of the Board Committees are present to answer any queries of the shareholders directed to them by the Chairman of the Company.	✓

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
C.1.5	Summary of Notice of General Meetings and procedures governing voting at General Meetings	A summary of the procedure on voting is given in the Notice of Meeting.	✓
C. 2 Communications with shareholders			
C. 2.1 to C. 2.7	Communications with Shareholders	The AGM and EGM (if any) are used as the method for communicating with the shareholders. All quarterly and annual financial information and other important matters as required for by the Act and the Listing Rules are shared by way of disclosures through the CSE. The Company Secretaries/Registrars are the main contact people for the shareholders. All major concerns of the shareholders are brought to the notice of the Board at the AGM and at Board/Subcommittee meetings. All queries of shareholders are answered at the AGM and all shareholders are given the opportunity to express their views/ concerns.	✓
C. 3 Major & Material Transactions			
C. 3.1 & C. 3.2	Disclosure of Major Transactions	There were no matters which were identified as Major Transactions during the year as such no disclosure has been made in this regard. In the event there are Major Transactions, relevant disclosures and relevant shareholder approvals are obtained.	✓
D. Accountability & Audit			
D. 1.1	Annual Report	Refer Accountability & Audit on pages 159 - 161	
D. 1.2	Interim and price sensitive reports to public and regulators	In preparing annual and quarterly Financial Statements, the Company complies with the requirements of the; • Companies Act No. 07 of 2007, • Sri Lanka Accounting Standards and • Listing Rules of the Colombo Stock Exchange. The annual and interim Financial Statements were published within the time periods prescribed by the Listing Rules of the Colombo Stock Exchange.	✓
D. 1.3	CEO/CFO Declaration	The Statement of Financial contains a declaration by the Chairman & Managing Director and the Director Finance.	✓
D. 1.4	Directors' Report declarations	Refer Annual Report of the Board of Directors on page 143.	✓

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
D. 1.5	Statements on responsibilities for preparation of financial statements and internal control	Refer the following: • Statement of Board responsibility for preparation of financial statements – page 150 • Statement from Auditors on their reporting responsibilities – page 160 • Statement on Internal Control – page 150	✓
D. 1.6	Management discussion & analysis	Refer annual report pages from 50 to 126 which provides a comprehensive management discussion and analysis of the Group's operations	✓
D. 1.7	Serious loss of capital	Shareholders will be informed of a serious loss of capital in the event it happens.	✓
D. 1.8	Related Party transactions	Refer the following disclosures on Related Party Transactions: • Relates party transactions Review Committee Report on page 154 • Annual Report of the Board of Directors on pages 144 and 145 • Note 33 to the financial statements	✓
D. 2 Risk Management & Internal Control			
D. 2.1	Monitor, review and report on financial, operational and compliance risk and internal control systems	The following reports provide details on compliance with these requirements: • Risk Report on pages 43 to 48 • Risk & Internal Control on page 43 to 48 • Directors' Statement on Internal Controls on page 150 • Audit Committee Report on page 151	✓
D. 2.2	Confirm assessment of the principal risks of the company		✓
D. 2.3	Internal Audit		✓
D. 2.4	Require Audit Committee to carry out reviews of & Board responsibility for disclosures		✓
D. 2.5	Compliance with Directors' responsibilities as set out by the Code		✓
D. 3 Audit Committee			
D. 3.1 7.10.6 (a)	Establish an Audit Committee comprising wholly of Non-Executive Directors of which at least 2 must be independent	Audit Committee comprises of all Independent Directors. Refer Audit Committee on page 151	✓
D.3.2 7.10.6 (b)	Written Terms of Reference for Audit Committee	The Audit Committee has a written Terms of Reference summarized in the Audit Committee Report on page 151.	✓

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
D.3.3 7.10.6(c)	Disclosures	The Audit Committee Report with required disclosures are given on page 151.	✓
D. 4 Related Party Transactions Review Committee			
D.4.1/D.4.2/ D.4.3 9.3.2	Related Party Transactions Review Committee	Refer Related Party Transactions Review Committee on page 154	✓
D. 5 Code of Business Conduct & Ethics			
D. 5.1	Board declaration for compliance with Code	Refer Code of Ethics on pages 130 to 142.	✓
D. 5.2	Price sensitive information	Material and price sensitive information is promptly disclosed to the CSE by the Company Secretaries.	✓
D. 5.3	Monitor Share purchase by Directors/ KMPs	Refer the Related Party Transactions Committee Report on page 154.	✓
D. 5.4	Chairman's statement	Refer the Chairman's Message on Corporate Governance on page 16 and The Board of Directors' Statement on Internal Controls on page 150.	✓
D. 6	Corporate Governance disclosures	The Corporate Governance Report on pages 130 and 142 together with its Annexes comply with this requirement.	✓
E. Institutional Investors			
E. 1.1	Institutional investors	The proxies of the major institutional investors, such as the major shareholder are obtained.	✓
E. 2	Evaluation of Governance Disclosures	Information required for evaluation of governance structures is provided in the Annual Report.	✓
F. Other Investors			
F. 1	Investing and divesting decision	We seek to provide sufficient information to investors through the annual report, quarterly financial statements and announcements to the CSE to assist investors with their investment and divestment decision.	✓
F. 2	Encouraging shareholder participation	Refer Shareholder Relations on pages 285 and 286	✓
G. Internet of Things and Cybersecurity			
G.	Internet of things and cybersecurity	Refer Internet of Things & Cybersecurity on page 48	✓
H. Environment, Society and Governance			
H.	Environment, society and governance	Refer ESG Reporting from pages 84 to 142	✓

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

The Directors of Royal Ceramics Lanka PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company and the Audited Financial Statements of the Group for the year ended 31st March 2023.

GENERAL

Royal Ceramics Lanka PLC is a public limited liability company which was incorporated under the Companies Act No. 17 of 1982 as a private limited company on 29th August 1990 and subsequently converted to a public limited liability company on 6th December 1991, listed on the Colombo Stock Exchange on 3rd May 1994 and re-registered as per the Companies Act, No.7 of 2007 on 13th March 2008 under Registration No PQ 125.

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

The Principal activities of the Company are the manufacture and marketing of wall tiles and floor tiles and the holding of investments.

The Principal activities of subsidiary Companies are the manufacture and sale of wall and floor tiles, sanitary ware, investments and management of subsidiary companies, mining, processing and sale of raw materials for tiles and ceramic products, manufacture and marketing of raw materials for ceramic industry, manufacture and sale of tile grout and mortar, manufacturing and trading of aluminum extrusions, manufacture and marketing of corrugated cartons and property holding.

On 29th March 2023 , Vallibel Plantation Management Ltd, a subsidiary of Lanka Walltiles PLC disposed of its shareholding in Horana Plantations PLC to Hayleys Plantation Services (Private) Limited, whereby Horana Plantations PLC ceased to be a subsidiary of the Company.

A review of the business and performance of the Group during the year, with comments on financial results, future strategies and prospects are contained in the Chairman's Message, Managing Director's Message, Business Line Reviews and Capital reports on pages 16 to 126 which form an integral part of this Report.

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

FINANCIAL STATEMENTS`

The Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries, duly signed by two Directors on behalf of the Board are given on pages 162 to 281.

AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company and its subsidiaries is given on pages 159 to 161.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 170 to 281 except as stated in Note 2.1.2 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 22 to 26.

Executive Directors

Mr. A M Weerasinghe	- Deputy Chairman
Mr. M Y A Perera	- Managing Director
Mr. T G Thoradeniya	- Director - Marketing and Business Development

Non - Executive Directors

Mr. S M Liyanage	- Director
Ms. K A D B Perera	- Director

Independent Non - Executive Directors

Mr. S H Amarasekera	- Chairman
Mr. G A R D Prasanna	- Director
Mr. R N Asirwatham	- Director
Ms. N R Thambiayah	- Director
Mr. L N de S Wijeyeratne	- Director
Mr. N J Weerakoon	- Director
Mr. S R Jayaweera	- Director
Mr. J R Gunaratne	- Director

Mr. S R Jayaweera retires by rotation in terms of Article 87(i) of the Articles of Association and being eligible is recommended by the Directors for re-election.

The Directors have recommended the re-appointment of Mr. R N Asirwatham who is 80 years of age and Mr. L N de S Wijeyeratne who is 73 years of age, as Directors of the Company; and accordingly, a resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the said re-appointments.

Mr. Dhammika Perera resigned from the Board of Directors on 10th June 2022. Ms. K. A. D. B Perera was appointed a Director on 19th October 2022.

Directors of subsidiary Companies are given in Annexure A of this report.

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

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions referred to in Note 33 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 referred to herein. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

Name of Related Party	Name of Director	Relationship	Details	Balance Outstanding as at 31/03/2023
Rocell Bathware Limited	A.M.weerasinghe	Director	Materials worth of Rs. 7,884,717/- were purchased	1,859,916,199
	M.Y.A.Perera	Director	Materials worth of Rs.5,552,852/- were sold	
	T.G.Thoradeniya	Director	A sum of Rs. 115,506,870/- was given as reimbursement of expenses.	
	G.A.R.D.Prasanna	Director	A sum of Rs. 877,737,995/- was given as short term funds.	
	R.N.Asiriwatham	Director	A sum of Rs. 291,770,992/- was received as dividends.	
			A sum of Rs. 71,724,751/- was received as interest income.	
			A sum of Rs. 4,156,748/- was paid as rent.	
			A sum of Rs. 309,818,840/- was received as service charges	
			A sum of Rs. 199,234,327/- was received as pass through expenses.	
Royal Ceramics Distributors (Private) Ltd	A.M.weerasinghe	Director	A sum of Rs. 193,841/- was given as reimbursement of expenses.	2,318,155
	T.G.Thoradeniya	Director	A sum of Rs. 36,000/- was given as short term funds	
	G.A.R.D Prasanna	Director		
Ever Paint & Chemical Industries (Private) Ltd	A.M.Weerasinghe	Director	A sum of Rs. 1,398,981/- was given as reimbursement of expenses.	33,725,617
Lanka Ceramic PLC	A.M.Weerasinghe	Chairman	Materials worth of Rs. 11,389,707/- were purchased.	(699,404)
	T.G.Thoradeniya	Director	A sum of Rs. 11,474,814/- was received as dividends	
	S M Liyanage	Director	Materials worth of Rs. 6,372/- were sold.	
			A sum of Rs. 11,800/-was given as reimbursement of expenses.	
Lanka Tiles PLC	T.G.Thoradeniya	Director	Materials worth of Rs. 13,991,399/- were purchased.	11,473,145.01
	A.M.weerasinghe	Director	A sum of Rs. 32,237,569/- was received as technical fee	
	S M Liyanage	Director	Materials worth of Rs. 73,540/-were sold.	
	K.A.D.B. Perera	Director	A sum of Rs.51,787,515/- was received as dividends	
			A sum of Rs. 43,541/-was received for services.	
			A sum of Rs. 11,800/- was given as reimbursement of expenses.	
			A sum of Rs. 577,346/- was received as rent income.	
Lanka Walltiles PLC	A.M.Weerasinghe	Chairman	Materials worth of Rs. 19,818/- were sold.	3,045,173
	T.G.Thoradeniya	Director	A sum of Rs. 7,373,996/- was received as technical fee	
	S M Liyanage	Director	Materials worth of Rs. 1,757,410/-- were purchased.	
	K.A.D.B. Perera	Director	A sum of Rs. 1,343,678,509 /- was received as dividends	
			A sum of Rs. 11,800/-was given as reimbursement of expenses.	

Name of Related Party	Name of Director	Relationship	Details	Balance Outstanding as at 31/03/2023
Unidil Packaging Limited	T.G.Thoradeniya	Director	Materials worth of Rs 159,670/- were sold.	473,220
	S M Liyanage	Director		
Swisstek Ceylon PLC	A.M.weerasinghe	Director	Materials worth of Rs. 125,509,345/- were purchased.	(5,451,388)
	S.H. Amarasekera	Director	A sum of Rs. 9,783,483/- was paid as sales commission	
			A sum of Rs. 17,272,974/- was received as dividends	
Swisstek Aluminium Limited	A.M.weerasinghe	Director	Materials worth of Rs. 154,252/- were sold.	(372,460)
	T.G.Thoradeniya	Director	A sum of Rs. 2,669,184/- was paid as rent	
	S M Liyanage	Director		
	S H Amarasekera	Director		
Rocell Properties Ltd	A.M.weerasinghe	Director	A sum of Rs. 110,639/-was given as reimbursement expenses.	615,278
	T.G.Thoradeniya	Director		
	G.A.R.D Prasanna	Director		
Biscuit and Chocalate Company Ltd	A.M.weerasinghe	Director	A sum of Rs. 58,276,546/- was invested in shares	-
	T.G.Thoradeniya	Director		
	S M Liyanage	Director		
Hayleys Aventura (Private) Limited	M Y A Perera	Director	Goods worth of Rs. 2,016,884/- were purchased.	(95,282)
Hayleys Agriculture Holdings Ltd	M Y A Perera	Director	Goods worth of Rs. 148,695/- were purchased.	-
Delmege Forsyth Co. Ltd	G A R D Prasanna	Director	Goods worth of Rs. 1,710,545/- were purchased.	(217,830)
Grip Delmege (Pvt) Ltd	G A R D Prasanna	Director	Goods worth of Rs. 76,836/- were purchased.	(1,042,809)
Vallibel One PLC	S.H. Amarasekera	Director	A sum of Rs. 1,849,778,748/- was paid as dividends.	(37,203,168)
			A sum of Rs. 70,024,410/- was paid as technical fee.	
LB finance PLC	G A R D Prasanna	Director	A sum of Rs. 288,985,856/- was received as dividends.	381,863
Singer Finance PLC	M Y A Perera	Chairman	Goods worth of Rs 3,205,664/- were sold.	845,093
Singer Sri Lanka PLC	K.A.D.B. Perera	Director	Goods worth of Rs. 3,794,441/- were purchased.	6,996,410
			Goods worth of Rs. 4,635/- were sold.	
Haycarb PLC	K.A.D.B. Perera	Director	Goods worth of Rs. 1,690,185/- were sold.	845,093
Hayleys PLC	M Y A Perera	Director	Goods worth of Rs. 616,490/- were sold.	708,964

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

INTERESTS REGISTER

The Directors' Interest register is maintained by the Company and relevant disclosures are made in this report.

DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed under key management personnel compensation in Note 33.2 to the Financial Statements on pages 261 to 262.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the Company and the Group to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 150.

AUDITORS

Messrs Ernst & Young, Chartered Accountants served as the Auditors during the year under review and also provided audit related services and permitted non-audit/consultancy services.

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

A total amount of Rs. 4,509,787 is payable by the Company to the Auditors for the year under review comprising
Rs. 2,700,200 as audit fees and
Rs. 1,809,587 for non audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 23 May 2023 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Details of payments to Auditors of Subsidiary companies on account of audit fees and for permitted non audit services are set out in Note 24 to the Financial Statements on page 246.

DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31st March 2023 and 31st March 2022 are as follows.

	Shareholding as at 31.03.2023	Shareholding as at 31.03.2022
Mr. S H Amarasekera	-	-
Mr. A M Weerasinghe	331,763	3,331,763
Mr. M Y A Perera	2,200	2,200
Mr. T G Thoradeniya	1,856,800	1,856,800
Mr. G A R D Prasanna	50,000	50,000
Mr. R N Asirwatham	-	-
Mr. L N De S Wijeyeratne	-	-
Ms. N R Thambiayah	-	-
Mr. S R Jayaweera	-	-
Mr. N J Weerakoon	-	-
Mr. S M Liyanage	-	-
Mr. J R Gunaratne	-	-
Ms. K A D B Perera	-	-

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2023 was Rs. 1,368,673,373/- represented by 1,107,893,840 Ordinary Shares. There were no changes in the Stated Capital of the Company during the year.

SHAREHOLDERS

There were 22,392 shareholders registered as at 31st March 2023 (21,029 shareholders as at 31st March 2022).

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, public holding as per the Listing Rules of the Colombo Stock Exchange are given on pages 282 to 286 under Share Information and the ten year summary of the Company

EMPLOYMENT POLICY

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

As at 31st March 2023 1,821 persons were in employment (1,813 persons as at 31st March 2022).

RESERVES

The reserves of the Company with the movements during the year are given in Note 14 to the Financial Statements on pages 223 to 224.

LAND HOLDINGS

The Company's land holdings referred to in Note 03 to the Financial Statements comprise the following :Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Note 03 of the Financial Statements on pages 193 to 209.

Location	No of Buildings	Extent (Perches)	As at 31.03.2023 At revaluation
Kottawa	3	225	505,463,000
Eheliyagoda	28	8,075	656,071,000
Meegoda	3	471	183,338,000
Nawala	1	25	236,550,000
Nattththandiya	0	1,600	38,500,000
Seeduwa	1	53	168,000,000
Narahenpita	1	17	161,690,000
Colpetty	1	20	349,475,000
Panadura	1	19	84,690,000
Dehiwala	1	15	140,885,000
Narahenpita	0	45	410,200,000
Horana	25	2,310	288,760,000
	65	12,874	3,223,622,000

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2023 are given in Notes and 5 and 12 to the Financial Statements on pages 211 to 223.

DONATIONS

The Company and the Group has not made monetary donations during the year under review.

DIVIDENDS

The Company paid a First Interim Dividend of Rs.2.40 per share for the year under review on 12th April 2023.

A final dividend of cents fifty (Rs.0.50) was declared on 2nd June 2023 to be paid subject to the approval of the shareholders at the annual general meeting on 30th June 2023.

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 43 to 48w.

STATUTORY PAYMENTS

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

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

CONTINGENT LIABILITIES

Except as disclosed in Note 29 to the Financial Statements on pages 256 to 257 there were no material Contingent Liabilities as at the Reporting date.

EVENTS OCCURRING AFTER THE REPORTING DATE

Except for the matters disclosed in Note 31 to the Financial Statements on page 258 there are no material events as at the date of the Auditors' Report which require adjustment to, or disclosure in the Financial Statements.

CORPORATE GOVERNANCE

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

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 128 to 142 explains the measures adopted by the Company during the year.

BOARD SUB-COMMITTEES

An Audit Committee, Remuneration Committee, Nomination 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 are as follows.

Audit Committee

Mr. L N De S Wijeyeratne - Chairman

Mr. R N Asirwatham

Mr. N J Weerakoon

Mr. S R Jayaweera

Remuneration Committee

Mr. S H Amarasekera - Chairman

Mr. R N Asirwatham

Mr. L N De S Wijeyeratne

Related Party Transactions Review Committee

Mr. R N Asirwatham - Chairman

Mr. L N De S Wijeyeratne

Mr. N J Weerakoon

Nomination Committee

Mr. S H Amarasekera - Chairman

Ms. Dinusha Bhaskaran

Mr. J A S S Adhihetty

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

CORPORATE SOCIAL RESPONSIBILITY

The Company continued its Corporate Social Responsibility Programmes, details of which are set out on page 111 of this Report.

Annual General Meeting

The Notice of the Thirty Third (33rd) Annual General Meeting appears on page 299.

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

S H Amarasekera
Chairman

M Y A Perera
Managing Director

A Dioyes

P W Corporate Secretarial (Pvt) Ltd
Secretaries

05 June 2023

ANNEXURE A TO THE ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Directors of Subsidiary Companies as at 31st March 2023

Rocell Bathware Limited
Mr. A M Weerasinghe
Mr. M Y A Perera
Mr. T G Thoradeniya
Mr. G A R D Prasanna
Mr. R N Asirwatham
Mr. D J Silva

Royal Ceramics Distributors (Private) Limited
Mr. A M Weerasinghe
Mr. T G Thoradeniya
Mr. G A R D Prasanna
Mr. K D H Perera

Biscuits and Chocolate Company Ltd
Mr. A M Weerasinghe
Mr. T G Thoradeniya
Mr. A K Dheerasinghe
Mr. S M Liyanage
Ms. A A K Amarasinghe

Ever Paint and Chemical Industries (Private) Limited
Mr. A M Weerasinghe
Mr. H Somashantha
Mr. M W R N Somaratna
Mr. J K A Sirinatha
Mr. D B Gamalath

Nilano Garments (Pvt) Ltd
Mr. A N Senaviratne
Ms. K A Suraweera
Ms. W S Bopitiya Gamage
Mr. B K G S M Rodrigo
Mr. H Somashantha

Rocell Properties Limited
Mr. A M Weerasinghe
Mr. T G Thoradeniya
Mr. R D P Godawatta Arachchige

Lanka Ceramic PLC
Mr. A M Weerasinghe
Mr. J A P M Jayasekara
Mr. T G Thoradeniya
Mr. K D G Gunaratne
Ms. A M L Page
Mr. D J Silva
Mr. J D N Kekulawala
Mr. S M Liyanage
Mr. M W R N Somaratne

Lanka Walltiles PLC
Mr. A M Weerasinghe
Mr. J A P M Jayasekara
Dr. S Selliah
Mr. T G Thoradeniya
Mr. K D G Gunaratne
Ms. A M L Page
Mr. M W R N Somaratne
Mr. J D N Kekulawala
Mr. S M Liyanage
Mr. S R Jayaweera
Ms. K A D B Perera

Lanka Tiles PLC
Mr. A M Weerasinghe
Mr. J A P M Jayasekara
Dr. S Selliah
Mr. T G Thoradeniya
Mr. K D G Gunaratne
Ms. A M L Page
Mr. J A N R Adhihetty
Mr. S M Liyanage
Mr. J R Gunaratne
Mr. S R Jayaweera
Ms. K A D B Perera

Swisstek (Ceylon) PLC
Mr. S H Amarasekera
Mr. A M Weerasinghe
Mr. J A P M Jayasekara
Mr. J K A Sirinatha
Dr. S Selliah
Mr. A S Mahendra
Mr. K D G Gunaratne
Mr. C U Weerawardena

Swisstek Aluminium Limited
Mr. S H Amarasekera
Mr. A M Weerasinghe
Mr. J A P M Jayasekara
Dr. S Selliah
Mr. T G Thoradeniya
Mr. A S Mahendra
Mr. C U Weerawardena
Mr. S M Liyanage

Vallibel Plantation Management Limited
Mr. A M Pandithage
Mr. W G R Rajadurai
Mr. T G Thoradeniya
Mr. J A Rodrigo

UniDil Packaging Limited
Mr. J A P M Jayasekara
Mr. D B Gamalath
Mr. T G Thoradeniya
Mr. Haresh Somashantha
Mr. N T Bogahalande
Mr. C U Weerawardena
Mr. S M Liyanage

UniDil Packaging Solutions Limited
Mr. J A P M Jayasekara
Mr. D B Gamalath
Mr. C U Weerawardena
Mr. K H D Perera

Beyond Paradise Collection Limited
Mr. M H Jamaldeen
Mr. K D H Perera
Mr. J A P M Jayasekara

L W L Development (Pvt) Ltd
Mr. K D A Perera
Mr. J A P M Jayasekara

L T L Development Ltd
Mr. K D A Perera
Mr. J A P M Jayasekara
Mr. A M Weerasinghe

Swisstek Development (Pvt) Ltd
Mr. K D A Perera
Mr. J A P M Jayasekara
Mr. A M Weerasinghe

Rocell Pty Ltd
Mr. T. G. Thoradeniya

Lankatiles Private Limited (India)
Mr. A M Weerasinghe
Mr. J A P M Jayasekera
Mr. Fatheraj Singhvi
Mr. Praveen Kumar Singhvi

L W Plantation Investments Ltd
Mr. A M Weerasinghe
Mr. J A P M Jayasekera

L C Plantation Projects Ltd
Mr. A M Weerasinghe
Mr. J A P M Jayasekera

L C Development Ltd
Mr. A M Weerasinghe
Mr. J A P M Jayasekera

Swisstek Investments (Pvt) Ltd
Mr. A M Weerasinghe
Mr. J A P M Jayasekera

CP Holding (Pvt) Ltd
Mr. A M Weerasinghe
Mr. J A P M Jayasekera

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with the Companies Act, No.7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and are required to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company and its subsidiaries as at the reporting date and the income and expenditure of the Company for the accounting year ending on that reporting date.

The Directors are also responsible in ensuring that the Financial Statements comply with any regulations made under the Companies Act, which specifies the form and content of Financial Statements and any other requirements which apply to the Company's Financial Statements under any other law.

The Directors have ensured that the Financial Statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments' and estimates and in compliance with the Sri Lanka Financial Reporting Standards, Companies Act, No.7 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

The Directors are responsible for keeping sufficient accounting records, which disclose with reasonable accuracy the financial position of the Company and its subsidiaries, which will enable them to have the Financial Statements prepared and presented as aforesaid.

They are also responsible for taking measures to safeguard the assets of the Company and its subsidiaries and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors are also confident that the Company and the group have adequate resources to continue in operation and have applied the going concern basis in preparing the financial statements.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board
Royal Ceramics Lanka PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

05 June 2023

Report of the Audit Committee

COMPOSITION

The Audit Committee comprises of four Independent Non-Executive Directors:

- Mr. L N de S Wijeyeratne - Chairman
- Mr. R N Asirwatham
- Mr. N J Weerakoon
- Mr. S R Jayaweera

SECRETARY

Board Secretary

REGULAR INVITEES

Managing Director, Director Finance, Head of Internal Audit

MEETINGS

The Audit Committee met six times during the year and attendance by the Committee members at each of these meetings is given in the Corporate Governance Report on pages 134.

ROLE OF THE AUDIT COMMITTEE

The Committee has a written Terms of Reference, which clearly defines the oversight role and responsibility of the Audit Committee as summarized below:

1. The integrity of financial statements in accordance with Sri Lanka Financial Reporting Standards.
2. The compliance with legal and regulatory requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
3. The External Auditor's independence and performance.
4. Review the adequacy and effectiveness of the company's Internal Control and Risk Management systems.

FINANCIAL REPORTING

As part of its responsibility to oversee the company's financial reporting process on behalf of the Board of Directors, the Committee reviewed and discussed with Management, the annual and the quarterly Financial Statements prior to their issuance, including the extent of compliance with the Sri Lanka Financial Reporting Standards and the Companies Act No. 07 of 2007. In addition, matters of special interest in the current environment and the processes supporting certifications of the Financial Statements by the Company's Managing Director and Director Finance, were also discussed.

- The Committee reviewed financial statements and notes for the year ended 31st March 2023.
- The Committee reviewed the interim financial statements.

RISKS AND CONTROLS

During the year, the Committee assessed the major business and control risks and the control environment prevalent in the company and advised the Management on action to be taken in areas where weaknesses were observed. In addition, the Committee reviewed reports on losses resulting from fraud and operational failures, and scrutinized the effectiveness of the company's internal control system already in place and the processes adopted for identifying, evaluating, and management of all significant risks.

Given the country's grave economic crisis, greater emphasis was placed on risk assessment and mitigation during the year. As a result, the Risk Assessment matrix and a Risk Heat Map developed during the last financial year to identify key risks and mitigation strategies were revisited to address any Other matters to be considered. In addition, a committee headed by the Managing Director and consisting of Senior Management was established to report on risk management.

EXTERNAL AUDIT

The Committee met with the External Auditor during the year to discuss their audit approach and procedures, including matters relating to the scope of the audit.

The Committee reviewed the Management Letter issued by the External Auditor and the management responses and recommendations and ensured appropriate follow up actions were taken. The Non-Audit Services provided by the External Auditor were also reviewed and the Committee was of the view that such services did not impair their independence and were not within the category of services identified as restricted under the guidelines for listed companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka. Accordingly, the Letter of Representation issued to the External Auditor was tabled at the Audit Committee meeting. The reappointment of the External Auditor, M/s Ernst & Young has been recommended to the Board of Directors and the Committee has also fixed Auditor's remuneration, subject to approval by the shareholders at the Annual General Meeting.

INTERNAL AUDIT

During the year, the Audit Committee reviewed the performance of the internal audit function. the internal audits' findings, which covered the control environment at head-office, showrooms, stores, factories and Subsidiary companies were diligently followed up with a particular focus on inventory and debtors. The Internal Audit Plan was also reviewed and approved by the Committee and follow up actions were monitored regularly.

Report of the Audit Committee

REGULATORY COMPLIANCE

The Director Finance has submitted a report on compliance with mandatory statutory requirements to the audit committee. The Committee reviewed the procedures established by Management for compliance with the requirements of regulatory bodies and ensured compliance with Corporate Governance disclosure requirements, as set out on page 140.

OTHER MATTERS

The Committee also

- Arranged for a vulnerability assessment and security review of potential Cyber Risks of the Company by TechCert Ltd . Reviewed the steps taken by the Management to address the recommendations made
- Carried out an in-depth review of the insurance policies of the company.
- Reviewed and assisted in re launching the Whistleblower Policy adopted by the company.
- Held in depth discussions with Management to develop strategies to minimize the impact of import restrictions and forex crisis on the operations of the company
- Evaluated the resource requirements of the Internal Audit Department

L N de S Wijeyeratne
Chairman
Audit Committee

05 June 2023

Report of the Remuneration Committee

The Remuneration Committee, appointed by and responsible to the Board of Directors, comprises three Non-Executive Independent Directors.

- Mr. S H Amarasekera – Chairman
- Mr. R N Asirwatham
- Mr. L N De S Wijeyeratne

POLICY

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

SCOPE

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

FEES

All Non-Executive Directors receive a fee for attendance at Board Meetings and serving on sub-committees. They do not receive any performance or incentive payments. The total remuneration to Directors is shown in Note 33.2 on pages 261 and 262.

MEETINGS

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

PROFESSIONAL ADVICE

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

S H Amarasekera
Chairman
Remuneration Committee

05 June 2023

Report of the Related Party Transactions Review Committee

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 the Company is to conduct an independent review, approval and oversight of all related party transactions of Royal Ceramics Lanka PLC and to ensure that the Company complies with the rules set out in the Listing Rules. 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 Transactions 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 Royal Ceramics Lanka PLC consists of three (03) Directors The members of the Committee during the year were:

Mr. R N Asirwatham	-	Chairman (Independent Non-Executive Director)
Mr. L N de S Wijeyeratne	-	Member (Independent Non- Executive Director)
Mr. N J Weerakoon	-	Member (Independent Non- Executive Director)

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

The Managing Director and the Director- Finance attend meetings by invitation.

MEETINGS

The Committee held four meetings for the year under review.

CHARTER OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Charter of the Related Party Transactions Review Committee clearly sets out the purpose, membership, authority and the duties and responsibilities of the Committee. In order to discharge the duties and responsibilities effectively and efficiently, the Committee has been authorised to:

a) Receive regular reports from the management, and be provided with any information it requests relating to its responsibilities

b) Establish policies and procedures that provide general pre-approvals to certain classes or types of related party transactions

c) Review and evaluate the terms, conditions, and the advisability of, any related party transaction

d) Determine whether the relevant related party transaction is fair, and in the best interest of the Company and its shareholders as a whole

e) Recommend to the Board what action, if any, should be taken by the Board with respect to any related party transaction

f) Obtain advice and assistance from legal, technical, financial and other advisors from within or outside the Company as deemed necessary by the Committee in order to carry out its duties

RESPONSIBILITIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The following are key responsibilities have been set out in the Charter for RPTRC;

a) Ensure that the Company complies with the rules set out in the Listing Rules.

b) Subject to the exceptions given in the Listing Rules, review, in advance all proposed related party transactions.

c) Perform other activities related to the Charter as requested by the Board

d) Have meetings every fiscal quarter and report to the Board on the Committee's activities

e) Share information with the Audit Committee as necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions

f) Review the Charter and Policy at least annually and recommend amendments to the Charter and Policy to the Board as and when determined to be appropriate by the Committee.

PROCEDURES FOR REPORTING RPT'S

The Managing Director (MD) is responsible for reporting to the Committee, for its review and approval the information in respect of each related party transaction proposed to be entered into other than the exceptions given in Listing Rules. Moreover, on a quarterly basis, the MD 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 financial year 2022/23 and has communicated its comments and observations to the Board. It was observed that all 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 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 33 to the Financial Statements, on pages 260 to 262 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 page 148 of this Annual Report.

R N Asirwatham

Chairman

Related Party Transactions Review Committee

05 June 2023

Report of the Nomination Committee

The Nomination Committee assess whether the balance of skills, experience, knowledge and independence is appropriate to enable the Board to operate effectively. It also evaluates the diversity that would be required in the best interest of the Company and ensure the Board Members constitution enables the diversity required. The Nominations Committee of the Parent Company functions as the Nominations Committee of the Company as well. The Nomination Committee comprises of the following members:

COMPOSITION OF THE COMMITTEE

Board member	Board status
Mr. S.H Amarasekara	Chairman/ Non-Executive Director
Ms. Dinusha Bhaskaran	Non- Executive Director
Mr J A S S Adhihetty	Non-Executive Director

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The Nomination Committee was formed in line with the Best Practices on Corporate Governance.

FUNCTIONS

The functions of the Nomination Committee include:

- To regularly review the structure, size, composition and competencies of the Board, the requirement of additional/ new expertise and the succession arrangements for retiring Directors and to make recommendations to the Board with regard to any changes.
- To consider the making of any appointments to the Board and to provide advice and recommendations to the Board on such appointments;
- To ensure that Directors are fit and proper persons to hold office as per the criteria set out in the relevant Statutes;
- To evaluate and recommend the appointments and promotion of the Managing Director and Executive Directors.
- To recommend Directors who are retiring by rotation to be placed before the shareholders, for re-election.
- To oversee and review the Board's succession plan and recommend the requirements of new expertise.
- To consider if a Director is able to and has been adequately carrying out his or her duties as a Director taking into consideration the number of Listed Company Boards on which the Director is represented and other Principal Commitments.
- To consider and examine such matters as it considers appropriate.
- To make recommendations on other related matters referred to the Committee by the Board of Directors.

ACTIVITIES DURING THE YEAR

The Committee met twice during the year to deliberate on re-election of Directors retiring at the Annual General Meeting, recommendation on seeking an extension of period of office for the Directors beyond the age limit of 70 years, succession planning for key management personnel, and also to review and make its recommendations to the Board regarding the replacement of retiring Directors / appointment of new Directors.

Additionally, the Committee reviewed the structure and composition of the Board and recommended the requirement of additional/new expertise on the Board and also discussed the succession arrangements for retiring Directors.

POLICIES AND PROCEDURES

The Nomination Committee operates within the terms of reference as approved by the Board As per the said terms of reference, the Committee shall consist of not less than three members, majority of whom shall be Non-Executive Directors.

The Committee shall meet at least once in a financial year and additional meetings may be called at any time at the Chairman's discretion or by a member in consultation with the Chairman.

S H Amarasekara
Chairman
Nomination Committee

05 June 2023

COLLABORATING TO REACH OUR GOALS

Financial Information

Financial Calendar

Interim Report - 1st Quarter 2022/23

August 12, 2022

Interim Report - 2nd Quarter 2022/23

November 08, 2022

Interim Report - 3rd Quarter 2022/23

January 30, 2023

First Interim Dividend 2022/23

March 10, 2023

Interim Report - 4th Quarter 2022/23

May 24, 2023

Final Dividend 2022/23

June 02, 2023

Annual Report - 2022/23

June 05, 2023

33rd Annual General Meeting

June 30, 2023

Independent Auditor's Report

EY
Building a better working world

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

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

TO THE SHAREHOLDERS OF ROYAL CERAMICS LANKA PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Royal Ceramics Lanka PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matter	How our audit addressed the Matter
Assessment of impairment of Goodwill	
Intangible assets include an amount of LKR. 1 Bn relating to goodwill as further detailed in Note 7.1 to the financial statements. Assessment of impairment of goodwill was a key audit matter due to; • The degree of assumptions, judgements and estimates associated with deriving the estimated future cashflows used for value-in-use calculations. Key areas of significant judgments, estimates and assumptions included key inputs and assumptions related to the value- in- use calculations and estimated cash flows, long term growth rates and discount rate including the potential impact of the current economic conditions.	Our audit procedures included the following; • We gained an understanding of how management has developed its estimation of future cash flows which included the consideration of the impacts of current economic conditions, • we checked the calculations of the discounted cashflows • we assessed the reasonableness of significant assumptions including long term growth rates and discount rate, and • we tested the completeness and accuracy of the underlying data used and performed sensitivity analysis of significant assumptions to evaluate the effect on the value in-use calculations. We have also assessed the adequacy of the disclosures made in Note 7.1 in the financial statements

Independent Auditor's Report

Key audit matter	How our audit addressed the Matter
Existence and carrying value of Inventories	
As at 31 March 2023, the carrying value of inventories amounted to Rs. 25,061Mn net of a provision of Rs.945 Mn for slowing-moving inventory as disclosed in note 9 to the financial statements. Existence and carrying value of inventories was a key audit matter due to: • Materiality of the reported amount, which represents 28% of the Group's total assets • Inventories being held at multiple locations • Judgements applied by the management in determining the provision for slow-moving inventory on account of ageing and prevailing economic conditions.	Our audit procedures included the following: • Observed physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported as at the reporting date • Tested whether inventory was stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices of such items. • Understood the process followed by the management for the measurement of inventory and tested the relevant controls. • Tested the accuracy and completeness of inventory age reports used in the estimation of allowances • Assessed the reasonableness of management judgements applied in determining provision for slow-moving inventory. We also evaluated the adequacy of the disclosures in note 2.5.4 and note 9 to the financial statements

Other Information included in the 2023 Annual Report

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Colombo
05 June 2023

Statement of Financial Position

As at 31st March	Note	Company		Group	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	3	11,585,496,939	9,953,644,025	33,140,598,572	32,110,827,668
Consumable Biological Assets	3.13	-	-	-	595,643,399
Investment Property	4	-	-	2,069,663,100	2,045,053,010
Investments in Subsidiaries	5	6,738,717,359	6,680,440,813	-	-
Investments in Associates	6	3,488,163,598	3,488,163,598	13,349,774,791	11,778,998,083
Intangible Assets	7	128,379,118	116,253,613	1,306,407,610	1,179,751,105
Right of Use Assets	8	946,300,551	881,696,491	1,112,520,417	1,241,797,886
Deferred Tax Assets	25.3	-	-	146,832,618	-
		22,887,057,565	21,120,198,540	51,125,797,108	48,952,071,151
Current Assets					
Inventories	9	6,016,179,901	2,908,697,755	25,061,118,475	13,472,607,153
Trade and Other Receivables	10	750,186,474	543,032,566	6,427,329,443	5,406,956,658
Amounts Due from Related Parties	10.1.3	1,911,783,271	78,917,708	-	-
Other Non Financial Assets	11	661,079,126	489,366,593	4,206,289,766	2,871,467,432
Contract Assets	10.3	-	-	32,342,715	29,342,566
Other Financial Assets	12	63,415,635	42,706,220	67,869,671	46,714,226
Income Tax Recoverable		-	-	-	17,586,000
Cash and Cash Equivalents	20	802,327,697	7,244,400,506	3,601,535,933	15,383,052,267
		10,204,972,104	11,307,121,348	39,396,486,003	37,227,726,302
Assets held for sale	39	-	-	42,861,993	61,451,078
		10,204,972,104	11,307,121,348	39,439,347,996	37,289,177,380
Total Assets		33,092,029,669	32,427,319,888	90,565,145,104	86,241,248,531
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	13	1,368,673,373	1,368,673,373	1,368,673,373	1,368,673,373
Reserves	14	2,358,007,365	2,758,473,571	4,795,192,567	5,322,149,264
Retained Earnings		16,416,949,913	15,534,918,697	33,427,742,967	30,632,548,166
Equity Attributable to Equity Holders of the Parent		20,143,630, 651	19,662,065,641	39,591,608,907	37,323,370,803
Non Controlling Interest		-	-	13,814,193,267	13,875,753,364
Total Equity		20,143,630,651	19,662,065,641	53,405,802,174	51,199,124,167

As at 31st March	Note	Company 2023 Rs.	Company 2022 Rs.	Group 2023 Rs.	Group 2022 Rs.
Non-Current Liabilities					
Interest Bearing Loans & Borrowings	15	1,771,352,159	1,652,755,720	2,643,820,809	4,184,609,288
Deferred Tax Liabilities	25.4	1,684,183,800	999,612,462	5,114,902,850	3,509,055,664
Retirement Benefit Liabilities	16	614,298,949	515,091,651	1,184,427,431	1,524,411,158
Other Non-Current Liabilities	17	-	-	15,000,000	128,323,831
		4,069,834,908	3,167,459,833	8,958,151,090	9,346,399,941
Current Liabilities					
Trade and Other Payables	18	1,425,528,509	1,430,828,250	5,965,838,140	7,125,232,772
Amounts Due to Related Parties	18.1	50,352,315	23,462,162	260,731,195	272,866,273
Other Current Liabilities	19	2,692,375,831	5,923,049,158	3,093,256,847	6,687,766,968
Dividend Payable		260,963,795	52,054,727	504,998,792	131,781,371
Income Tax Liabilities		666,584,311	642,746,561	1,233,239,648	1,470,922,287
Interest Bearing Loans & Borrowings	15	3,782,759,349	1,525,653,556	16,942,470,633	9,798,924,835
		8,878,564,110	9,597,794,414	28,000,535,255	25,487,494,506
Liabilities directly associated with the assets held for sale	39	-	-	200,656,585	208,229,917
		8,878,564,110	9,597,794,414	28,201,191,840	25,695,724,423
Total Equity and Liabilities		33,092,029,669	32,427,319,888	90,565,145,104	86,241,248,531

I certify that these financial statements are in accordance with the requirements of the Companies Act No. 7 of 2007.

Haresh Somashantha
Director Finance

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the board by,

Harsha Amarasekera
Chairman

Aravinda Perera
Managing Director

The Accounting Policies and Notes on pages 170 through 281 form an integral part of these financial statements.

05 June 2023
Colombo

Statement of Profit or Loss

For the year ended 31st March	Note	Company 2023 Rs.	Company 2022 Rs.	Group 2023 Rs.	Group 2022 Rs.
Revenue from Contract with Customers	21	**16,908,567,141**	14,374,445,951	**63,206,259,228**	54,980,880,101
Cost of Sales		**(9,249,778,379)**	(6,750,453,338)	**(37,676,082,790)**	(32,946,481,902)
Gross Profit		**7,658,788,762**	7,623,992,613	**25,530,176,438**	22,034,398,199
Other Operating Income	22	**2,386,531,327**	2,986,683,640	**471,242,126**	1,068,513,402
Distribution Expenses		**(3,278,259,157)**	(2,444,950,427)	**(7,972,457,915)**	(6,172,401,696)
Administrative Expenses		**(902,665,112)**	(692,095,123)	**(3,267,956,174)**	(2,267,469,853)
Other Operating Expenses	22.1	**20,709,416**	(1,826,430)	**(222,546,668)**	(6,054,172)
Finance Cost	23.1	**(423,197,372)**	(298,731,136)	**(3,556,717,399)**	(771,714,723)
Finance Income	23.2	**590,243,617**	291,815,516	**1,152,595,044**	493,531,701
Share of Associate Companies Profit		**-**	-	**2,312,742,890**	2,328,418,140
Profit Before Tax Continuing Operations	24	**6,052,151,481**	7,464,888,653	**14,447,078,342**	16,707,220,998
Tax (Expense)/Reversal	25	**(1,304,801,699)**	(1,077,339,373)	**(4,229,132,231)**	(3,075,739,592)
Net Profit After Tax from Continuing Operations		**4,747,349,782**	6,387,549,280	**10,217,946,111**	13,631,481,406
Discontinued Operations					
Profit after tax from discontinued operations	39	**-**	-	**375,987,603**	58,107,858
Profit for the Year		**4,747,349,782**	6,387,549,280	**10,593,933,714**	13,689,589,264
Attributable to:					
Equity Holders of the Parent		**4,747,349,782**	6,387,549,280	**7,747,074,276**	9,790,178,365
Non-Controlling Interest		**-**	-	**2,846,859,438**	3,899,410,899
		4,747,349,782	6,387,549,280	**10,593,933,714**	13,689,589,264
Basic Earnings Per Share	26	**4.29**	5.77	**6.99**	8.84
Basic Earnings Per Share from Continuing Operations	26	**4.29**	5.77	**6.65**	8.70
Dividend per share	27	**3.15**	4.20	**3.15**	4.20

The Accounting Policies and Notes on pages 170 through 281 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31st March	Note	Company 2023 Rs.	Company 2022 Rs.	Group 2023 Rs.	Group 2022 Rs.
Net Profit for the Year		**4,747,349,782**	6,387,549,280	**10,593,933,714**	13,689,589,264
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to profit or loss in subsequent periods (net of tax):					
Exchange Differences on translation of foreign operations		-	-	7,588,643	(58,175,339)
Exchange Differences on translation of foreign operations of Associate Company		-	-	(18,408,985)	30,705,888
Net Other Comprehensive Income / (Loss) to be reclassified to profit or loss in subsequent periods		-	-	(10,820,342)	(27,469,451)
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Revaluation of Land and Building /Effect of Tax Rate Change on Revaluation		(400,466,206)	1,398,194,042	(912,017,205)	1,728,261,132
Revaluation of Land of Associate company		-	-	160,342,127	-
Net (loss)/gain on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income of Associate company	14.2	-	-	8,179,745	2,342,674
Actuarial (Loss)/Gain on Retirement Benefit Liability		2,585,093	11,367,170	7,758,940	115,159,768
Actuarial (Loss)/Gain on Retirement Benefit Liability of Associate Company		-	-	2,017,571	18,507,587
Net Other Comprehensive Income from Discontinued Operation		-	-	(36,231,000)	5,859,284
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods		(397,881,113)	1,409,561,212	(769,949,822)	1,870,130,445
Other Comprehensive Income/(Loss) for the Year, net of tax		(397,881,113)	1,409,561,212	(780,770,164)	1,842,660,994
Total Comprehensive Income for the Year, net of tax		4,349,468,669	7,797,110,492	9,813,163,550	15,532,250,258
Attributable to					
Equity Holders of the Parent				7,230,271,622	11,569,986,981
Non-Controlling Interest				2,582,891,928	3,962,263,277
				9,813,163,550	15,532,250,258

The Accounting Policies and Notes on pages 170 through 281 form an integral part of these financial statements.

Statement of Changes in Equity - Company

For the year ended 31st March	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31st March 2021	1,368,673,373	1,360,279,529	13,783,645,618	16,512,598,520
Net Profit for the Year	-	-	6,387,549,280	6,387,549,280
Other Comprehensive Income / (Loss)	-	1,398,194,042	11,367,170	1,409,561,212
Total Comprehensive Income	-	1,398,194,042	6,398,916,450	7,797,110,492
Dividends - 2021/2022	-	-	(4,653,154,128)	(4,653,154,128)
Dividend Write back	-	-	5,510,757	5,510,757
Balance as at 1st April 2022	1,368,673,373	2,758,473,571	15,534,918,697	19,662,065,641
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No 14 of 2022	-	-	(388,151,727)	(388,151,727)
Adjusted Balance as at 1st April 2022	1,368,673,373	2,758,473,571	15,146,766,970	19,273,913,914
Net Profit for the Year	-	-	4,747,349,782	4,747,349,782
Other Comprehensive Income / (Loss)	-	(400,466,206)	2,585,093	(397,881,113)
Total Comprehensive Income	-	(400,466,206)	4,749,934,875	4,349,468,69
Dividends 2022/2023	-	-	(3,489,865,596)	(3,489,865,596)
Dividend Write back	-	-	10,113,664	10,113,664
Balance as at 31st March 2023	1,368,673,373	2,358,007,365	16,416,949,913	20,143,630,651

The Accounting Policies and Notes on pages 170 through 281 form an integral part of these financial statements.

Statement of Changes in Equity - Consolidated

For the year ended 31st March	Attributable to owners of the parent							
	Stated Capital Rs.	Revaluation Reserve Rs.	Fair Value Reserve Rs.	Foreign Currency Translation Reserve Rs.	Retained Earnings Rs.	Total Rs.	Non-Controlling Interest Rs.	Total Equity Rs.
Balance as at 31st March 2021	1,368,673,373	3,610,069,181	(22,841,494)	39,868,266	25,401,388,266	30,397,157,592	11,580,363,218	41,977,520,810
Net profit for the year	-	-	-	-	9,790,178,365	9,790,178,365	3,899,410,899	13,689,589,264
Other Comprehensive income / (Loss)	-	1,722,987,379	2,342,674	(30,276,742)	84,755,305	1,779,808,616	62,852,378	1,842,660,994
Total Comprehensive income	-	1,722,987,379	2,342,674	(30,276,742)	9,874,933,670	11,569,986,981	3,962,263,277	15,532,250,258
Dividends 2021/2022	-	-	-	-	(4,653,154,128)	(4,653,154,128)	-	(4,653,154,128)
Write back of Unclaimed Dividends	-	-	-	-	9,380,358	9,380,358	2,173,936	11,554,294
Subsidiary Dividends to Minority Shareholders	-	-	-	-	-	-	(1,669,047,067)	(1,669,047,067)
Balance as at 1st April 2022	1,368,673,373	5,333,056,560	(20,498,820)	9,591,524	30,632,548,166	37,323,370,803	13,875,753,364	51,199,124,167
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No 14 of 2022	-	-	-	-	(1,475,180,237)	(1,475,180,237)	(489,820,422)	(1,965,000,659)
Adjusted Balance as at 1st April 2022	1,368,673,373	5,333,056,560	(20,498,820)	9,591,524	29,157,367,929	35,848,190,566	13,385,932,942	49,234,123,508
Net profit for the year	-	-	-	-	7,747,074,276	7,747,074,276	2,846,859,438	10,593,933,714
Other Comprehensive income / (Loss)	-	(521,692,994)	8,179,745	(13,443,448)	10,154,044	(516,802,653)	(263,967,510)	(780,770,163)
Total Comprehensive income	-	(521,692,994)	8,179,745	(13,443,448)	7,757,228,320	7,230,271,623	2,582,891,928	9,813,163,551
Dividends 2022/2023	-	-	-	-	(3,489,865,596)	(3,489,865,596)	-	(3,489,865,596)
Write back of Unclaimed Dividends	-	-	-	-	11,206,666	11,206,666	392,933	11,599,599
Subsidiary Dividends to Minority Shareholders	-	-	-	-	-	-	(1,888,127,084)	(1,888,127,084)
Change in Non controlling Interest with disposal of a subsidiary	-	-	-	-	-	-	(455,676,803)	(455,676,803)
Change in ownership without change in control	-	-	-	-	(8,194,352)	(8,194,352)	188,779,351	180,584,999
Balance as at 31st March 2023	1,368,673,373	4,811,363,566	(12,319,075)	(3,851,924)	33,427,742,967	39,591,608,907	13,814,193,267	53,405,802,174

The Accounting Policies and Notes on pages 170 through 281 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31st March	Note	Company 2023 Rs.	Company 2022 Rs.	Group 2023 Rs.	Group 2022 Rs.
Cash Flows From / (Used in) Operating Activities					
Profit before tax from continuing operations		6,052,151,481	7,464,888,652	14,447,078,342	16,707,220,998
Profit/(loss) before tax from discontinued operations		-	-	863,018,023	83,975,744
Profit before tax		6,052,151,481	7,464,888,652	15,310,096,365	16,791,196,742
Adjustments to reconcile profit before tax to net cash flows:					
Dividend Income	22	(2,014,461,779)	(2,537,292,376)	(991,063)	(350,224)
Interest Income	23.2	(590,243,617)	(291,815,516)	(1,157,699,799)	(494,304,304)
Depreciation of Property, Plant & Equipment	3	742,328,871	736,047,044	2,039,123,103	1,966,877,985
Amortisation of Right of use Assets	8.1	174,675,424	180,312,391	275,807,400	264,877,721
Amortisation Over Mining Land	3.18	-	-	-	475,007
(Profit)/Loss on Sale of Property, Plant & Equipment	22	(4,000,000)	-	(5,111,000)	21,430,133
Finance Costs	23.1	423,197,372	298,731,136	3,898,628,615	909,705,583
(Gain)/Loss on disposal of subsidiary	40	-	-	(215,954,815)	-
Movements in Provisions and Write-down of Inventories		141,249,032	43,157,159	291,594,095	174,519,167
Write off of Capital expenditure		-	-	24,121,005	19,595,000
Provision for Related Party Receivables	10.1.3	229,841	217,659	-	-
Amortization of Intangible Assets	7.2	20,960,765	20,012,811	31,714,900	26,805,811
Unrealised Gain on Foreign Exchange		(166,083,639)	(103,667,302)	(309,619,908)	(459,391,775)
Allowance for Impairment of Trade Receivable		1,861,661	143,708	26,233,657	19,853,409
Deferred Income / Capital Grants Amortisation	22	-	-	(7,671,000)	(7,564,000)
Changing in Fair Value of Biological Assets		-	-	8,042,000	36,713,000
Revaluation Gain on Investment Property	22	-	-	(22,272,196)	(46,572,704)
Provision /(Reversal) for Change in Fair Value of the Investments	22	(20,709,416)	1,826,430	(20,709,416)	1,826,430
Profit Share of Investment in Associates		-	-	(2,312,742,890)	(2,328,418,140)
Provision for Retirement Benefit Liability	16	123,639,125	57,232,151	342,918,243	184,990,101
Operating Profit/(Loss) before Working Capital Changes		4,884,795,122	5,869,793,947	18,195,507,299	17,082,264,942
(Increase)/ Decrease in Inventories		(3,248,731,178)	39,607,579	(12,366,338,414)	(2,546,327,977)
(Increase)/ Decrease in Trade and Other Receivables		(224,548,007)	111,537,851	(594,863,232)	(813,797,172)
(Increase)/ Decrease Receivables From Related Parties		(1,833,095,403)	81,462,952	-	-
(Increase)/ Decrease in Other Non Financial Assets		(260,559,999)	(255,441,358)	(1,429,276,523)	(1,902,592,154)
Increase/ (Decrease) in Trade and Other Payables		87,789,119	48,201,874	(457,302,462)	1,844,648,328
Increase /(Decrease) Payables to Related Parties		26,890,153	(198,568,868)	140,737,131	172,388,069
Increase/ (Decrease) in Other Current Liabilities		(3,230,673,327)	3,853,149,575	(3,594,510,121)	4,478,532,752

For the year ended 31st March	Note	Company 2023 Rs.	Company 2022 Rs.	Group 2023 Rs.	Group 2022 Rs.
Cash Generated from Operations		(3,798,133,520)	9,549,743,553	(106,045,322)	18,315,116,788
Finance Costs Paid		(405,816,600)	(295,410,983)	(3,876,048,595)	(902,631,269)
Retirement Benefit Liability Paid		(20,738,837)	(10,734,858)	(221,024,529)	(148,282,668)
Income Tax Paid		(1,386,118,439)	(837,718,268)	(5,157,085,584)	(2,382,958,638)
Net Cash Flows From/(Used in) Operating Activities		(5,610,807,396)	8,405,879,443	(9,360,204,030)	14,881,244,213
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant & Equipment	3	(2,374,181,785)	(736,760,049)	(5,949,945,511)	(3,416,332,085)
Acquisition of Investment Property	4	-	-	(2,337,894)	(7,224,709)
Acquisition of Consumable Biological Assets		-	-	(3,706,000)	(10,507,008)
Proceeds from Sale of Property, Plant & Equipment		4,000,000	-	10,187,000	110,599,964
Acquisition of Intangible Assets	7.2	(33,086,270)	(6,265,622)	(163,320,405)	(30,767,622)
Acquisition of Short-Term Investment		(58,276,546)	392,400,000	10,490,677	604,231,040
Acquisition of Investment in Associate		-	(325,226,108)	-	(325,226,108)
Net Cash Inflow from Disposal of Subsidiary		-	-	459,625,000	-
Interest Received	23.2	590,243,617	291,815,516	1,157,699,799	494,304,304
Dividends Received	22	2,014,461,779	2,537,292,376	288,985,935	1,011,800,720
Net Cash Flows / (Used in) Investing Activities		143,160,795	2,153,256,113	(4,192,321,399)	(1,569,121,503)
Cash Flows from / (Used in) Financing Activities					
Proceeds From Interest Bearing Loans & Borrowings		2,773,124,499	628,796,819	27,418,916,109	24,897,635,806
Repayment of Interest Bearing Loans & Borrowings		(1,607,524,961)	(1,364,454,739)	(22,244,080,336)	(22,720,272,066)
Capital Repayments under Lease Liabilities		(100,356,448)	(91,285,206)	(160,178,819)	(146,132,018)
Dividends Paid on Ordinary Shares		(3,270,842,864)	(4,616,964,349)	(3,270,842,864)	(4,616,964,349)
Dividend paid to Non Controlling Interest		-	-	(1,723,818,731)	(1,642,673,315)
Proceeds on Issue of Shares to Minority Shareholders		-	-	27,712,791	-
Capital Grants Received		-	-	821,000	1,894,000
Net Cash Flows from/(Used in) Financing Activities		(2,205,599,774)	(5,443,907,475)	48,529,149	(4,226,511,942)
Net Increase/(Decrease) in Cash and Cash Equivalents		(7,673,246,375)	5,115,228,081	(13,503,996,279)	9,085,610,767
Net Foreign Exchange Difference		71,146,441	200,357,231	20,462,887	331,045,068
Cash and Cash Equivalents at the beginning of the year	20	7,030,939,554	1,715,354,242	13,329,147,058	3,912,491,223
Cash and Cash Equivalents at the end of the year	20	(571,160,380)	7,030,939,554	(154,386,334)	13,329,147,058

The Accounting Policies and Notes on pages 170 through 281 form an integral part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

Royal Ceramics Lanka PLC ("the Company") is a public 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.20, R.A. De Mel Mawatha, Colombo 03.

The Consolidated Financial Statements of the Group as at and for the year ended 31 March 2023 comprise the Royal Ceramics Lanka PLC (Parent Company) and its subsidiaries (collectively, the "Group"), namely Royal Ceramics Distributors (Private) Limited, Rocell Bathware Limited, Ever Paint and Chemical Industries (Private) Limited, Biscuits and Chocolate Company Limited (previously known as Rocell Ceramics limited), Rocell Pty Ltd, Nilano Garments (Private) Limited, CP Holding (Private) Limited, Group of Lanka Ceramic PLC and the Group of Lanka Walltiles PLC and Group's interest in equity accounted investees.

1.2 Parent Enterprise and Ultimate Parent Enterprise

The Company's ultimate parent undertaking is Vallibel One PLC. The Group's ultimate controlling party is Mr. K.D.D. Perera.

1.3 Principal Activities and Nature of Operations

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

Royal Ceramics Lanka PLC	Manufacture and marketing of floor tiles and wall tiles and the holding of investments
Royal Ceramics Distributors (Private) Limited	Non Operational
Rocell Bathware Limited	Manufacture and marketing of sanitaryware
Ever Paint and Chemical Industries (Private) Limited	Manufacture and marketing of paints and allied products. (Discontinued the operations w.e.f. 25 July 2016)
Biscuits and Chocolate Company Limited (Previously known as Rocell Ceramics Limited)	Manufacture and marketing of biscuits and chocolate. Operations are not being commenced yet.
Rocell Pty Limited	Wholesale and retailing of floor tiles and wall tiles and bathware in Australia (Discontinued the operations w.e.f. 31 January 2021)
Lanka Ceramic PLC	Manufacture and marketing of raw materials to ceramics industry, import and selling of sanitaryware and managing and holding of an investment property.
Lanka Walltiles PLC	Manufacture and marketing of wall tiles and floor tiles.
Lanka Tiles PLC	Manufacture and marketing of wall tiles and floor tiles.
Vallibel Plantation Management Limited	Providing management services to plantation industry.
Horana Plantations PLC	Manufacture and marketing of agricultural production. (Disposed the holding w.e.f. 29 March 2023)
Unidil Packaging Limited	Manufacture and marketing of cartons for packing.
Unidil Packaging Solutions Limited	Manufacture and marketing of paper sacks for packing.
Swisstek (Ceylon) PLC	Manufacture and marketing of tile grout, tile mortar and associated products.
Swisstek Aluminium Limited	Manufacture and marketing of aluminium extrusions.
LWL Development (Private) Limited	Property holding.
Beyond Paradise Collection Limited	Property holding.
Nilano Garments (Private) Limited	Manufacture and trading of value added ceramics tiles and allied products
Lanka Tile (Private) Limited	Distribution of tiles in India
Swisstek Development Limited	Holding of investments.
LTL Development (Private) Limited	Holding of investments.
Rocell Properties Limited	Holding of investments.
LW Plantation Investments Limited	Holding of investments.
LC Plantation Project Limited	Holding of investments.
CP Holding (Private) Limited	Property Holding.

There were no significant changes in the nature of the principal activities of the Company and Group during the financial year under review except the discontinuation of the operations of Horana Plantations PLC with effect from 29 March 2023, on which date control of the Horana Plantations PLC passed to the Hayleys Plantation Management Services (Pvt) Ltd.

1.4 Date of Authorization for Issue

The Consolidated Financial Statements of Royal Ceramics Lanka PLC, for the year ended 31 March 2023 were authorised for issue in accordance with the resolution of the Board of Directors on 05 June 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Financial Statements of the Company and the Group have been prepared on a historical cost basis, except otherwise indicated which have been measured at fair value.

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

Rocell Pty. Ltd is using Australian Dollar (AUD) as a functional currency as the company was incorporated in Australia.

2.1.1 Statement of Compliance

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka. The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

2.1.2 Changes in Accounting Policies

New and amended standards and interpretations

The Group applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2022.

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

Amendments to SLFRS 3: Definition of a Business – Updating a reference to conceptual framework

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

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

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

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

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

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

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

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

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

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

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

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

LKAS 41 Agriculture – Taxation in fair value measurements

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

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

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

2.1.3 Comparative information

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

2.2 Basis of Consolidation

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The consolidated financial statements of the Group include:

Company Name	Country of Incorporation and Operation	Year of Incorporation	% of equity Interest 2023	% of equity Interest 2022
Royal Ceramics Distributors (Private) Limited	Sri Lanka	1993/1994	100%	100%
Rocell Bathware Limited	Sri Lanka	2005/2006	100%	100%
Ever Paint and Chemical Industries (Private) Limited	Sri Lanka	2002/2003	100%	100%
Biscuits and Chocolate Company Limited	Sri Lanka	2006/2007	69.11%	100%
Nilano Garments (Private) Limited	Sri Lanka	1984/1985	100%	100%
Rocell Properties Ltd	Sri Lanka	2011/2012	100%	100%
Rocell Pty Limited	Australia	2014/2015	100%	100%
Lanka Ceramic PLC	Sri Lanka	1991/1992	73.56%	73.56%
Lanka Walltiles PLC	Sri Lanka	1975/1976	54.55%	54.55%
Lanka Tiles PLC	Sri Lanka	1983/1984	39.83%*	39.83%*
Vallibel Plantation Management Limited	Sri Lanka	1992/1993	54.55%	54.55%
Swisstek (Ceylon) PLC	Sri Lanka	1967/1968	32.18%*	32.18%*
Swisstek Aluminium Limited	Sri Lanka	2007/2008	35.72%*	35.72%*
Horana Plantations PLC	Sri Lanka	1992/1993	27.82%*	27.82%*
Unidil Packaging Limited	Sri Lanka	1994/1995	54.55%	54.55%
Unidil Packaging Solutions Limited	Sri Lanka	2006/2007	54.55%	54.55%
LWL Development (Private) Limited	Sri Lanka	2015/2016	54.55%	54.55%
Beyond Paradise Collection Limited	Sri Lanka	2011/2012	39.83%*	39.83%*
Lanka Tiles (Private) Limited	India	2017/2018	20.31%*	20.31%*
Swisstek Development Limited	Sri Lanka	2017/2018	32.18%*	32.18%*
LW Plantation Investments Limited	Sri Lanka	2020/2021	54.55%	54.55%
LTL Development Limited	Sri Lanka	2017/2018	39.83%*	39.83%*
LC Plantation Project Limited	Sri Lanka	2020/2021	73.56%	73.56%
CP Holding (Private) Limited	Sri Lanka	2011/2012	66.69%	66.69%

* The Company has a controlling stake in these investee companies through the direct and indirect holdings within Group Companies.

2.3 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements of the Group require the management to make judgments, estimates and assumptions, which may affects the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.
In the process of applying the Group's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgment that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below.

(i) Going Concern

Financial statements of the Company and Consolidated financial statements of the Group for the year ended 31 March 2023 have been prepared on going concern basis as further elaborated in Note 2.4.

(ii) Fair value of Freehold Land and Buildings and Investment properties

The Group measures freehold land and buildings as well as Land classified as Investment properties at fair value with changes in fair value being recognized in other comprehensive income and statement of profit and loss respectively. 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.

Notes to the Financial Statements

The valuer has used valuation techniques such as market values and discounted cash flow method where there was lack of comparable market data available based on the nature of the property. (Note 3.15 and Note 4.1)

(iii) Fair Valuation of Biological Assets

The fair value of managed timber determined based on discounted cash flow method using various financial and non-financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 3.14.

(iv) Useful life-time of the Property, Plant and equipment

The Group reviews the useful lives and methods of depreciation of assets at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty (Note 3.16).

(v) Impairment of non financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

Refer Note 5.2 for impairment assessment performed for investments in subsidiaries.

(vi) Impairment of debtors

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. (Note 10)

(vii) 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 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 38.

(viii) Defined Benefit Plans

The Defined Benefit Obligation and the related charge for the year are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates etc. Due to the long term nature of these plans such estimates are subject to significant uncertainty. Further details are given in Note 16 for the assumptions used and the sensitivity thereon.

(ix) Provision for Slow moving inventories

A provision for slow moving inventories is recognized based on the best estimates available to management on their future usability/sale. As management uses historical information as the basis to determine the future usability and recoverability, actual future losses on inventories could vary from the provision made in these financial statements (Note 9).

(x) 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.

(ix) Leases - Estimating the incremental borrowing

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

2.4 Going Concern

In determining the basis of preparing the financial statements for the year ended 31 March 2023, based on available information, the management has assessed the prevailing and anticipated effects of the current economic conditions on the Group and the appropriateness of the use of the going concern basis.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as going concern due to the improved operating environment despite the ongoing effects of the current economic conditions and the operationalisation of risk mitigation initiatives and continuous monitoring of business continuity and response plans along with the financial strength of the Group. The management has formed a judgment that the Group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

2.5 Summary of Significant Accounting Policies

2.5.1 Foreign Currency Translation

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is Group's functional currency except for Rocell Pty Limited. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Notes to the Financial Statements

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Sri Lankan Rupees at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income. On disposal of a foreign operation, the component of Other Comprehensive Income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.5.2 Taxation

(a) Income Tax

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 recognized in equity and not in the statement of comprehensive income.

Royal Ceramics Lanka PLC, Lanka Ceramic PLC, Royal Ceramics Distributors (Pvt) Ltd, Ever Paint & Chemical Industries (Pvt) Ltd, Lanka Walltiles PLC, Lanka Tiles PLC, Vallibel Plantation Management Ltd, Swisstek Ceylon PLC and Nilano Garments (Private) Limited, Unidil Packaging Limited, Unidil Packaging Solutions Limited

The Provision for income tax is based on the elements of income and expenditure as reported in Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017.

The statutory tax rates of above companies are as follows;

	2022/23		2021/22
	1st half of the year	2nd half of the year	Full year
Local sales and others	24%	30%	24%
Manufacturing	18%	30%	18%
Qualified export	14%	30%	14%

Swisstek Aluminium Ltd.

Income tax exemption given for Swisstek Aluminium Ltd has been ended by 01 September 2016 and company liable to pay tax at a rate of 20% on manufacturing profits and 24% (30% w.e.f. 1st October 2022) on trade profits and other income.

Rocell Bathware Limited

Income tax exemption given for Rocell Bathware Ltd has been expired on year of assessment 2015/16 and company liable to pay tax at a rate of 15% on manufacturing profits and 24% (30% w.e.f. 1st October 2022) on trade profits and other income.

Horana Plantations PLC

	2022/23		2021/22
	1st half of the year	2nd half of the year	Full year
Agro Farming	Exempt for 5 year w.e.f 1/4/2019	Exempt for 5 year w.e.f 1/4/2019	Exempt for 5 year w.e.f 1/4/2019
Agro Processing	14%	30%	14%
Other Income	24%	30%	24%

(b) Deferred Tax

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 initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits 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 credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 the tax rates and tax laws that have been enacted or subsequently enacted as at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relates to the same taxable entity and the same taxation authority.

(c) Turnover Based Taxes

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

(d) Social Security Contribution Levy

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

2.5.3 Borrowing Cost

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

2.5.4 Inventories

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

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

Notes to the Financial Statements

(a) Raw material - At purchase cost on weighted average cost basis, except for, Vallibel Plantation Management Limited, Swisstek Aluminium Limited and Swisstek (Ceylon) PLC which is on a first in first out basis.

(b) Consumable and spares - At purchase cost on weighted average cost basis.

(c) Finished goods and Work in progress - at the cost of direct material, direct labour and appropriated proportion of production overheads based on normal operating capacity.

(d) Goods in transit have been valued at cost.

(e) Trading goods – At Purchase cost on weighted average basis except for Lanka Walltiles group which is on first in first out basis.

(f) Harvest Crops – Refer note 2.10.2

2.5.5 Property, Plant and Equipment

(a) Initial recognition

All items of property, plant and equipment are initially recorded at cost.

The cost of property, plant and equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use. Subsequent to the initial recognition as an asset at cost, revalued assets are carried at revalued amounts less any subsequent deprecation thereon. All other property, plant and equipment are stated at cost or fair value less accumulated depreciation and/or accumulated impairment losses, if any. Accumulated depreciation is provided for, on the bases specified in (c) below.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent Expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from the originally assessed standard of performance, is recognised as an expense when incurred.

(c) Depreciation

Depreciation is calculated by using a straight-line basis on all property, plant and equipment, other than freehold land and mining land, in order to write off the cost or valuation over the estimated economic life of such assets. Depreciation of mining land is calculated based on unit of production.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

(d) Revaluation

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Profit or Loss, in which case the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Cost of repairs and maintenance are charged to the Statement of Profit or Loss during the period in which they are incurred.

(e) De-recognition

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 Statement of Profit or Loss in the year the asset is derecognised.

(f) Capital Work in Progress

Capital work in progress represents the cost of civil construction work not completed and property, plant and equipment that are not ready for their intended use.

Capital work progress is stated at cost, net of accumulated impairment losses, if any.

2.5.6 Intangible assets

The Group's intangible assets include the cost of computer software and goodwill.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year–end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the Statement of Profit or Loss.

Amortization is calculated using the straight- line method to write down the cost of intangible assets to their residual values over their estimated useful lives of 5 - 15 years, for computer software.

2.5.7 Leases

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

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

Group as the Lessor

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

Group as the Lessee

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

(i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment and are in the range of 3 to 36 years.

Notes to the Financial Statements

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.5.16 - Impairment of non-financial assets.

(ii) Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. (refer Note 8).

(iii) Short-term leases and leases of low-value assets

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

The accounting policies applicable to the Group as a lessor in the comparative period were not difference from SLFRS 16.

2.5.8 Investment properties

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

Initial measurement

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

Subsequent measurement

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

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

2.5.9 Investments In subsidiaries

Investments in subsidiaries in the separate Financial Statements have been accounted for at cost, net of any impairment losses which are charged to the Statement of Comprehensive Income of the Company.

Income from these investments is recognised only to the extent of dividend received.

Disposal of investments

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

2.5.10 Business Combination and Goodwill

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of non-controlling interest in acquiree. For each business combination, the group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets prorate to the carrying amount of each asset in the unit.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.5.11 Financial instruments – initial recognition and subsequent measurement

a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

The Group classifies all of these financial assets in the measurement category of financial assets at amortised cost, Financial assets at fair value through profit or loss and financial assets at fair value through OCI. Categories of financial assets as per SLFRS 9 are limited only for the followings.

(i) Financial assets at amortised cost

This category is the most relevant to the Group. The Group 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 Group's financial assets at amortised cost includes trade and other receivables, short term deposits and cash and bank.

(ii) 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.

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

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) The Group has transferred substantially all the risks and rewards of the asset, or

(b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

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

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

For trade receivables and contract assets, the 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.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

b) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss.

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

Derecognition

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

Notes to the Financial Statements

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 38.

2.5.12 Cash and Cash Equivalents

Cash and cash equivalents are cash at bank and in hand, call 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 Statement of Cash Flows, cash and cash equivalents consist of cash in hand, cash at bank deposits in banks net of outstanding bank overdrafts. Investments with short maturities (i.e. three months or less from date of acquisition) are also treated as cash equivalents. Bank overdrafts are disclosed under Interest Bearing Liabilities in the Statement of Financial Position.

2.5.13 Investments in Associates

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the Statement of Financial Position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Statement of Profit or Loss of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of an associate is shown on the face of the Statement of Profit or Loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The Financial Statements of the associate are prepared for the same reporting period as the Group. Accounting policies that are specific to the business of associate companies are discussed in note 2.9.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the Statement of Profit or Loss.

The investment in associate is accounted for using the cost method in the separate financial statements.

2.5.14 Provisions, contingent assets and contingent liabilities

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value. (refer Note 29).

Subsequently, it is measured at the higher of: The amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (SLFRS 15).

Contingent assets are disclosed, where inflow of economic benefit is probable.

2.5.15 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 revised LKAS 19 – "Employee benefits" and resulting actuarial gain/ loss was recognized in full in the Other Comprehensive Income (OCI) The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Key assumptions used in determining the defined retirement benefit obligations are given in Note 16. Any changes in these assumptions will impact the carrying amount of defined benefit obligations and all assumptions are reviewed at each reporting date. Interest expense and the current service cost related to the liability is recognized in profit or loss and actuarial gain or loss is recognized in other comprehensive income.

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

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2022 carried out by Messrs Actuarial and Management Consultants (Private) Limited, actuaries.

Funding Arrangements

The Gratuity liability is not externally funded.

(b) Defined Contribution Plans-Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. These are recognized as an expense in the Statement of Profit or Loss as incurred.

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

2.5.16 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, or when annual impairment testing is required for an asset, the Company makes an assessment of the assets' recoverable amount. When the carrying amount of an asset exceeds its' recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.5.17 Non-current assets held for trade and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sale. Costs to sale are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to distribute will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

  Or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 39. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

2.6 Statement of Profit or Loss

2.6.1 Revenue from contracts with customers

The Group is primarily involved in manufacturing and marketing of tiles and associated items, sanitaryware, packaging material, aluminium products and agricultural products in Sri Lanka and overseas as detailed in Note. 21. 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 Group expects to be entitled in exchange for those goods. The Group is the principal in its revenue arrangements, as it typically controls the goods before transferring them to the customer.

a) Sale of goods - tiles and associated items, sanitaryware, packing material, aluminium products

Revenue from sales of goods 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. Control transition point to recognize the revenue on export sales is determined based on the international commercial terms applicable for the respective transactions. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, which is not materially affect on the recognition of revenue.

b) Sale of Plantation produce

The Group is in the business of cultivation, manufacture and sale of black tea, rubber and other crops (Plantation Produce).

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods are transferred to the customer. Black tea and Rubber produce are sold at the Colombo tea/rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognized at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods.

c) Sale of timber with installation services

The supply of timber is recognised at the point of delivery the goods to the customer and the revenue for installation services is recognised over installation period for the transactions that consumes a significant time period for installation. The revenue is recognised at a point in a time either for the transactions which consumes an insignificant installation period or for the transactions where the installation services provided on the same day delivery of goods.

d) Rendering of Services

Revenue from services is recognised as the services are provided. Revenue from service contracts that cover periods of greater than 12 months is recognised in the profit and loss in proportion to the services delivered at the reporting date.

(i) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(ii) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

(iii) Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial instruments – initial recognition and subsequent measurement.

(iv) Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

2.6.2 Other Sources of Revenue

a) Interest Income

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

b) Dividends

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

c) Rental Income

Rental income is recognised on an accrual basis.

d) Other

Other income is recognised on an accrual basis.

e) Gains and Losses

Net Gains and losses of a revenue nature on the disposal of property, plant and equipment and other non- current assets including investments have been accounted for in the Statement of Profit or Loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of revalued property, plant and equipment, 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.

2.7 Cash Flow Statement

The Cash Flow Statement has been prepared by using the 'In direct Method' in accordance with LKAS 7 on Statement of Cash Flows, whereby gross cash receipts and gross cash payments of operating activities, financing activities and investing activities have been recognized. Cash and cash equivalents comprise mainly cash balances and highly liquid investments of which original maturity of 3 months or less and net amount due from banks.

2.8 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments of the Group are determined based on product or services supplied by Group.

Segment information is presented in respect of the Group's business and has been prepared in conformation with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group. The business segments are reported based on Group's management and internal reporting structure. Inter segment pricing is determined at prices mutually agreed by the companies.

Segment result, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise of goodwill on consolidation.

The Group's segmental reporting is based on the following operating segments:

Tiles and Associated Products

Manufacture and distribution of wall tiles, floor tiles, tile grout, mortar and related products.

Sanitary ware

Manufacturing and marketing of sanitary ware products.

Packaging Material

The manufacture and distribution of packing materials

Notes to the Financial Statements

Aluminium Products

The manufacture and distribution of aluminium extrusions and allied products through a network of dealers & distributors.

Finance

Provision of Financial Solutions.

Other

Supply of raw materials to the ceramic industry and provision of consumer, retail, life style, healthcare and transportation.

Management considers that there is no suitable basis for allocating such assets and related liabilities to geographical segments. Accordingly, segment assets, segment liabilities and other segment information by geographical segment is not disclosed.

2.9 Significant Accounting Policies that are specific to the business of associates

2.9.1 L B Finance PLC

Revenue Recognition –

a) Net interest income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

The Group use the Effective Interest Rate (EIR) method for recognising the interest income and interest expenses of Financial Assets and Financial Liabilities that are measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income under SLFRS 9 and the same method followed by the Group for the Financial Assets and Financial Liabilities classified as held for trading and as available-for-sale and financial Assets and Liabilities measured at amortised cost under LKAS 39 in the comparative financial year. EIR is the rate that exactly discounts 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 financial liability.

The calculation of EIR takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as an impairment charge or reversal to the Income Statement.

Interest income on impaired financial instruments continues to be recognised at original EIR to the unadjusted carrying amount until the financial asset has been classified as fully impaired. Until such the accrued interest added to the unadjusted carrying amount has been impaired to the estimated Loss Given Default (LGD). Interest from overdue rentals have been accounted for on a cash received basis.

b) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. These fees include credit-related fees and commission income. All fees and commissions are recognised to the Income Statement on an accrual basis. Fee and commission income that are integral to the EIR of a financial asset or financial liability are capitalised and included in the measurement of the EIR and recognised in the Income Statement over the expected life of the instrument.

c) Net trading income

Net trading income includes all gains and losses from changes in fair value and related dividends for financial assets and financial liabilities 'held for trading' other than interest income. Dividend income received from Financial Investments - Held for Trading is recognised when the Group's right to receive the payment is established.

d) Others

Income earned on other sources, which are not directly related to the normal operations of the Group is recognised as Other Operating Income on an accrual basis.

e) Impairment charges and other losses

The Group recognises the changes to the impairment provision which are assessed based on expected credit loss method in accordance with Sri Lanka Accounting Standard - SLFRS 09 (Financial Instruments). Recovery of amounts written-off as bad and doubtful debts is credited to impairment charges and other losses.

2.10 Significant Accounting Policies that are Specific to the Business of Plantation

Basis of Preparation

These Financial Statements have been prepared in accordance with the historical cost convention basis except for the following material items in the statement of financial position.

- Lease hold right to Bare Land and leased assets of JEDB/ SLSPC, which have been revalued as more fully described in Note 8
- Consumable Mature Biological Assets are measured at fair value less cost to sell as per LKAS 41 - Agriculture.
- Liability for Retirement Benefit Obligation is recognized as the present value of the defined benefit obligation based on actuarial valuation as per LKAS 19: Employee benefits)
- Agriculture produce harvested from biological assets are measured at fair value as per LKAS 41: Agriculture.

2.10.1 Property, Plant and Equipment

a) Permanent Land Development Cost

Permanent land development costs incurred in making major infrastructure development and building new access roads on leasehold lands. These costs have been capitalized and amortized over the remaining lease period. Permanent impairments to land development costs are charged to the Statement of Profit or Loss and Other Comprehensive Income in full and reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

b) Biological Assets

Biological assets are classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include tea and rubber trees, those that are not intended to be sold or harvested, but are however used to grow for harvesting agricultural produce from such Biological assets. Consumable Biological assets include managed timber trees (those that are to be sold as Biological assets).

Biological assets are further classified into Mature Biological assets and Immature Biological assets. Mature Biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature Biological assets are those that have not yet attained harvestable specifications.

Recognition and Measurement

The entity recognises the Biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The Bearer Biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant and Equipment.

The managed timber trees are measured on initial recognition and at the end of each reporting period at fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants (age below 5 years) as the impact on biological transformation of such plants to price during this period is immaterial.

Bearer Biological Assets

The cost of land preparation, rehabilitation, new planting, re-planting, crop diversifying, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long term loans used for financing immature plantations.

Permanent impairments to Bearer Biological Assets are charged to the Statement of Profit or Loss and Other Comprehensive Income in full and reduce the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

Infilling cost on Bearer Biological Assets

The land development costs incurred in the form of infilling are capitalised when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation or unexpired lease period, whichever is lower.

Infilling costs that are not capitalised are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year in which they are incurred.

Notes to the Financial Statements

Growing crop nurseries

Nursery cost includes the cost of direct materials, direct labor and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

Consumer Biological Assets

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41 - Agriculture. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using Discounted Cash Flow (DCF) method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

The main variables in DCF model concerns

Variable	Comment
Currency valuation	Sri Lankan Rupees
Timber content	Estimate based on physical verification of girth, height and considering the growth of each spices. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Group.
Economic useful life	Estimated based on the normal life span of each spices by factoring the forestry plan of the Company.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfil in bringing the trees in to saleable condition.
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.

The gain or loss arising on initial recognition of Consumable Biological assets at fair value less cost to sell and from a change in fair value less cost to sell of Consumable Biological assets are included in profit or loss for the period in which it arises.

Borrowing Cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalized as a part of the asset.

Borrowing costs that are not capitalized are recognized as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss.

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

Borrowing costs incurred in respect of specific loans that are utilized for field development activities have been capitalized as a part of the cost of the relevant immature plantation. The capitalization will cease when the crops are ready for commercial harvest.

Produce on Bearer Biological Asset

The Company recognizes its agricultural produce prior to harvest separately from its bearer plant. Such agricultural produce prior to harvest continues to be in the scope of LKAS 41 and measured at fair value less costs to sell. Changes in the fair value of such agricultural produce is recognized in profit or loss at the end of each reporting period.

When deriving the estimated quantity the Company limits it to one harvesting cycle and the quantity is ascertained based on the last day of the harvest in the immediately preceding cycle. In order to ascertain the fair value of produce growing on trees, 50% of the estimated crop in that harvesting cycle is considered.

2.10.2 Inventories

a) Agricultural produce harvested from Biological Assets

Agricultural produce harvested from Biological Assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi finished inventories from Agricultural produce are valued by adding the cost of conversion to the fair value of agricultural produce.

b) Agricultural produce after further processing

Further processed output of Agricultural Produce are valued at the lower of cost and estimated net realizable value, after making due allowance for obsolete and slow moving items. Net realizable value is the price at which stocks can be sold in the normal course of business after allowing for estimated costs of conversion and the estimated costs necessary to bring them to a saleable condition.

The cost incurred in bringing the inventories to its present location and conditions are accounted using the following cost formulas.

Input Material

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

Spares and Consumables

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

Produced Stocks

Valued at cost or NRV.

2.10.3 Retirement Benefit Obligation

a) Defined Benefit Plan

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No.12 of 1983 and the Indian Repatriate Act No.34 of 1978 to eligible employees. This item is grouped under Retirement Benefit Liability in the Statement of Financial Position.

Provision for Gratuity on the Employees of the Company is based on an actuarial valuation, using the Project Unit Credit (PUC) method as recommended by LKAS 19 “Retirement Benefit Costs”. The actuarial valuation was carried out by a professionally qualified firm of actuaries, Meserss. Acturial Management Consultants (Private) Limited as at 31 March 2023.

The liability is not externally funded.

b) Defined Contribution Plans - Provident Funds and Trust Fund

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters’ Provident Society (CPPS)/Estate Staff’s Provident Society (ESPS)/ Employees’ Provident Fund (EPF).

All the employees of the Company are members of the Employees’ Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

2.10.4 Deferred Income

a) Grants and Subsidies

Grants related to Property, Plant and Equipment other than grants received for consumer biological assets are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment is more fully mentioned in Note 17 to the Financial Statements.

Grants related to income are recognized in the Statement of comprehensive Income in the year which it is receivable.

Unconditional grants received for consumer biological assets are measured at fair value less cost to sell are recognized in the Statement of Comprehensive income when and only when such grants become receivable.

2.10.5 Revenue Recognition

Refer Note 2.6 for the policy of revenue recognition on sale of the plantation products.

2.11 Standards Issued But Not Yet Effective

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

Amendments to SLFRS 17: Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

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

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

Notes to the Financial Statements

Definition of Accounting Estimates - Amendments to LKAS 8

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

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

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12

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

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

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

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

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

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

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

Classification of Liabilities as Current or Noncurrent - Amendments to LKAS 1

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

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

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

03. PROPERTY, PLANT & EQUIPMENT - COMPANY

3.1 Gross Carrying Amounts

	Balance As at 01.04.2022 Rs.	Additions Rs.	Increase/ (Decrease) from Revaluation Rs.	Transfers/ Reclassification Rs.	Disposals Rs.	Balance As at 31.03.2023 Rs.
At Cost or Valuation						
Land	3,223,622,000	-	-	-	-	**3,223,622,000**
Building	2,830,448,000	82,808,834	-	-	-	**2,913,256,834**
Lab Equipment	7,395,141	-	-	-	-	**7,395,141**
Motor Vehicles	477,729,697	75,769,396	-	-	(10,503,000)	**542,996,093**
Electricity Distribution	111,877,628	-	-	-	-	**111,877,628**
Office Equipment	598,456,856	48,565,729	-	-	-	**647,022,585**
Communication Equipment	17,668,955	661,072	-	-	-	**18,330,027**
Furniture & Fittings	857,173,369	42,887,162	-	-	-	**900,060,531**
Tools & Implements	236,522,823	50,270,339	-	-	-	**286,793,162**
Other Equipment	129,302,574	23,037,054	-	-	-	**152,339,628**
Factory Equipment	23,257,991	-	-	-	-	**23,257,991**
Construction Equipment	2,236,047	-	-	-	-	**2,236,047**
Plant and Machinery	5,611,481,680	208,185,334	-	-	-	**5,819,667,014**
Household Item Light	78,830	-	-	-	-	**78,830**
Showroom Fixtures & Fittings	1,684,144,584	28,678,785	-	-	-	**1,712,823,369**
Stores Buildings on Lease hold Land	347,032,000	-	-	-	-	**347,032,000**
	16,158,428,175	560,863,705	-	-	(10,503,000)	**16,708,788,880**

In the Course of Construction	Balance As at 01.04.2022 Rs.	Additions Rs.	Increase/ (Decrease) from Revaluation Rs.	Transfers Rs.	Disposals Rs.	Balance As at 31.03.2023 Rs.
Capital Work in Progress	593,331,503	2,298,412,388	-	(485,094,309)	-	**2,406,649,582**
Total Gross Carrying Amount	16,751,759,678	2,859,276,093	-	(485,094,309)	(10,503,000)	**19,115,438,462**

Notes to the Financial Statements

3.2 Depreciation

	Balance As at 01.04.2022 Rs.	Charge for the Year Rs.	Transfers to revaluation Reserve Rs.	Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2023 Rs.
At Cost or valuation						
Building	-	99,312,704	-	-	-	99,312,704
Lab Equipment	7,395,141	-	-	-	-	7,395,141
Motor Vehicles	430,303,061	27,833,959	-	-	(10,503,000)	447,634,020
Electricity Distribution	22,076,352	5,600,876	-	-	-	27,677,228
Office Equipment	409,068,498	52,402,526	-	-	-	461,471,024
Communication Equipment	15,468,945	760,819	-	-	-	16,229,764
Furniture & Fittings	718,216,439	65,602,446	-	-	-	783,818,885
Tools & Implements	217,782,415	18,481,861	-	-	-	236,264,276
Other Equipment	93,878,849	12,583,821	-	-	-	106,462,670
Factory Equipment	23,257,991	-	-	-	-	23,257,991
Construction Equipment	2,236,047	-	-	-	-	2,236,047
Plant and Machinery	4,037,363,279	329,559,871	-	-	-	4,366,923,150
Household Item Light	59,092	-	-	-	-	59,092
Showroom Fixtures & Fittings	800,959,671	120,722,873	-	-	-	921,682,544
Stores Buildings on Lease hold Land	20,049,872	9,467,115	-	-	-	29,516,987
	6,798,115,652	742,328,871	-	-	(10,503,000)	7,529,941,523

3.3 Net Book Values of Property Plant and Equipments

	2023 Rs.	2022 Rs.
At Cost or Valuation		
Land	3,223,622,000	3,223,622,000
Building	2,813,944,130	2,830,448,000
Motor Vehicles	95,362,073	47,426,636
Electricity Distribution	84,200,400	89,801,276
Office Equipment	185,551,561	189,388,358
Communication Equipment	2,100,263	2,200,010
Furniture & Fittings	116,241,646	138,956,930
Tools & Implements	50,528,886	18,740,408
Other Equipment	45,876,958	35,423,725
Plant and Machinery	1,452,743,864	1,574,118,401
Household Item Light	19,738	19,738
Showroom Fixtures & Fittings	791,140,825	883,184,913
Stores Buildings on Lease hold Land	317,515,013	326,982,128
	9,178,847,357	9,360,312,522
In the Course of Construction	2,406,649,582	593,331,503
	11,585,496,939	9,953,644,025

3.4 During the Period, the company acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 2,374,181,783/- (2022 - Rs.736,760,049/-).

3.4.1 The amount of borrowing costs capitalised during the year ended 31 March 2023 was Rs. 123,287,192/- The rate used to determine the amount of borrowing costs eligible for capitalisation was 14.52%, which is the EIR of the specific borrowing.

3.5 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 4,361,801,788/- (2022 - Rs. 3,934,064,124/-) which are still in use.

PROPERTY, PLANT & EQUIPMENT - GROUP

3.6 Gross Carrying Amounts

	Balance As at 01.04.2022 Rs.	Additions Rs.	Increase / (Decrease) from Revaluation Rs.	Reclassification/ Disposals/ Transfers Rs.	De-recognition on disposal of subsidiary Rs.	Balance As at 31.03.2023 Rs.
Freehold and Clay Mining Land	9,599,195,389	4,500,000	6,358,680	-	-	9,610,054,069
Buildings	8,012,601,909	444,620,499	-	(11,104,000)	(380,891,000)	8,065,227,408
Water Supply Scheme	706,213,104	7,403,000	-	-	-	713,616,104
Lab Equipment	18,839,312	-	-	-	-	18,839,312
Motor Vehicles	538,706,212	77,328,451	-	(10,503,000)	-	605,531,663
Electricity Distribution	112,481,397	7,403,000	-	-	-	112,481,397
Office Equipment	633,895,494	51,660,252	-	-	-	685,555,746
Communication Equipment	664,378,411	123,268,072	-	(18,846,000)	(203,214,000)	565,586,483
Furniture and Fittings	968,073,022	52,492,730	-	-	-	1,020,565,752
Tools & Implements	1,605,298,887	384,989,881	-	(18,644,551)	(287,202,000)	1,684,442,217
Sundry Equipment	4,823,364	-	-	-	-	4,823,364
Other Equipment	124,584,254	24,107,979	-	-	-	148,692,233
Factory Equipment	23,257,991	-	-	-	-	23,257,991
Moulds	142,388,489	1,124,787	-	-	-	143,513,276
Construction Equipment	24,936,334	-	-	-	-	24,936,334
Plant and Machinery	19,303,972,189	1,096,374,258	-	(70,530,094)	(420,387,000)	19,909,429,353
Household Item - Light	78,830	-	-	-	-	78,830
Showroom Fixtures & Fittings	1,783,893,160	28,678,785	-	-	-	1,812,571,945
Stores Buildings on Lease hold Land	328,389,496	-	-	-	-	328,389,496
	44,596,007,244	2,296,548,695	6,358,680	(129,627,645)	(1,291,694,000)	45,477,592,973

In the Course of Construction	Balance As at 01.04.2022 Rs.	Additions Rs.	Increase / (Decrease) from Revaluation Rs.	Reclassification/ Disposals/ Transfers Rs.	De-recognition on disposal of subsidiary Rs.	Balance As at 31.03.2023 Rs.
Capital Work in Progress	1,637,623,693	4,474,236,997	-	(1,125,915,029)	(5,414,000)	4,980,531,661
Total Gross Carrying Amount	46,233,630,937	6,770,785,691	6,358,680	(1,255,542,674)	(1,297,108,000)	50,458,124,634

Notes to the Financial Statements

3.7 Depreciation

	Balance As at 01.04.2022 Rs.	Charge for the Year Rs.	Transfers to revaluation Reserve Rs.	Disposals/ Transfers Rs.	De-recognition on disposal of subsidiary Rs.	Balance As at 31.03.2023 Rs.
At Cost or Valuation						
Clay Mining Land	3,669,129	3,760,960	-	-	-	7,430,089
Building	265,153,879	264,605,633	-	(32,663,000)	(133,216,000)	363,880,512
Water Supply Scheme	425,575,226	28,412,000	-	-	-	453,987,226
Lab Equipment	18,527,429	73,585	-	-	-	18,601,014
Motor Vehicles	484,407,568	29,194,318	-	(10,503,000)	-	503,098,886
Electricity Distribution	22,981,052	5,874,715	-	-	-	28,855,767
Office Equipment	435,233,490	54,087,425	-	-	-	489,320,915
Communication Equipment	540,691,838	28,791,690	-	(13,846,000)	(184,244,000)	371,393,528
Furniture & Fittings	815,351,602	74,574,362	-	-	-	889,925,964
Tools & Implements	1,089,302,418	179,442,229	-	(21,906,217)	(125,012,000)	1,121,826,430
Sundry Equipment	1,648,896	373,137	-	-	-	2,022,033
Other Equipment	85,195,120	13,081,184	-	-	-	98,276,304
Factory Equipment	23,257,991	-	-	-	-	23,257,991
Moulds	135,268,524	1,691,274	-	-	-	136,959,798
Construction Equipment	23,834,051	-	-	-	-	23,834,051
Plant and Machinery	11,031,815,042	1,102,254,398	-	(71,641,196)	(302,356,000)	11,760,072,244
Household Item - Light	59,092	-	-	-	-	59,092
Showroom Fixtures & Fittings	811,300,153	121,473,077	-	-	-	932,773,230
Stores Buildings on Lease hold Land	82,483,873	9,467,115	-	-	-	91,950,988
Total Value of Depreciation	16,295,756,373	1,917,157,102	-	(150,559,413)	(744,828,000)	17,317,526,062

3.8 Net Book Values of Property Plant and Equipments

	2023 Rs.	2022 Rs.
At Cost or Valuation		
Freehold and Clay Mining Land	9,602,623,980	9,595,526,260
Building	7,701,346,896	7,747,448,030
Water Supply Scheme	259,628,878	280,637,878
Lab Equipment	238,298	311,883
Motor Vehicles	102,432,777	54,298,644
Electricity Distribution	83,625,630	89,500,345
Office Equipment	196,234,831	198,662,004
Communication Equipment	194,192,955	123,686,573
Furniture and Fittings	130,639,787	152,721,420
Tools and Implements	562,615,787	515,996,469
Sundry Equipment	2,801,331	3,174,468
Other Equipment	50,415,929	39,389,134
Mould	6,553,478	7,119,965
Construction Equipment	1,102,283	1,102,283
Plant and Machinery	8,149,357,109	8,272,157,147
Household Item - Light	19,738	19,738
Showroom Fixtures and Fittings	879,798,715	972,593,007
Stores Buildings on Leasehold Land	236,438,508	245,905,623
	28,160,066,911	28,300,250,871
In the Course of Construction	4,980,531,661	1,637,623,693
	33,140,598,572	29,937,874,564

3.9 Net book value of assets

	2023 Rs.	2022 Rs.
Property, plant and equipment (3.8)	33,140,598,572	29,937,874,564
Bearer Biological Assets (3.12)	-	2,172,953,104
Total	33,140,598,572	32,110,827,668

3.10 During the Period, the group acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 5,949,945,511/- (2022- Rs.3,416,332,085/-)

3.10.1 The amount of borrowing costs capitalised during the year ended 31 March 2023 was Rs. 193,663,270/- The rate used to determine the amount of borrowing costs eligible for capitalisation was 18%, which is the EIR of the specific borrowing.

3.11 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 4,743,361,930/- (2022 Rs.6,700,806,267/-) which are still in use.

Notes to the Financial Statements

3.12 Bearer Biological Assets

	Tea Rs.	Rubber Rs.	Oil Palm Rs.	Diversification Rs.	Total 2023 Rs.	Total 2022 Rs.
Immature Plantations						
Cost						
At the beginning of the year	123,397,403	41,967,747	50,173,144	205,707,424	**421,245,718**	394,023,000
Additions	69,090,412	22,207,161	9,585,671	177,966,315	**278,849,559**	171,287,213
Transfers to Mature	(34,199,576)	(32,470,582)	(56,879,747)	(53,973,561)	**(177,523,466)**	(126,119,402)
Transfers (from)/to	(15,647,200)	(6,236,042)	-	11,427,572	**(10,455,670)**	-
Write off during the year	-	(2,823,092)	(2,545,287)	(17,952,731)	**(23,321,110)**	(17,945,093)
De-recognition on disposal of subsidiaries	(142,641,039)	(22,645,192)	(333,781)	(323,175,019)	**(488,795,031)**	-
At the end of the year	-	-	-	-	-	421,245,718
Mature Plantations						
Cost						
At the beginning of the year	868,897,000	1,589,562,576	221,313,350	143,213,890	**2,822,986,816**	2,704,011,000
Transfers from Immature	34,199,576	32,470,582	56,879,747	53,973,561	**177,523,466**	126,120,428
Disposal during the year	-	(1,165,810)	-	-	**(1,165,810)**	-
Transfers to	(49,451,553)	(190,944,806)		(3,216,729)	**(243,613,088)**	-
Write off during the year	-	-	-	(15,717)	**(15,717)**	(7,144,612)
De-recognition on disposal of subsidiaries	(853,645,023)	(1,429,922,542)	(278,193,097)	(193,955,005)	**(2,755,715,667)**	-
At the end of the year	-	-	-	-	-	2,822,986,816
Accumulated Amortization						
At the beginning of the year	302,306,904	695,548,805	29,936,731	43,486,990	**1,071,279,430**	942,070,000
Charge for the year	28,129,000	74,237,000	11,090,000	8,510,000	**121,966,000**	135,303,326
Disposal during the year	-	(1,165,810)	-	-	**(1,165,810)**	(6,093,896)
Transfers (from)/to	(49,451,553)	(190,944,806)	-	(3,216,729)	**(243,613,088)**	-
Write off during the year	-	-	-	(2,271)	**(2,271)**	-
De-recognition on disposal of subsidiaries	(280,984,351)	(577,675,189)	(41,026,731)	(48,777,990)	**(948,464,261)**	-
At the end of the year	-	-	-	-	-	1,071,279,430
Written Down Value	-	-	-	-	-	1,751,707,386
Total Bearer Biological Assets	-	-	-	-	-	2,172,953,104

These are investments in immature/mature plantations since the formation of Horana Plantations PLC. The assets (including plantations) taken over by way of estate leases are set out in Note 8.3.1 and 8.3.2 Further investments in the immature plantations taken over by way of these lease are also shown in the above. When such plantations become mature, the additional investments since take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when field become mature.

3.13 Consumable Biological Assets

	2023 Rs.	2022 Rs.
Immature Plantations		
Cost :		
At the beginning of the year	39,293,829	49,463,280
Additions during the year	3,706,000	10,507,008
Transfers to Mature Plantations	(39,617,000)	(20,077,756)
Transferred to Statement of Profit or Loss	(370,000)	(598,703)
Transfers from/(to)	10,456,000	-
De-recognition on disposal of subsidiaries	(13,468,829)	-
At the end of the year	-	39,293,829
Mature Plantations		
Cost :		
At the beginning of the year	556,349,570	581,114,842
Decrease due to Harvest	(3,664,000)	(68,177,855)
Increase due to new plantations	39,617,000	20,077,756
Change in Fair Value less costs to sell	(14,224,000)	23,334,827
De-recognition on disposal of subsidiaries	(578,078,570)	-
At the end of the year	-	556,349,570
Total Consumable Biological Assets	-	595,643,399

Notes to the Financial Statements

3.14 Basis of Valuation

Under LKAS 41 the company has valued its managed plantations at fair value less cost to sell. Live trees as at 31st March 2023 comprised approximately 330 hectares.

Managed trees which are less than five years old are considered to be immature consumable biological assets, amounting Rs.13.4 Million as at 31st March 2023. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature , the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuer Mr.A.A.M.Fathihu- Proprietor of FM Valuers for 2022/23 using Discounted Cash Flow (DCF) method . In ascertaining the fair value of live trees, physical verification was carried covering all the estates.

Key assumptions used in valuation are;

- The prices adopted are net of expenditure
- Discounted rates used by the Valuer are within the range of 17.5%-19.5%.

The valuation, as presented in the external valuation model based on the net present value, takes into accounts the long-term exploitation of the timber plantation. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realization value. The Board of Directors retains their view that commodity markets are inherently volatile and their long-term price projection are highly unpredictable. Hence, the sensitivity analysis regarding the selling price and discount rate variation as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the valuation against his own assumptions.

The biological assets of the Company are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that these concession can and will be renewed at normal circumstances. Timber content expects to be realized in future and is included in the calculation of the fair value that takes into account the age of the live trees plants and not the expiration date of the lease.

Regulatory and Environmental Risks

The Company is subject to laws and regulations in Sri Lanka. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and Demand Risks

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber content on live trees. When possible the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and Other Risks

The Company's live tree plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

Sensitivity Analysis

Sensitivity Variation on Sales Price

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the average sales price applied. Simulations made for timber content of live trees show that an increase or decrease by 5% of the estimated future selling price has the following effect on the Net Present Value of the Biological assets.

		-5%	5%
Managed Timber	2023	(Rs. 28.430Mn)	Rs.28.430 Mn
	2022	(Rs. 55.635Mn)	Rs.55.635 Mn

Sensitivity Variation on Discount Rate

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the Net Present Value of the Biological assets.

		-1%	1%
Managed Timber	2023	Rs. 20.067Mn	(Rs.22.999Mn)
	2022	Rs. 32.412Mn	(Rs.20.068Mn)

Notes to the Financial Statements

3.15 The following properties are revalued and recorded under freehold land & clay mining land. Fair Value measurement disclosure for revalued land based on un-observable input as follows.

(A) Quoted Price (unadjusted) in active markets for identical assets or liabilities (Level -1).

(B) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices) (Level - 2)

(C) Input for the assets or liability that are not based on observable market data (that is, unobservable inputs) (Level -3).

No.	Company	Location	Extent	Valuer
1	Royal Ceramics Lanka PLC	Factory at Eheliyagoda	A50-R1-P34.72	Mr. A.A.M. Fathihu
		Showroom and Cutting Center Land at Kottawa	A1-R1-P24.75	Mr. A.A.M. Fathihu
		Land at Meegoda Warehouse	A2-R3-P31.29	Mr. A.A.M. Fathihu
		Land at Nawala for Nawala New Showroom	P24.90	Mr. A.A.M. Fathihu
		Land at Nattandiya	A10	Mr. A.A.M. Fathihu
		Land at Seeduwa	R1-P12.50	Mr. A.A.M. Fathihu
		Land at Narahenpita	P17.02	Mr. A.A.M. Fathihu
		Land at Colpetty	P19.97	Mr. A.A.M. Fathihu
		Land at Panadura	P18.82	Mr. A.A.M. Fathihu
		Land at Dehiwala	P14.83	Mr. A.A.M. Fathihu
		Land at Narahenpita	R1-P5.32	Mr. A.A.M. Fathihu
		Factory buildings Eheliyagoda	333,019sq.ft	Mr. A.A.M. Fathihu
		Showroom Building -Kottawa	9,556sq.ft	Mr. A.A.M. Fathihu
		Warehouse Building at Meegoda	108,921sq.ft	Mr. A.A.M. Fathihu
		Showroom Building at Nawala 101	9,216sq.ft	Mr. A.A.M. Fathihu
		Showroom Building at Narahenpita 100	13,410sq.ft	Mr. A.A.M. Fathihu
		Showroom Building at Panadura	5,176sq.ft	Mr. A.A.M. Fathihu
		Showroom Building at Seeduwa	7,320sq.ft	Mr. A.A.M. Fathihu
		Showroom Building at Dehiwala	11,574sq.ft	Mr. A.A.M. Fathihu
		Head office Building at No 20,Colombo	28,278sq.ft	Mr. A.A.M. Fathihu
		Factory Land at Horana	A.14 - R.1- P.7.36	Mr. A.A.M. Fathihu
		Factory Building at Horana	301,617 sq.ft	Mr. A.A.M. Fathihu
2	Rocell Bathware Ltd			
		Factory land at Homagama	A1-R2-P19.60	Mr. A.A.M. Fathihu
		Land at Meegoda	A1-R3-P04.10	Mr. A.A.M. Fathihu
		Factory complex at Homagama	206,933 Sq. ft	Mr. A.A.M. Fathihu
3	Lanka Walltiles PLC	No. 215, Nawala Road, Narahenpita, Colombo 05	A1-R1-P2.1	FRT Valuation Services (Pvt) Ltd
			36,170 Square feet building	FRT Valuation Services (Pvt) Ltd
		Plan No 2205 Situated at Mawathagama and Galagedara Village	A23-R1-P24.16	FRT Valuation Services (Pvt) Ltd
			308,612 Square Feet building	FRT Valuation Services (Pvt) Ltd

Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range and rate per sq.ft.	Fair Value measurement using Significant unobservable inputs (Level 3) Rs. Mn	Fair Value as per Previous revaluation year Rs.Mn
31 March 2022	Market based evidence	Rs. 81,250/- per perch	656,071 Mn	454.203 Mn
31 March 2022	Market based evidence	Rs. 1,748,000/- - Rs. 4,000,000/- per perch	505,463 Mn	343.437 Mn
31 March 2022	Market based evidence	Rs. 385,000/- - Rs 425,000/- per perch	183,338Mn	120.187Mn
31 March 2022	Market based evidence	Rs. 9,500,000- per perch	236,550Mn	174.3Mn
31 March 2022	Market based evidence	Rs. 24,062/- per perch	38,500 Mn	30Mn
31 March 2022	Market based evidence	Rs. 3,200,000/- per perch	168,000 Mn	131.25 Mn
31 March 2022	Market based evidence	Rs. 9,500,000/- per perch	161,690Mn	119.14Mn
31 March 2022	Market based evidence	Rs. 16,000,000/- per perch	349,475Mn	300Mn
31 March 2022	Market based evidence	Rs. 4,500,000/- per perch	84,690Mn	65.87Mn
31 March 2022	Market based evidence	Rs. 9,500,000/- per perch	140,885 Mn	103.81 Mn
31 March 2022	Market based evidence	Rs. 9,051,192/- per perch	410,200Mn	291.44Mn
31 March 2022	Market based evidence	Rs.2,766.69 per sq.ft	921.361 Mn	645.307 Mn
31 March 2022	Market based evidence	Rs.3,000/- - Rs.10,000per sq.ft	71.839Mn	54.465Mn
31 March 2022	Market based evidence	Rs.2,500/- - Rs.6,000per sq.ft	539,508Mn	149.065Mn
31 March 2022	Market based evidence	Rs 4,000/- - Rs.12,000per sq.ft	64,109Mn	52.983Mn
31 March 2022	Market based evidence	Rs.13,500 per sq.ft	162,932Mn	137.6Mn
31 March 2022	Market based evidence	Rs 11,000 per sq.ft	54,742Mn	41.543Mn
31 March 2022	Market based evidence	Rs5,000/- - Rs.10,000per sq.ft	53,951Mn	38.852Mn
31 March 2022	Market based evidence	Rs.9,000/- - Rs.13,500per sq.ft	131,240Mn	34.722Mn
31 March 2022	Market based evidence	Rs.17,500per sq.ft	376,149Mn	322Mn
31 March 2022	Market based evidence	Rs. 125,000/- per perch	288.760 Mn	142.96 Mn
31 March 2022	Market based evidence	Rs.1,350/- to Rs. 8250/- per sq.ft	801.649 Mn	566.073 Mn
31 March 2022	Market based evidence	Rs. 300,000/- per perch	77.880 Mn	38.94 Mn
31 March 2022	Market based evidence	Rs. 320,000/- per perch	90.912 Mn	64.32 Mn
31 March 2022	Market based evidence	Rs. 1,500/- to 7,000/- per Sq. ft	743.110 Mn	632.895 Mn
31 March 2021	Market based evidence	Rs. 7,000,000/- per perch	1414.7Mn	1414.7Mn
31 March 2021	Contractor's basis method valuation	Rs.2,000/-to Rs 4,500/- per square feet	135.61Mn	85.281Mn
31 March 2021	Market based evidence	Rs. 300,000/- per perch	1123.2Mn	1123.2Mn
31 March 2021	Contractor's basis method valuation	Rs.2,000/-to Rs 6,000/- per sq.ft	897.017Mn	726.664Mn

Notes to the Financial Statements

No.	Company	Location	Extent	Valuer
4	Lanka Tiles PLC	Factory Premises , Jaltara , Ranala - Land	28A-02R-32.69P	FRT Valuation Services (Pvt) Ltd
		Factory Premises , Jaltara , Ranala - Buildings	415,638 sq.ft	FRT Valuation Services (Pvt) Ltd
		Land Adjacent to the Factory Premises , Jaltara , Ranala	08A-02R-08.56P	FRT Valuation Services (Pvt) Ltd
		Land Adjacent to the Factory Premises , Jaltara , Ranala	25,604 sq.ft	FRT Valuation Services (Pvt) Ltd
		Lanka Tiles Warehouse , Samurdhi Mawatha Biyagama - Land	02A-00R-15.93P	FRT Valuation Services (Pvt) Ltd
		Lanka Tiles Warehouse , Samurdhi Mawatha Biyagama - Buildings	48,531 sq.ft	FRT Valuation Services (Pvt) Ltd
		Bare Land Henpola road Madampe	13A-0R-02P	FRT Valuation Services (Pvt) Ltd
5	Unidil Packing Limited	Land at Narampola road, Moragala, Deketana	A12-R03-P37.1	Mr. D.G.Newton
		Building and land improvement at Narampola road, Moragala, Deketana	179,357 sq.ft	Mr. D.G.Newton
6	Unidil Packaging Solutions Limited	Land at Narampola road, Moragala, Deketana	A2-R2-P35	Mr. D.G.Newton
		Building at Narampola road, Moragala, Deketana	32103 sq.ft	Mr. D.G.Newton
7	Swisstek (Ceylon) PLC	Factory Complex, Belummahara, Imbulgoda	984.5 Perches	Mr. D.G.Newton
		No: 288/26, Colombo Road, Belummahara, Imbulgoda	81.6 perches	Mr. D.G.Newton
		No:334/5, Colombo Road, Belummahara, Imbulgoda	20.0 Perches	Mr. D.G.Newton
		No: 177/6, New Kandy Rd., Weliweriya	84.0 Perches	Mr. D.G.Newton
		Factory Complex, Belummahara, Imbulgoda	62,530 sq.ft	Mr. D.G.Newton
		Factory Complex, Belummahara, Imbulgoda- Crushing Plant 2	7,000 sq.ft	Mr. D.G.Newton
		No: 177/6, New Kandy Rd., Weliweriya	27,170 Sq.ft.	Mr. D.G.Newton
		Factory Complex, Belummahara, Imbulgoda-Tiles Stores	27,285 sq.ft	Mr. D.G.Newton
		Factory Complex, Belummahara, Imbulgoda-Sales Center	4944 sq.ft	Mr. D.G.Newton
		Factory Complex, Belummahara, Imbulgoda-Open shed	3524 sq.ft	Mr. D.G.Newton
		Factory Complex, Belummahara, Imbulgoda-Warehouse	4,950 sq.ft	Mr. D.G.Newton
8	Swisstek Aluminium Ltd.	76/7, Pahala Dompe, Dompe	A11-R1-P22.8	Mr. D.G.Newton
		76/7, Pahala Dompe, Dompe	171,861 Sq.ft	Mr. D.G.Newton

Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range and rate per sq.ft.	Fair Value measurement using Significant unobservable inputs (Level 3) Rs. Mn	Fair Value as per Previous revaluation year Rs.Mn
31 March 2021	Market approach	Rs.50,000/- to Rs. 120.000/- per perch	517.878Mn	430.507Mn
31 March 2021	Contractor's method	Rs 1000/- to Rs. 4250/- per sq.ft	1191.022Mn	930.041Mn
31 March 2021	Market approach	Rs 120,000/- to Rs. 200,000/- per.perch	203.001Mn	154.541Mn
31 March 2021	Contractor's method	Rs 1,200/- to Rs. 4500/- per sq.ft	49.099.Mn	30.917Mn
31 March 2021	Market approach	Rs. 1,000,000/- per perch	335.949.Mn	319.133Mn
31 March 2021	Contractor's method	Rs 1500/- to Rs. 4000/- per sq.ft	192.451.Mn	180.377Mn
31 March 2021	Market approach	Rs75,00,000/- per perch	42.9Mn	39.037Mn
31 March 2021	Market based evidence	Rs.85,000/- per perch	124.211Mn	124.211Mn
31 March 2021	Depreciated Replacement cost	Rs. 750/- to Rs. 2,000/- per sq.ft	334.09Mn	179.25Mn
31 March 2021	Market based evidence	Rs. 80,000/- per perch	34.8Mn	26.1Mn
31 March 2021	Depreciated Replacement cost	Rs.1,750/- to Rs. 2,500/- per sq.ft	65.7Mn	46.04Mn
31 March 2021	Market based evidence	Rs. 750,000/- per perch	738.375Mn	633.5Mn
31 March 2021	Market based evidence	Rs. 625,000 per perch	51Mn	-
31 March 2021	Market based evidence	Rs. 600,000 per perch	12Mn	11.35Mn
31 March 2021	Market based evidence	Rs. 525,000 per perch	44.63Mn	-
31 March 2021	Contractors Method	Rs. 500/- to 4,000/- per sq.ft	139.25Mn	112.5Mn
31 March 2021	Contractors Method	Rs. 4,000/- per sq.ft	28Mn	21.122Mn
31 March 2021	Contractors Method	Rs. 2,750/- to 3,250/- per sq.ft	79.565Mn	-
31 March 2021	Income approach	Rs. 3,191/- per sq.ft	87.067Mn	63.351Mn
31 March 2021	Income approach	Rs. 6,163/- per sq.ft	30.473Mn	27.261Mn
31 March 2021	Income approach	Rs. 2,308/- per sq.ft	8.133Mn	2.676Mn
31 March 2021	Income approach	Rs. 4,349/- per sq.ft	21.527Mn	22.3Mn
31 March 2021	Market based evidence	Rs. 50,000/- to Rs. 150,000/- per perch	218.311Mn	186.727Mn
31 March 2021	Contractor's method	Rs. 500/- to Rs. 3,500/- per sq.ft	559.398Mn	464,533Mn

Notes to the Financial Statements

No.	Company	Location	Extent	Valuer
9	Lanka Ceramic PLC	Mining Land at Owala	25A-2R-3.5P	Mr. A.A.M. Fathihu
		Land situated at Owala	1A-1R-02.0P	Mr. A.A.M. Fathihu
		Factory, office building & other infrastructure at Owala mine	10,535 Sq.ft	Mr. A.A.M. Fathihu
		Mining Land at Meetiyagoda	43A-3R-24.43P	Mr. A.A.M. Fathihu
		Mining Land at Dediyawala	38A-3R-25.44P	Mr. A.A.M. Fathihu
		Land situated at Meetiyagoda	14A-0R-24.26P	Mr. A.A.M. Fathihu
		Factory building & office building at Meetiyagoda mine	42,189sq.ft	Mr. A.A.M. Fathihu
10	Biscuits and Chocolate Company Limited	Kiriwaththuduwa Estate,Moonamalwatta Road,Kiriwaththuduwa,Homagama	33A-2R-26.0P	Mr. A.A.M. Fathihu
11	CP Holding (Pvt) Ltd	Akuressa	105A 2R 14.94P	Mr. A.A.M. Fathihu

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

* A reassessment of the fair valuation was obtained from the same independent professional valuer who determined that there would have been no substantial material change in the fair value between the last revaluation date and reporting date.

Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range and rate per sq.ft.	Fair Value measurement using Significant unobservable inputs (Level 3) Rs. Mn	Fair Value as per Previous revaluation year Rs.Mn
31 March 2021	Market based evidence	Rs. 100,000/- to Rs. 1000,000/- per acre	22.873Mn	4.809Mn
31 March 2021	Market based evidence	Rs. 1,000,000/- per acre	1.137Mn	0.5Mn
31 March 2021	Depreciated Cost method	Rs. 150/- to Rs. 2,500/- per sq.ft	9.075Mn	5.157Mn
31 March 2021	Market based evidence	Rs. 100,000/- to Rs. 2,600,000/- per acre	51.183Mn	17.051Mn
31 March 2021	Market based evidence	Rs. 500,000/- to Rs. 1,500,000/- per acre	-	7.779Mn
31 March 2021	Market based evidence	Rs. 100,000/- to Rs. 3,500,000/- per acre	36.214Mn	12.931Mn
31 March 2021	Depreciated cost method	Rs. 275/- to Rs. 2,500/- per sq.ft	33.496Mn	13.557Mn
31 March 2022	Market based evidence	Rs. 12,000,000 Per Acre	403.92Mn	403.92Mn
31 March 2023	Market based evidence	Rs 200,000, Rs 2,500,000 per perch (Range)	121.951Mn	115.593Mn

Notes to the Financial Statements

3.16 The useful lives of the assets are estimated as follows ;

	2023	2022
Non plantation assets		
Building on free hold land and roadway	25,40 & 50	25,40 & 50
Plant and machinery,Other Equipment	5-20	5-20
Water supply and electricity distribution scheme	5-25	5-25
Tools, implements and furniture and fittings,Lab Equipment	2,4,5,&10	2,4,5,&10
Transport and communication equipment	4-12	4-12
Motor Vehicles	5	5
Computer Hardware & Software	8,4	4 & 8
Communication Equipment,Sundry Equipment,factory equipment	10-50	10-50
Construction equipment	20	20
Plantation assets		
The leasehold rights to JEDB/ SLSPC are amortized in equal amounts over the following years		
Bare land	53	53
Mature plantations	30	30
Permanent land development costs	30	30
Buildings	25	25
Plant and machinery	15	15
Mature Plantation(re-planting and new planting)		
Mature plantations (Tea)	33 1/3	33 1/3
Mature plantations (Rubber)	20	20
Mature plantations (Oil palm)	20	20
Mature plantations (Coconut)	50	50
Mature plantations (Cinnamon)	15	15
Mature plantations (Coffee and pepper)	4	4

3.17 The carrying amount of revalued assets of the Company would have been included in the Financial Statement had the assets been carried at cost less depreciation as follows;

	Company			
	Cost 2023 Rs.	Accumulated Depreciation 2023 Rs.	Net Carrying Amount 2023 Rs.	Net Carrying Amount 2022 Rs.
Freehold Land	902,075,558	-	902,075,558	902,075,558
Freehold Building	2,382,404,548	866,664,069	1,515,740,479	1,711,193,716
	3,284,480,106	866,664,069	2,417,816,037	2,613,269,274

	Group			
	Cost 2023 Rs.	Accumulated Depreciation 2023 Rs.	Net Carrying Amount 2023 Rs.	Net Carrying Amount 2022 Rs.
Freehold Land and Clay Mining Land	3,774,923,444	7,430,089	3,767,493,355	3,432,385,544
Freehold Building	6,049,191,197	1,795,572,981	4,253,618,217	5,111,334,580
	9,824,114,641	1,803,003,070	8,021,111,572	8,543,720,124

04. INVESTMENT PROPERTY

	Group	
	2023 Rs.	2022 Rs.
At the beginning of the year	2,045,053,010	1,980,307,805
Additions	2,337,894	7,224,709
Transfer from property plant and equipment	-	10,947,792
Change in Fair Value	22,272,196	46,572,704
At the end of the year	2,069,663,100	2,045,053,010

Notes to the Financial Statements

4.1 Fair value of investment property

The following Investment properties are revalued during the financial year 2022/2023

Company	Location	Extent	No. of Buildings
Lanka Ceramics PLC	No 696,696 1/1,696 2/1,696 3/1,696 4/1, Galle Road, Colombo 03.	1R - 1.12 P	
	No 696,696 1/1,696 2/1,696 3/1,696 4/1, Galle Road, Colombo 03.	27,712 Sq.ft	01
	No 696,696 1/1,696 2/1,696 3/1,696 4/1, Galle Road, Colombo 03.	1R - 1.12 P	
	No 696,696 1/1,696 2/1,696 3/1,696 4/1, Galle Road, Colombo 03.	27,712 Sq.ft	01
LWL Development Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	
	Waradala Village,Divulapitiya,Gampaha	4A-01R-15.9P	
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-45 P	
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-6.90 P	
	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	
	Waradala Village,Divulapitiya,Gampaha	4A-01R-15.9P	
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-45 P	
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-6.90 P	
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	
	House	981.sq.ft	01
	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	
	House	981.sq.ft	01
CP Holding (Pvt) Ltd	Paraduwa Estate - Akuressa	190A 2R 7.86P	
	Paraduwa Estate - Akuressa	190A 2R 7.86P	

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

4.2 Rental Income earned from Investment Property by the Group amounted Rs.37.31 Mn. (2022 - Rs. 36. 75 Mn). Direct operating expenses incurred by the Group amounted to Rs. Rs. 1.75 Mn.(2022 - Rs. 1.61Mn.).

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

	Less than 1 year Rs.	1 -2 year Rs.	2 - 3 year Rs.	3 - 4 year Rs.	4 - 5 year Rs.	Over 5 Years Rs.
2022-2023	**37,306,800**	**-**	**-**	**-**	**-**	**-**
2021-2022	36,750,000	36,750,000	-	-	-	-

Valuation Date	Valuer	Valuation Details	Significant unobservable input : price per perch/ acre/range	Significant unobservable inputs (Level 3) Rs.000's
31 March 2023	Mr. A.A.M. Fathihu	Market Approach	Rs. 21,875,000/- per perch	899,500
31 March 2023	Mr. A.A.M. Fathihu	Depreciated replacement cost	Rs. 8,500/- - Rs. 13,000/- per Sq.ft	99,760
31 March 2022	Mr. A.A.M. Fathihu	Market Approach	Rs. 21,000,000/- per perch	863,520
31 March 2022	Mr. A.A.M. Fathihu	Depreciated replacement cost	Rs. 8,500/- - Rs. 12,000/- per Sq.ft	132,168
31 March 2023	FRT Valuation Services (Pvt) Ltd	Market Approach	Rs. 8,000,000/- per Acre	390,900
31 March 2023	FRT Valuation Services (Pvt) Ltd	Market Approach	Rs.5,000,000/- per Acre	21,800
31 March 2023	FRT Valuation Services (Pvt) Ltd	Market Approach	Rs.130,000/- per Perch	5,850
31 March 2023	FRT Valuation Services (Pvt) Ltd	Market Approach	Rs.80,000/- per Perch	552
31 March 2022	FRT Valuation Services (Pvt) Ltd	Market Approach	Rs. 8,000,000/- per Acre	390,900
31 March 2022	FRT Valuation Services (Pvt) Ltd	Market Approach	Rs.5,000,000/- per Acre	21,800
31 March 2022	FRT Valuation Services (Pvt) Ltd	Market Approach	Rs.125,000/- per Perch	5,625
31 March 2022	FRT Valuation Services (Pvt) Ltd	Market Approach	Rs.70,000/- per Perch	475
31 March 2023	FRT Valuation Services (Pvt) Ltd	Market Approach	Rs. 8,000,000/- per Acre	390,895
31 March 2023	FRT Valuation Services (Pvt) Ltd	Market Approach	Rs.5,800/- per sq.ft	5,690
31 March 2022	FRT Valuation Services (Pvt) Ltd	Market Approach	Rs. 8,000,000/- per Acre	390,895
31 March 2022	FRT Valuation Services (Pvt) Ltd	Market Approach	Rs.4,000/- per sq.ft	3,924
31 March 2023	Mr. A.A.M. Fathihu	Market Approach	Rs 50,000 - Rs 2,500,000- per Perch	254,715
31 March 2022	Mr. A.A.M. Fathihu	Market Approach	Rs 50,000 - Rs 2,350,000- per Perch	235,745

05. INVESTMENTS IN SUBSIDIARIES

5.1 Quoted and Non-Quoted

	Holding 2023 %	Holding 2022 %	Country of incorporation	Cost 2023 Rs.	Cost 2022 Rs.
Non-Quoted					
Royal Ceramics Distributors (Pvt) Limited	100%	100%	Sri Lanka	500,000	500,000
Rocell Bathware Limited	100%	100%	Sri Lanka	1,529,999,950	1,529,999,950
Ever Paint and Chemical Industries (Pvt) Ltd	100%	100%	Sri Lanka	270,400,000	270,400,000
Biscuits and Chocolate Company Limited	100%	100%	Sri Lanka	258,564,256	200,287,710
Rocell (Pty) Ltd	100%	100%	Australia	282,791,228	282,791,228
Nilano Garments (Pvt) Ltd	100%	100%	Sri Lanka	60,000,000	60,000,000
Rocell Properties Ltd	100%	100%	Sri Lanka	56,666,670	56,666,670
Swisstek Aluminum Limited	7.60%	7.60%	Sri Lanka	106,344,740	106,344,740
Quoted					
Lanka Ceramics PLC	73.56%	73.56%	Sri Lanka	551,039,307	551,039,307
Lanka Tiles PLC	2.61%	2.61%	Sri Lanka	125,032,515	125,032,515
Lanka Walltiles PLC	54.55%	54.55%	Sri Lanka	3,924,004,105	3,924,004,105
Swisstek Ceylon PLC	6.88%	6.88%	Sri Lanka	127,065,816	127,065,816
Total Quoted & Non-Quoted Investments in Subsidiaries				7,292,408,587	7,234,132,041
Total Gross Carrying Value of Investments				7,292,408,587	7,234,132,041
Impairment made				(553,691,228)	(553,691,228)
Total Net Carrying Value of Investments				6,738,717,359	6,680,440,813

Notes to the Financial Statements

5.2 Impairment of Investments in Subsidiaries

Ever Paint and Chemical Industries (Pvt) Ltd

In view of the negative net asset position resulting from the continuing losses and with the classification as a discontinued operation, the Company has made a full provision for impairment of the investment in Ever Paint and Chemical Industries (Pvt) Ltd in 2017. The said loss has been eliminated in the consolidated financial statements.

Rocell (Pty) Ltd

The Company has made a full provision for impairment of the investment in Rocell (Pty) Ltd as at the end of the reporting period considering continuous losses and negative net asset position. On 31st January 2021, the Board of Directors decided to cease the operations of Rocell Pty Ltd ("RPTY") and to dispose of the assets thereof.

6. INVESTMENTS IN ASSOCIATES

6.1 Company

	Holding Percentage		Cost	
	2023	2022	2023 Rs.	2022 Rs.
Quoted Investments				
L. B. Finance PLC	26.08%	26.08%	2,499,577,145	2,499,577,145
Non-quoted Investments				
Delmege Limited	21.00%	21.00%	988,586,453	988,586,453
			3,488,163,598	3,488,163,598

6.2 Group

	Holding Percentage		Carrying Value	
	2023	2022	2023 Rs.	2022 Rs.
Quoted Investments				
L. B. Finance PLC	26.08%	26.08%	11,728,782,012	10,400,543,248
Non-quoted Investments				
Delmege Limited	21.00%	21.00%	1,620,992,779	1,378,454,835
			13,349,774,791	11,778,998,083

Market value of L B Finance PLC as at 31 March 2023 is Rs. 7,947,111,040 /- (2022- Rs. 8,380,589,824/-)

6.3 Movement in Investments in Associates

	L. B. Finance PLC		Delmege Limited		Total	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
As at the beginning of the year	10,400,543,248	9,137,145,388	1,378,454,835	948,102,793	11,778,998,083	10,085,248,181
Investment made during the year	-	-	-	325,226,108	-	325,226,108
Share of results of associates	1,625,914,059	2,224,753,264	81,718,062	103,664,876	1,707,632,121	2,328,418,140
Dividends	(288,985,872)	(1,011,450,495)	-	-	(288,985,872)	(1,011,450,495)
Share of Other Comprehensive Income	(8,689,423)	50,095,091	160,819,882	1,461,058	152,130,459	51,556,149
At the end of the year	11,728,782,012	10,400,543,248	1,620,992,779	1,378,454,835	13,349,774,791	11,778,998,083

07. INTANGIBLE ASSETS

Summary

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Goodwill (Note 7.1)	-	-	1,025,346,492	1,030,295,492
Software (Note 7.2)	128,379,118	116,253,613	281,061,118	149,455,613
	128,379,118	116,253,613	1,306,407,610	1,179,751,105

7.1 Goodwill

	Group	
	2023 Rs.	2022 Rs.
Balance at the beginning of the year	1,030,295,492	1,030,295,492
De-recognition on disposal of subsidiaries	(4,949,000)	-
Balance at the end of the year	1,025,346,492	1,030,295,492

Carrying value of Goodwill acquired through business combination as at the reporting date is relevant to Tile & Associated products.

The recoverable amounts of all cash generating units have been determined based on the fair value, less cost to sell or the value in use (VIU) calculation.

The key assumptions used to determine the recoverable amount for the different cash generating units, are as follows;

Gross margins
The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions. Gross margins used for the cash flow projections are in the range of 31% - 32%.

Discount rates
The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium. The pre-tax discount rate applied to cash flow projections is 17.73%. (2022 - 17.45%)

Inflation
The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Growth Rate
The Management has estimated 11% average annual revenue growth rate within the five-year period. Further 2% terminal growth rate in the cash flow beyond the five-year period is estimated.

The Carrying value of Goodwill as at the reporting date would not be impaired even at a 0% terminal growth rate.

Notes to the Financial Statements

7.2 Software

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	116,253,613	130,000,802	149,455,613	141,295,802
Incurred during the year	33,086,270	6,265,622	163,320,405	30,767,622
Transfer from PPE	-	-	-	4,198,000
Amount amortised during the year	(20,960,765)	(20,012,811)	(31,714,900)	(26,805,811)
Balance at the end of the year	128,379,118	116,253,613	281,061,118	149,455,613

08. LEASES

8.1 Right of Use Assets/ Lease Liabilities- Company

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Building Rs.
Right of Use Asset	
As at 01 April 2022	881,696,491
Additions	266,093,224
Adjustments for changes of Lease Terms and Termination	(26,813,740)
Depreciation expense	(174,675,424)
As at 31 March 2023	946,300,551
Lease Liability	
As at 1 April 2022	1,071,947,981
Additions	177,245,757
Adjustments for changes of Lease Terms and Termination	(26,813,740)
Interest Expense	151,998,754
Less: Payments	(252,355,202)
As at 31 March 2023	1,122,023,550
As at 31 March 2023	
Payable within one year	135,031,729
Payable after one year	986,991,821
Total	1,122,023,550
As at 31 March 2022	
Payable within one year	118,998,622
Payable after one year	952,949,359
Total	1,071,947,981

8.2 Right of Use Assets/ Lease Liabilities- Group

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land Rs.	Building Rs.	Plant & Machinery Rs.	* Land & immovable Estate Assets -Plantation Rs.	Total Rs.
Right of Use Asset					
As at 01 April 2022	50,886,644	1,020,589,212	1,754,440	168,567,589	1,241,797,885
Remeasurement of leasehold right on application of SLFRS 16	-	-	-	13,232,000	13,232,000
Additions	43,265,416	301,585,931	-	-	344,851,347
Adjustments for changes of Lease Terms and Termination	-	(26,813,740)	-	-	(26,813,740)
Depreciation expense	(6,094,790)	(254,652,611)	(1,403,000)	(13,657,000)	(275,807,401)
De-recognition on disposal of subsidiaries	-	(16,245,645)	(351,440)	(168,142,589)	(184,739,674)
As at 31 March 2023	88,057,270	1,024,463,147	-	-	1,112,520,417
Lease Liability					
As at 1 April 2022	52,736,763	1,234,367,906	1,423,890	163,573,757	1,452,102,316
Remeasurement of leasehold right on application of SLFRS 16	-	-	-	13,232,000	13,232,000
Additions	44,219,842	206,177,315	-	-	250,397,157
Adjustments for changes of Lease Terms and Termination	-	(26,813,740)	-	-	(26,813,740)
Interest Expense	11,532,056	176,559,913	92,000	23,759,000	211,942,969
Less: Payments	(6,078,356)	(339,320,542)	(1,515,890)	(25,207,000)	(372,121,788)
De-recognition on disposal of subsidiaries	-	(19,100,000)	-	(175,357,757)	(194,457,757)
As at 31 March 2023	102,410,305	1,231,870,852	-	-	1,334,281,157

As at 31 March 2023	
Payable within one year	187,209,216
Payable after one year	1,147,071,941
Total	1,334,281,157
As at 31 March 2022	
Payable within one year	206,287,563
Payable after one year	1,245,814,753
Total	1,452,102,316

* Land & immovable Estate Asset of Plantation presented under No 8.3 for better presentation

Useful live of Right of Use Lease Asset are estimated at the range of 3 - 36 years

Notes to the Financial Statements

The following are the amounts recognised in profit or loss:

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Depreciation expense of right-of-use assets	174,675,424	180,312,391	277,952,405	264,877,220
Interest expense on lease liabilities	151,998,754	135,672,034	185,157,619	185,881,913
Expense relating to short-term leases (included in cost of sales)	2,884,489	3,456,874	67,417,213	52,529,211
Expense relating to short-term leases (included in distribution expenses)	13,157,085	13,520,992	17,287,365	13,520,992
Total amount recognised in profit or loss	342,715,752	332,962,291	547,814,602	516,809,336

Cash Outflows from short term leases and leases with low values for the year ended 31 March 2023 for the Company and for the Group are Rs. 16,041,574/- and Rs. 84,704,578/-respectively.

8.3 Land & immovable Estate Asset -Plantation

8.3.1 Right of Use Land

	2023 Rs.	2022 Rs.
Capitalised Value : As at 22.06.1992	204,931,450	204,931,450
Net book value carried forward as at 1st April	152,475,612	153,460,612
Remeasurement of leasehold right as at 1st July	13,233,000	5,516,000
De-recognition on disposal of subsidiaries	(165,708,612)	-
	-	158,976,612
Amortization		
Charge for the year	6,989,000	6,501,000
De-recognition on disposal of subsidiaries	(6,989,000)	-
Amortisation as at 31st March	-	6,501,000
Carrying Amount as at 31st March	-	152,475,612

8.3.2 Right of Use Immovable Estate Assets

	Mature Plantations (Bearer Biological Assets) Rs.	Permanent Land Development Cost Rs.	Buildings Rs.	Plant & Machinery Rs.	Total 2023 Rs.	Total 2022 Rs.
Capitalised Value						
As at 22.06.1992	214,810,000	4,014,000	47,173,000	6,818,000	**272,815,000**	272,815,000
Transfers from / to	(23,686,000)	(582,000)	(1,253,000)	(966,000)	**(26,487,000)**	-
De-recognition on disposal of subsidiaries	(191,124,000)	(3,432,000)	(45,920,000)	(5,852,000)	**(246,328,000)**	-
At the end of the year	-	-	-	-	**-**	272,815,000
Amortisation						
At the beginning of the year	198,880,023	3,852,000	47,173,000	6,818,000	**256,723,023**	247,557,000
Amortization during the year	6,506,000	163,000	-	-	**6,669,000**	9,166,023
Transfer from/to	(23,686,000)	(582,000)	(1,253,000)	(966,000)	**(26,487,000)**	-
De-recognition on disposal of subsidiaries	(181,700,023)	(3,433,000)	(45,920,000)	(5,852,000)	**(236,905,023)**	-
At the end of the year	-	-	-	-	**-**	256,723,023
Written Down Value						
As at 31.03.2023	-	-	-	-	**-**	-
As at 31.03.2022	15,929,977	162,000	-	-	**-**	16,091,977

Investments in Immature Bearer Biological Assets to bring them to maturity are shown under “Note 3.12 - Bearer Biological Assets (Immature Plantations)”. When these plantations become mature the additional investment to bring them to maturity will be moved from the Note 3.12 - Bearer Biological Assets (Immature Plantations) to Note 3.12 - Bearer Biological Assets (Mature Plantations) shown under Note 3.12, and a corresponding move from Bearer Biological Assets (Immature) to Bearer Biological Assets (Mature) will be made in the above category, namely cost incurred before take over.

Notes to the Financial Statements

09. INVENTORIES

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Raw Materials	1,767,247,972	844,606,300	8,559,352,449	5,771,429,891
Spares & Consumables	1,657,148,044	993,415,959	4,770,131,386	2,518,940,490
Accessories	-	-	539,219,168	570,105,856
Harvested Crops	-	-	-	116,959,280
Non-harvested Produce on Bearer Biological Assets (Note 9.2)	-	-	-	8,129,000
Shading Tree Nurseries	-	-	-	3,369,000
Work in Progress	144,004,835	107,066,222	2,063,096,009	552,571,380
Finished Goods	2,627,600,168	1,101,032,515	9,899,373,137	4,517,290,741
Goods in Transit	36,292,711	13,561,626	141,641,187	139,590,811
Other Consumables	23,457,325	16,216,078	33,632,304	24,682,613
	6,255,751,055	3,075,898,700	26,006,445,640	14,223,069,062
Less : Provision for Obsolete & Slow Moving Stock	(239,571,154)	(167,200,945)	(945,327,165)	(750,461,909)
	6,016,179,901	2,908,697,755	25,061,118,475	13,472,607,153

These inventories include finished goods of Rs. 9.4Bn (2022- Rs. 3.5Bn) and general stocks representing raw materials, spares and consumables of Rs. 9.1Bn (2022 - Rs. 5.4Bn) relating to the Tiles and Accessories items and Sanitaryware Segments.

9.1 Provision for Obsolete & Slow Moving Stock

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the beginning of the year	167,200,945	201,232,565	750,461,909	601,361,798
Provisions made during the year	72,370,209	49,160,720	204,586,256	238,363,026
Provisions written off/(write back) during the year	-	(83,192,340)	-	(89,262,915)
De-recognition on disposal of subsidiaries	-	-	(9,721,000)	-
At the end of the year	239,571,154	167,200,945	945,327,165	750,461,909

9.2 Non-harvested Produce on Bearer Biological Assets

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the beginning of the year	-	-	8,129,000	7,999,000
Gain on Fair Value of Non-harvested Produce	-	-	9,846,899	8,129,000
Charged to Profit or Loss	-	-	(8,129,000)	(7,999,000)
De-recognition on disposal of subsidiaries	-	-	(9,846,899)	-
At the end of the year	-	-	-	8,129,000

The volume of produce growing on bearer plants are measured considering the estimated crop of the last harvesting cycle of the year as follows :--

- Tea -three days crop (50% of 6 days cycle), Oil Palm -five days crop (50% of 10 days cycle, Rubber -one day crop (50% of 2 days cycle, Coconut -one month crop (50% of 2 month cycle), and Cinnamon -three months crop (50% of 6 months cycle).
- Produce that grows on mature bearer plantations are measured at fair value less cost of harvesting and transport. The fair value of the unharvested green leaves is measured using the bought leaf formula recommended by the Sri Lanka Tea Board, the fair value of the unharvested fresh fruit bunches(FFB) of Oil Palm is measured using the using the Bought Mill Price and the Rubber crop is fair valued using 95% of RSS 1 Price. Coconut and Cinnamon is fair valued using the Farm Gate Price.

10. TRADE AND OTHER RECEIVABLES

10.1 Company

		Company	
		2023 Rs.	2022 Rs.
Trade debtors	- Other	653,409,803	433,765,283
	- Related Parties (10.1.1)	1,935,920	2,751,976
Trade Debtors		655,345,723	436,517,259
Provision for Bad and Doubtful Debts		(54,203,595)	(52,310,769)
		601,142,128	384,206,490
Other Receivables - Other		149,044,346	158,826,076
		750,186,474	543,032,566

10.1.1 Trade Debtors includes following related party receivables,

	Relationship	Company	
		2023 Rs.	2022 Rs.
Nilano Garments (Pvt) Ltd	Subsidiary	-	831,767
Greener Water Limited	Affiliate	-	381,374
Vallibel Finance PLC	Affiliate	-	715,282
Dipped Products PLC	Affiliate	-	793,127
Hayleys PLC	Affiliate	708,964	-
Haycarb PLC	Affiliate	845,093	-
LB Finance PLC	Associate	381,863	-
Singhe Hospitals PLC	Affiliate	-	30,426
		1,935,920	2,751,976

10.1.2 Allowances for Doubtful Debts

	Company	
	2023 Rs.	2022 Rs.
Balance at the beginning of the year	52,310,769	52,711,113
Amount (provided)/reversal during the year	1,892,826	(400,344)
Balance at the end of the year	54,203,595	52,310,769

Notes to the Financial Statements

10.1.3 Amount due from Related Parties

	Relationship	Company 2023 Rs.	Company 2022 Rs.
Royal Ceramics Distributors (Pvt) Ltd	Subsidiary	2,318,155	2,088,314
Rocell Bathware Ltd	Subsidiary	1,859,916,199	611,037
Rocell Properties (Pvt) Ltd	Subsidiary	615,278	540,124
Biscuits and Chocolate Company Limited	Subsidiary	-	15,248,121
Lanka Tiles PLC	Subsidiary	12,990,917	13,203,285
Lanka Wall Tiles PLC	Subsidiary	4,027,369	3,082,638
Ever Paint and Chemical Industries (Pvt) Ltd	Subsidiary	33,725,617	39,009,635
Swisstek Ceylon PLC	Subsidiary	14,775	-
Unidil Packaging Limited	Subsidiary	493,116	7,222,868
		1,914,101,426	81,006,022
Impairment Provision		(2,318,155)	(2,088,314)
		1,911,783,271	78,917,708

10.1.4 Trade receivables are non interest bearing and on 30 to 45 days credit terms. As at 31 March, the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor Impaired	Past due but not impaired			Impaired	Provision for Impairment
			Less Than 3 Month	3 to 12 Month	More Than One Year		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade debtors							
2023	601,142,128	337,676,479	217,064,946	50,240,842	50,363,456	-	(54,203,595)
2022	384,206,490	213,669,261	155,264,715	14,142,698	53,440,585	-	(52,310,769)

10.2 GROUP

	Group 2023 Rs.	Group 2022 Rs.
Trade Debtors - Others	5,973,693,383	5,028,242,889
- Related Parties (Note 10.2.1)	820,472	9,690,703
Trade Debtors	5,974,513,855	5,037,933,592
Provision for Bad and Doubtful Debts	(212,312,545)	(192,152,660)
	5,762,201,310	4,845,780,932
Loans to company officers	8,255,707	28,210,244
Other Receivables -Others	656,872,426	532,965,482
	6,427,329,443	5,406,956,658

10.2.1 Trade Debtors includes following related party receivables,

	Relationship	2023 Rs.	2022 Rs.
Singhe Hospitals PLC	Affiliate	-	30,426
The Kingsbury PLC	Affiliate	66,660	-
Delmege Forsyth & Co.Ltd	Associate	-	6,080,000
Greener Water Limited	Affiliate	206,786	381,374
Vallibel Finance PLC	Affiliate	-	715,282
Fentons Ltd.	Affiliate	294,200	1,596,708
Dipped Products PLC	Affiliate	9,496	793,127
HJS Condiments Ltd.	Affiliate	-	-
Kandyan Resorts (Pvt) Ltd	Affiliate	138,500	93,786
Hayleys Fabric PLC	Affiliate	48,530	-
Energynet (Pvt) Ltd	Affiliate	56,300	-
		820,472	9,690,703

10.2.2 Trade receivables are non interest bearing and on 30 to 45 days credit terms. As at 31 March, the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor Impaired	Past due but not impaired			Impaired	Provision for Impairment
			Less Than 3 Month	3 to 12 Month	More Than One Year		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade debtors							
2023	5,762,201,310	3,483,508,085	1,799,780,739	447,590,879	145,748,152	97,886,000	(212,312,545)
2022	4,845,780,932	3,636,562,577	972,681,086	182,210,273	172,354,435	74,125,221	(192,152,660)

10.2.3 Allowances for Doubtful Debts

	2023 Rs.	2022 Rs.
Balance at the beginning of the year	192,152,660	173,802,078
Amount provided/(reversal) during the year	27,173,611	18,350,582
Amount Written off as bad debts during the year	(908,726)	-
De-recognition on disposal of subsidiaries	(6,105,000)	-
Balance at the end of the year	212,312,545	192,152,660

Notes to the Financial Statements

10.3 Contract Assets

	Group	
	2023 Rs.	2022 Rs.
As at 1st April	29,342,566	40,164,349
During the year recognised	3,000,149	(10,821,783)
As at 31st March	32,342,715	29,342,566

The contract assets primarily relate to Swisstek Ceylon PLC rights to consideration for work completed but not billed at the reporting date on supply of timber. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

11. OTHER NON FINANCIAL ASSETS

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Receivables - Other	49,643,913	27,522,293	91,033,655	44,652,156
Advances and Prepayments	611,435,213	461,844,300	4,115,256,111	2,826,815,276
	661,079,126	489,366,593	4,206,289,766	2,871,467,432

12. OTHER FINANCIAL ASSETS

12.1 Current - Company/Group

Investments at Fair Value Through Profit or Loss			Fair Value			
	No. of Shares		Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Quoted						
The Fortress Resorts PLC	336,100	336,100	7,394,200	4,201,250	7,394,200	4,201,250
Aitken Spence PLC	225,000	225,000	29,475,000	16,582,500	29,475,000	16,582,500
Lanka Hospitals Corporation PLC	45,519	45,519	5,143,647	2,285,054	5,143,647	2,285,054
Citrus Leisure PLC	2,768,276	2,768,276	18,270,622	16,056,001	18,270,622	16,056,001
Serendib Hotels PLC	16,000	16,000	156,800	256,000	156,800	256,000
Softlogic Finance PLC	8	8	62	75	62	75
Hikkaduwa Beach Resort PLC	583,393	583,393	2,975,304	3,325,340	2,975,304	3,325,340
			63,415,635	42,706,220	63,415,635	42,706,220
Non-Quoted						
MBSL Insurance Company Ltd	4,666,667	4,666,667	8,666,667	8,666,667	8,666,667	8,666,667
Impairment			(8,666,667)	(8,666,667)	(8,666,667)	(8,666,667)
			-	-		
			63,415,635	42,706,220	63,415,635	42,706,220

12.2 Bank Term Deposits

	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Deposit of Tsunami donations	-	-	4,454,036	4,008,006
	-	-	4,454,036	4,008,006
Total	63,415,635	42,706,220	67,869,671	46,714,226

13. STATED CAPITAL - COMPANY/GROUP

	2023		2022	
	Number	Rs.	Number	Rs.
Balance as at 01 April	1,107,893,840	1,368,673,373	1,107,893,840	1,368,673,373
Balance as at 31 March	1,107,893,840	1,368,673,373	1,107,893,840	1,368,673,373

14. RESERVES

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Summary				
Revaluation Reserve (Note 14.1)	2,358,007,365	2,758,473,571	4,811,363,566	5,333,056,560
Fair Value Reserve (Note 14.2)	-	-	(12,319,075)	(20,498,820)
Exchange Differences on translation of foreign operations (Note 14.3)	-	-	(3,851,924)	9,591,524
	2,358,007,365	2,758,473,571	4,795,192,567	5,322,149,264

Notes to the Financial Statements

14.1 Revaluation Reserve

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
On: Property, Plant and Equipment				
As at 1 April	2,758,473,571	1,360,279,529	5,333,056,560	3,610,069,181
Revaluation of surplus during the year	-	1,705,114,685	164,582,428	2,089,330,695
Tax effect on Revaluation Surplus	(400,466,206)	(306,920,643)	(686,275,422)	(366,343,316)
As at 31 March	2,358,007,365	2,758,473,571	4,811,363,566	5,333,056,560

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

14.2 Fair Value Reserve

	Group	
	2023 Rs.	2022 Rs.
As at 1 April	(20,498,820)	(22,841,494)
Net Gains/(Losses) on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income	8,179,745	2,342,674
As at 31 March	(12,319,075)	(20,498,820)

The fair value reserve comprises the cumulative net change in the fair value of financial assets measured at fair value through other comprehensive income until they are derecognised or impaired.

14.3 Foreign Currency Translation Reserve

	Group	
	2023 Rs.	2022 Rs.
As at 1 April	9,591,524	39,868,266
Transferred during the year	(13,443,448)	(30,276,742)
As at 31 March	(3,851,924)	9,591,524

The foreign currency translation reserve comprises of all foreign currency differences arising from the translation of the Financial Statements of foreign operations. As at the reporting date, the assets and liabilities of foreign operations were translated into the presentation currency (Sri Lankan Rupee) at the exchange rate ruling at the reporting date and the Income Statement and Comprehensive Income was translated at the average exchange rate for the period. The exchange differences arising on the translation are taken to foreign currency translation reserve through other comprehensive income.

15. INTEREST BEARING LOANS AND BORROWINGS

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Non Current				
Long term loans (Note 15.1)	784,360,338	699,806,361	1,496,748,868	2,938,794,535
Lease Liability (Note 15.3)	986,991,821	952,949,359	1,147,071,941	1,245,814,753
	1,771,352,159	1,652,755,720	2,643,820,809	4,184,609,288
Current				
Long term loans (Note 15.1)	534,447,044	1,193,193,982	1,075,616,403	2,283,714,696
Lease Liability (Note 15.3)	135,031,729	118,998,622	187,209,216	206,287,563
Short term loans (Note 15.2)	1,739,792,499	-	12,004,913,630	5,341,276,381
Bank overdrafts (Note 20)	1,373,488,077	213,460,952	3,674,731,384	1,967,646,195
	3,782,759,349	1,525,653,556	16,942,470,633	9,798,924,835
Total	5,554,111,508	3,178,409,276	19,586,291,442	13,983,534,123

15.1 Long Term Loans

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the beginning of the year	1,893,000,343	2,628,735,991	5,222,509,231	6,061,196,099
Loans obtained during the year	633,332,000	618,712,360	1,152,985,500	1,527,088,987
De-recognition on disposal of subsidiaries	-	-	(1,190,814,000)	-
Exchange gain/loss on USD loans	-	3,850,441	22,134,153	78,699,010
Repayments during the year	(1,207,524,961)	(1,358,298,449)	(2,636,174,810)	(2,414,472,237)
At the end of the year	1,318,807,382	1,893,000,343	2,572,365,271	5,222,509,231
Payable within one year	534,447,044	1,193,193,982	1,075,616,403	2,283,714,696
Payable after one year	784,360,338	699,806,361	1,496,748,868	2,938,794,535
	1,318,807,382	1,893,000,343	2,572,365,271	5,222,509,231

Notes to the Financial Statements

15.2 Short Term Loans

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the beginning of the year	-	-	5,341,276,382	2,283,880,206
Loans obtained during the year	2,139,792,499	6,156,291	26,265,930,609	25,159,022,088
Repayments during the year	(400,000,000)	(6,156,291)	(19,602,293,361)	(22,101,625,912)
At the end of the year	1,739,792,499	-	12,004,913,630	5,341,276,382
Payable within one year	1,739,792,499	-	12,004,913,630	5,341,276,382
	1,739,792,499	-	12,004,913,630	5,341,276,382

15.3 Leases

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Lease Liability-Plantation (Note 15.3.1)	-	-	-	163,573,757
Lease Liability-Others (Note 8)	1,122,023,550	1,071,947,981	1,334,281,157	1,288,528,559
Total Lease Liability	1,122,023,550	1,071,947,981	1,334,281,157	1,452,102,316
Payable within one year	135,031,729	118,998,622	187,209,216	206,287,563
Payable after one year	986,991,821	952,949,359	1,147,071,941	1,245,814,753
Total	1,122,023,550	1,071,947,981	1,334,281,157	1,452,102,316

15.3.1 JEDB/SLSPC Estates

	Group					
	2023			2022		
	Gross Liability Rs.	Future Finance Rs.	Net Liability Rs.	Gross Liability Rs.	Future Finance Rs.	Net Liability Rs.
As at 1st April	540,696,270	(377,122,513)	163,573,757	545,621,644	(386,589,778)	159,031,866
Interim remeasurement of right-of-use asset as at 1st July	42,448,000	(29,216,000)	13,232,000	18,436,224	(12,920,717)	5,515,507
	583,144,270	(406,338,513)	176,805,757	564,057,868	(399,510,495)	164,547,373
Repayments during the year	(25,207,000)	-	(25,207,000)	(23,361,596)	-	(23,361,596)
Interest Expense for the year	-	23,759,000	23,759,000	-	22,387,980	22,387,980
De-recognition on disposal of subsidiaries	(557,937,270)	382,579,513	(175,357,757)	-	-	-
At the end of the year	-	-	-	540,696,272	(377,122,515)	163,573,757
Payable as follows :						
Payable within One Year						
Payable by due dates			-	23,361,595	(22,379,611)	981,984
	-	-	-	23,361,595	(22,379,611)	981,984
Payable after One Year :						
Payable within Two to Five Years			-	93,982,883	(87,604,654)	6,378,229
Payable after Five Years			-	423,351,792	(267,138,248)	156,213,544
	-	-	-	517,334,675	(354,742,902)	162,591,773
Total Payable	-	-	-	540,696,270	(377,122,513)	163,573,757

15.3.2 The weighted average incremental borrowing rate applied to the lease liabilities was 14.44% (01 April 2019).
The rental payable under the JEDB/SLSPC lease is Rs. 6.302 Million per quarter until 21st July 2045 and this amount to be inflated annually by Gross Domestic Production (GDP) Deflator. The future liability will be remeasured annually based on the inflated annual lease rental.

Notes to the Financial Statements

15.4 INTEREST BEARING LOANS AND BORROWINGS

Details of the Long Term Loans;

Lender	Approved Facility	Interest Rate	Repayment Terms
Company : Royal Ceramics Lanka PLC			
Commercial Bank of Ceylon PLC	Rs 3.0 Bn	Fixed	8 years first 48 monthly installment of Rs. 20Mn each and subsequent 48 monthly installments of Rs. 42.5Mn each
Commercial Bank of Ceylon PLC	Rs. 200Mn	AWPLR plus margin	59 equal monthly installments of Rs. 3,335,000 and a final installment of Rs. 3,235,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs 150Mn	Fixed	60 equal monthly instalments of Rs. 2,500,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs 150Mn	Fixed	60 equal monthly instalments of Rs. 2,500,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs.500Mn	Fixed	59 equal monthly instalments of Rs. 8,334,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs.106Mn	Fixed	59 equal monthly instalments of Rs. 1,766,000 and the final installment of Rs 1,806,000
Commercial Bank of Ceylon PLC	Rs.100Mn	Fixed	59 equal monthly instalments of Rs. 1,666,000 and the final installment of Rs 1,706,000
Commercial Bank of Ceylon PLC	Rs.152Mn	Fixed	59 equal monthly instalments of Rs. 2,550,000 each and the final instalment of 1,550,000
Commercial Bank of Ceylon PLC	Rs.500Mn	Fixed	59 equal monthly instalments of Rs. 8,400,000 each and the final instalment of Rs. 4,400,000
DFCC Bank PLC	Rs 292Mn	AWPLR plus margin	60 equal monthly instalment after a grace period of 12 months

Security	Security Amount	Balance As At 31st March 2023 Rs.Mn	Balance As At 31st March 2022 Rs.Mn
Tripartite agreement with Company/custodian Company and bank over a portfolio of 29,710,800 shares of Lanka Walltiles PLC and 2,009,036 shares of Lanka Ceramic PLC and 7,545,422 shares of LB Finance PLC	Rs. 3000Mn	85	595
Primary mortgage Bond 3180 31/03/2006 for Rs 50Mn over the property at Baddegedaramulla, Meegoda and Secondary mortgage Bond no 346 dated 02/11/2016 and Primary mortgage bond No 3097 dated 07/12/2005 for Rs 62.5Mn over the property at No 101, Nawala Rd ,Nugegoda/ Secondary mortgage bond No 3912 dated 10/12/2008 for Rs 25 Mn, No 101 , Nawala Rd, Nugegoda/ Primary mortgage bond no 3096 dated 07/12/2005 for Rs 24.5Mn over the property at No 472, Highlevel Rd, Makumbura, Pannipitiya/ Primary mortgage bond No 3823 dated 2/10/2013 for Rs 300Mn over the property at No 20, R.A De Mel Mawatha, Colombo 03.	Rs. 200Mn	-	19.91
Secondary Mortgage bond no 266 dated 03/11/2016 over Land and Building at No. 20, R.A De Mel Mawatha, Colombo 03. Rs 110m	Rs. 150Mn	-	20
Primary mortgage bond 1250 dated 12/10/2017 for Rs 150Mn executed over the property at Dehiwala.	Rs 150Mn	-	25
Primary mortgage bond no FCC/18/007 dated 25/06/2019 for Rs 500Mn over SACMI machine and other related machinery	Rs.500Mn	24.96	124.97
Simple deposit of 10,633,974 shares of Swisstek Aluminium Ltd.	Rs.106Mn	-	17.7
Tertiary Mortgage bond no 3420 dated 12/10/2017 for Rs. 100Mn executed over Land and Building at No. 20, R.A De Mel Mawatha, Colombo 03.	Rs.100Mn	1.706	21.698
Primary mortgage Bond 3180 31/03/2006 for Rs 50Mn over the property at Baddegedaramulla, Meegoda and secondary mortgage Bond no 346 dated 02/11/2016 and Primary mortgage bond No 3097 dated 07/12/2005 for Rs 62.5Mn over the property at No 101, Nawala Rd ,Nugegoda/ Secondary mortgage bond No 3912 dated 10/12/2008 for Rs 25 Mn, No 101 , Nawala Rd, Nugegoda/ Primary mortgage bond no 3096 dated 07/12/2005 for Rs 24.5Mn over the property at No 472, Highlevel Rd, Makumbura, Pannipitiya/ Primary mortgage bond No 3823 dated 2/10/2013 for Rs 300Mn over the property at No 20, R.A De Mel Mawatha, Colombo 03.	Rs.152Mn	21.95	52.55
Primary mortgage Bond 3180 31/03/2006 fr Rs 50Mn over the property at Baddegedaramulla, Meegoda and Secondary mortgage Bond no 346 dated 02/11/2016 and Primary mortgage bond No 3097 dated 07/12/2005 for Rs 62.5Mn over the property at No 101, Nawala Rd ,Nugegoda/ Secondary mortgage bond No 3912 dated 10/12/2008 for Rs 25 Mn, No 101 , Nawala Rd, Nugegoda/ Primary mortgage bond no 3096 dated 07/12/2005 for Rs 24.5Mn over the property at No 472, Highlevel Rd, Makumbura, Pannipitiya/ Primary mortgage bond No 3823 dated 2/10/2013 for Rs 300Mn over the property at No 20, R.A De Mel Mawatha, Colombo 03.	Rs.500Mn	70	170.8
Land and building bearing assessment No 223, Nawala Road,Narahenpita containing in extent A0-R0-P 5.4 of Royal Ceramics Lanka PLC (Plan no 3534)	Rs 292.Mn	-	29.2

Notes to the Financial Statements

Lender	Approved Facility	Interest Rate	Repayment Terms
Hatton National Bank PLC	Rs. 130Mn	AWPLR plus margin	59 equal monthly installments of Rs. 2.15Mn each and a final instalment of Rs. 3.15 Mn
Hatton National Bank PLC	Rs.175Mn	Fixed	66 months in 59 equal monthly instalments of Rs. 2,900,000 and a final instalment of Rs.3,900,000 with a grace period of 6 months
Hatton National Bank PLC	Rs 300Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 5,000,000 plus interest commencing after a grace period of six months.
Hatton National Bank PLC	Rs 200Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 3.33Mn each and final instalment of Rs. 3.53Mn plus interest commencing after a grace period of six month
Hatton National Bank PLC	Rs.90Mn	Fixed	60 equal monthly installments of Rs 1.5Mn each plus interest commencing after a grace period of six months.
Hatton National Bank PLC	Rs.100 Mn	Fixed	59 equal monthly installments of Rs 1,66Mn each and a final installment of Rs 2.06Mn plus interest commencing after a grace period of six months.
Hatton National Bank PLC	Rs.45 Mn	Fixed	60 equal monthly installments of Rs.750,000 each plus interest commencing after a grace period of six months.
Commercial Bank of Ceylon PLC	RS 359 Mn	Fixed	Payable in 83 equal monthly installments of Rs 4,300,000 each and final installment of Rs 2,100,000 together with interest thereon.
Commercial Bank of Ceylon PLC	Rs. 400Mn	Fixed	In 56 equal monthly installments of Rs 6,432,772 and a final installment of Rs 6,432,768 each together with interest.
Commercial Bank of Ceylon PLC	Rs 600Mn	Fixed	In 56 equal monthly installments of Rs 10,526,315. each and a final installment of Rs 10,526,360 together with interest.
Company : Rocell Bathware Limited			
Commercial Bank of Ceylon PLC	Rs 210Mn	AWPLR plus margin	60 equal monthly installment of Rs. 3,500,000 with a grace period of six months
Commercial Bank of Ceylon PLC	Rs 70Mn	AWPLR plus margin	59 equal monthly installment of Rs 1,165,000 and a final installment of Rs 1,265,000 with a 6 months grace period
Peoples Bank	Rs 160Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 2.7Mn each and final installment of Rs. 0.7Mn after a grace period of six months.
Commercial Bank of Ceylon PLC	Rs 138Mn	Fixed	Repayable in 83 equal monthly installments of Rs 1,650,000 each and final installment of Rs 1,050,000 together with interest thereon.
Commercial Bank of Ceylon PLC	Rs. 20.7Mn	Fixed	In 58 equal monthly installments of Rs 294,220 each and a final installment of Rs 294,220 together with interest .
Commercial Bank of Ceylon PLC	Rs. 179.3Mn	AWPLR	In 58 equal monthly installments of Rs 3,039,118 each and a final installment of Rs 3,039,156 together with interest.

Security	Security Amount	Balance As At 31st March 2023 Rs.Mn	Balance As At 31st March 2022 Rs.Mn
Tripartite agreement between Royal Ceramics Lanka PLC,HNB and share brokering company along with irrevocable power of attorney over 1,000,000 Nos company shares of Lanka Ceramics PLC	Rs 130Mn	-	3.15
Negative pledge over Double charge production plant	RS 175Mn	56.10	90.90
Corporate gurantee/documents of title to goods	Rs 300Mn	-	20
Corporate guarantee/documents of title to goods	Rs 200Mn	-	13.52
Negative Pledge over machinery	Rs.90Mn	12	30
Negative Pledge over Heat Recovery System	Rs.37.2Mn	36.92	56.84
Negative Pledge over machinery	Rs.45 Mn	12.75	21.75
primary mortgage bond for Rs. 359Mn to be executed over solar panels and related equipment installed on the roofs of Royal Ceramics Lanka factories at Horana and Eheliyagoda.	Rs 359Mn	128.41	180
General terms and conditions relating to the Term loan for Rs 400Mn dated 30/12/2021 signed by the Company.	Rs 400Mn	321.63	400
General terms and conditions relating to the term loan of Rs 600Mn to be signed by the company.	Rs 600Mn	547.36	-
		1318.786	1893
Primary mortgage bond over the shuttle Kiln burner machine for Rs 210 Mn	Rs 210 Mn	-	8.564
Primary Mortgage bond over land at Panagoda RBL Factory for Rs. 70 Mn. Corporate guarantee from Royal Ceramics Lanka PLC	Rs 70 Mn	-	4.76
Corporate Guarantee from Royal Ceramics Lanka PLC	Rs 160 Mn	-	16.9
primary mortgage bond for Rs 138Mn to be executed over solar panels and related equipment installed on the roof of Rocell Bathware factory at Panagoda.	Rs 138Mn	73.11	92.91
General terms and conditions relating to the term loan for Rs 20.7Mn dated 07/01/2022 signed by the Company.	Rs 20.7Mn	15.299	20.692
General terms and conditions relating to the term loan of Rs 179.3Mn to be signed by the company.	Rs 179.3Mn	71.846	-
		160.255	143.826

Notes to the Financial Statements

Lender	Approved Facility	Interest Rate	Repayment Terms
Lanka Ceramic PLC			
Hatton National Bank PLC	Rs. 500 Million	AWPLR plus margin	60 monthly installments
Hatton National Bank PLC	Rs. 9.5 Million	Fixed	18 monthly installments with 6 months grace period
Lanka Walltiles PLC			
DFCC Bank PLC	Rs. 100 Million	AWDR plus margin	48 monthly installments
Lanka Tiles PLC			
DFCC Bank PLC	Rs. 1500 Mn	AWPLR plus margin	72 monthly installments 12 month Grace period
Unidil Packaging Limited			
Standard Chartered Bank	USD 310,000	LIBOR plus margin	US $ 114,079 Quartely installments
	USD 200,000	LIBOR plus margin	
	USD 500,000	LIBOR plus margin	
Commercial Bank of Ceylon PLC	Rs.70.75 Mn	Fixed	54 monthly installments
Hatton National Bank PLC	Rs.60 Mn	LIBOR plus margin	36 monthly installments
Uni-Dil Packaging Solution Limited			
Commercial Bank of Ceylon PLC	Rs. 17.74 Mn	Fixed	54 monthly installments
Horana Plantations PLC			
Hatton National Bank PLC	Rs. 150 Mn	AWPLR plus margin	72 monthly instalments
	Rs. 200 Mn	AWPLR plus margin	
	Rs. 200 Mn	AWPLR plus margin	
	Rs. 250 Mn	AWPLR plus margin	
	Rs. 200 Mn	AWPLR plus margin	
	Rs. 200 Mn	AWPLR plus margin	
Hatton National Bank PLC	Rs. 100 Mn	AWPLR plus margin	60 monthly installments
	Rs.100Mn	AWPLR plus margin	48 monthly installments, After a 24 months grace period.
	Rs.200Mn	AWPLR plus margin	72 monthly installments,After a 24 months grace period.
	Rs.350Mn	Fixed	60 monthly installments
	Rs.15Mn	Fixed	24 monthly installments
	Rs. 43.48 Mn	Fixed	60 monthly installments

Security	Security Amount	Balance As At 31st March 2023 Rs.Mn	Balance As At 31st March 2022 Rs.Mn
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).	Rs 500 Mn	33.48	58.44
Mortgage for Rs, 9.5 Mn over investment property of land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03 (1R - 1.12 P).	Rs 9.5 Mn	-	2.639
		33.48	61.079
Corporate Grantee from Lanka Tiles PLC.	Rs. 100 Mn	-	20.833
		-	20.833
A primary mortgage over land, buildings and plant and machinery located at Ranala amounting to Rs.1500 Mn	Rs. 1,500 Mn	666.667	916.667
		666.667	916.667
Primary concurrent Mortgage bond for LKR 170 Mn over Property		68.154	133.615
Mortgage bond for USD 200,000 over Moveable Machinery	Rs. 170 Mn		
Mortgage bond for USD 500,000 over Moveable Machinery			
Solar System & related equipment		55.032	70.755
Clean		26.668	46.667
		149.854	251.037
Solar System & related equipment	Rs. 17.74Mn	14.454	17.744
		14.454	17.744
Primary mortgage for Rs. 550 million	Rs. 550 Mn	-	3
over the leasehold rights of Frocester Estate		-	25.175
Primary mortgage for Rs. 400 million	Rs. 400 Mn	-	50.15
over the leasehold rights of Bambrakelly Estate		-	146
		-	162.2
		-	234.376
Primary mortgage over leasehold rights of Bambarakelly,Eildon Hall and Frocester Estates.	Rs. 100Mn	-	15.82
Primary Floating Mortgage for Rs.120.00 Million, over the leasehold rights land and buildings of Stockholm Estate.	Rs. 120Mn	-	65.25
Primary Mortgage for Rs.200 Million, over the leasehold rights land and buildings of Gouravilla Estate.	Rs. 200Mn	-	166.4
Primary mortgage Bond over receivables of Tea sales routed through Forbes and Workers Tea Brokers (Pvt) Ltd and John Keels PLC	Rs. 350Mn	-	279.992
No security has been offered		-	8.594
Primary mortgage bond over Solar Panels and related equipments	Rs. 43.48Mn	-	43.477
		-	1200.434

Notes to the Financial Statements

Lender	Approved Facility	Interest Rate	Repayment Terms
Swisstek (Ceylon) PLC			
Bank of Ceylon	Rs.170Mn	AWPLR plus margin	54 monthly installments
DFCC Bank PLC	Rs.110Mn	AWPLR plus margin	60 monthly installments
Bank of Ceylon	Rs.323Mn	AWPLR plus margin	60 monthly installments
Swisstek Aluminium Limited			
DFCC Bank PLC	Rs.500Mn	AWPLR plus margin	60 monthly installments
Commercial Bank of Ceylon PLC	Rs.156.53 Mn	Fixed	60 monthly installments, After a 6 months grace period.
Total Long Term Loans - Group			

16. RETIREMENT BENEFIT OBLIGATIONS

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the beginning of the year	515,091,651	482,473,687	1,524,411,158	1,635,464,327
Interest cost	77,263,748	39,562,842	223,706,466	125,537,921
Current service cost	46,375,377	39,582,046	119,211,778	105,353,195
Past Service Cost *	-	(21,912,737)	-	(45,901,016)
Benefits Paid	(20,738,837)	(10,734,858)	(221,024,529)	(148,282,668)
Actuarial (gain)/loss	(3,692,990)	(13,879,329)	43,870,558	(147,760,601)
De-recognition on disposal of subsidiaries	-	-	(505,748,000)	-
At the end of the year	614,298,949	515,091,651	1,184,427,431	1,524,411,158

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

16.1 Maturity Profile of the Retirement benefit obligation

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Future Working Life Time				
Within the next 12 months	81,326,083	78,386,022	150,292,744	239,101,896
Between 1-2 Years	61,884,412	109,514,063	206,449,707	274,732,082
Between 2-5 Years	187,493,080	148,285,713	279,195,676	336,039,994
Over 5 Years	283,595,374	178,905,853	548,489,304	674,537,186
Total	614,298,949	515,091,651	1,184,427,431	1,524,411,158

Security	Security Amount	Balance As At 31st March 2023 Rs.Mn	Balance As At 31st March 2022 Rs.Mn
Mortgage over immovable property at Balummahara, Imbulgoda	Rs. 170Mn	-	28.323
Mortgage over Land, Building, Plant & Machinery , Stocks and Book debts owned by Swisstek Aluminium Ltd.	Rs. 110Mn	45.808	76.704
Board Resolution	Rs. 323Mn	-	323
		45.808	428.027
Mortgage over land, building, plant & machinery	Rs. 500Mn	50.00	133,333
Mortgage over Solar Panel Equipment	Rs. 156.53 Mn	133.039	157
		2,572.34	5,222.51

16.2 Sensitivity Analysis

In order to illustrate the significance of the salary escalation rates and discount rates assumed in these valuations a sensitivity analysis for all employees of Royal Ceramics Lanka PLC and its subsidiaries is carried out as follows;

	Company Rs.	Group Rs.
Discount Rate as at 31 March 2023		
Effect on DBO due to decrease in the discount rate by 1%	33,385,552	167,504,416
Effect on DBO due to increase in the discount rate by 1%	(30,251,228)	(141,958,107)
Salary Escalation Rate as at 31 March 2023		
Effect on DBO due to decrease in salary escalation rate by 1%	(33,414,840)	(146,246,117)
Effect on DBO due to increase in salary escalation rate by 1%	36,359,070	172,857,257
Discount Rate as at 31 March 2022		
Effect on DBO due to decrease in the discount rate by 1%	25,390,783	90,791,029
Effect on DBO due to increase in the discount rate by 1%	(23,234,774)	(81,282,040)
Salary Escalation Rate as at 31 March 2022		
Effect on DBO due to decrease in salary escalation rate by 1%	(25,621,945)	(89,656,511)
Effect on DBO due to increase in salary escalation rate by 1%	27,599,961	98,884,973

The Group uses market yields (at the end of the reporting period) on treasury bonds issued by the Government of Sri Lanka (T-bonds) to determine the discount rate, as disclosed in its accounting policy (refer Note 16.3). However, due to the economic conditions prevailing in the country as at the period end, the exceptionally high T-bond market yields would not be a reasonable reflection of the time value of money. Therefore, period end T-bond market yields have been adjusted for the credit risk spread to derive the rate used to discount the defined benefit obligation.

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

Notes to the Financial Statements

16.3 Principle Assumptions used for Actuarial Valuation

Royal Ceramics Lanka PLC/Rocell Bathware Ltd

Messrs. Actuarial & Management Consultants (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity using the Projected Unit Credit Method as at 31st March 2022 and 31 March 2023. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2023	2022
Discount rate assumed	18% p.a.	15.0% p.a.
Future salary increase rate	15% p.a.	12% p.a.
Staff Turnover - Royal Ceramics Lanka PLC	13% p.a.	13% p.a.
Staff Turnover - Rocell Bathware Limited	8%	8%
Weight Average duration of retirement benefit liability (Years) - Royal Ceramics Lanka PLC	6.06	5.39
Weight Average duration of retirement benefit liability (Years) - Rocell Bathware Limited	7.74	7.09

The demographic assumption underlying the valuation is retirement aged Male 55 years and female 50 years.

Lanka Ceramic PLC

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 2023.

The principal assumptions used are as follows:

		2023	2022
Discount rate (per annum)		19.0%	15.0%
Salary scale (per annum)	- Executives	12%	10%
	- Non Executives	12%	10%
Staff Turnover		11%	6%
Retirement Age		60 Years	60 Years
Weight Average duration of retirement benefit liability (Years)		6.39	7.28

CP Holding (Pvt) Ltd

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 2023.

The principal assumptions used are as follows:

		2023	2022
Discount rate (per annum)		24.0%	15.0%
Salary scale (per annum)	- Executives	20%	10.0%
	- Non Executives	20%	10.0%
Staff Turnover		29%	30.0%
Retirement Age		60 Years	60 Years
Weight Average duration of retirement benefit liability (Years)		5.2	5.72

Lanka Walltiles PLC

The defined benefit liability as of 31 March 2023 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

The principal assumptions underlying the valuation are as follows;

		2023	2022
Discount rate (per annum)		17%	15.7%
Salary scale (per annum)	- Executives	15.0%	14.0%
	- Non Executives	12.5%	10%
Retirement Age		60 Years	60 Years
Staff Turnover ratio		4% up to 54 years, thereafter 0%	4% up to 54 years, thereafter 0%
Weighted Average duration of defined benefit obligation (Years)		11.47	14.08

Lanka Tiles PLC

The defined benefit liability of Lanka Tiles PLC was actuarially valued by Messrs.Actuarial and Management Consultants (Pvt) Ltd qualified actuary on 31 March 2023.

Principal actuarial assumptions are as follows:

	2023	2022
Discount rate	16.0%	15.4%
Future salary increases		
Executives	15.0%	14.0%
Non Executives	12.5%	10%
Retirement Age	60 Years	60 Years
Weighted Average duration of defined benefit obligation (Years)	7	10.81

In addition to above, demographic assumptions such as mortality, withdrawal disability and retirement age were considered for the actuarial valuation.

Notes to the Financial Statements

Horana Plantations PLC

An Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2023 by Mr.M. Poopalanathan, Actuarial & Management Consultants (Pvt) Ltd.

The valuation method used by the actuaries to value the benefit is the "projected Unit Credit Method".

Principal Actuarial Assumptions are as follows:

	2023	2022
Rate of interest	18% per annum	15.00%
Future salary increases		
Workers	13% per annum	8% per annum
Staff	16.00% per annum	13.5% per annum
Head Office Staff	16.00% per annum	13.5% per annum
Retirement age		
Workers	60 years	60 years
Staff	60 years	60 years
Head Office Staff	60 years	60 years
Weighted Average duration of defined benefit obligation (Years)		
Staff Turnover	0.7 to 0.2	0.7 to 0.2
Staff	9.2	9.93
Workers	7.97	7.35

Unidil Packaging Ltd and Unidil Packaging Solution Ltd

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Unidil Packaging Ltd and Unidil Packaging Solution Ltd of the defined benefit plan gratuity as at 31 March 2023.t

The valuation method used by the actuaries to value the benefit is the "projected Unit Credit Method".

Principal Actuarial Assumptions are as follows:

	2023	2022
Discount rate per annum	17.8%	15.0%
Future salary increase rate	12.5%	10.0%
Staff turnover factor	8.0%	7.0%
Retirement age (Years)	60	60
Weighted Average duration of defined benefit obligation (Years) - Unidil Packaging Ltd	5.32	6.46
Weighted Average duration of defined benefit obligation (Years) - Unidil Packaging Solution Ltd	6.28	7.72

Swisstek (Ceylon) PLC

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2023.

Principal Actuarial Assumptions are as follows:

	2023	2022
Discount rate per annum	17%	15%
Future salary increase rate		
Executives	15%	10%
Non-Executives	15%	10.4%
Retirement age (Years)	60	60
Weighted Average duration of defined benefit obligation (Years)	10.43	13.71

Swisstek Aluminium Limited

Retirement benefit obligation based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2023.

Principal Actuarial Assumptions are as follows:

	2023	2022
Discount rate per annum	15%	15%
Future salary increase rate		
Executives	15%	15%
Non Executives	13%	12.5%
Retirement age (Years)	60	60
Weighted Average duration of defined benefit obligation (Years)	8.33	6.85

17. OTHER NON CURRENT LIABILITIES

	Group	
	2023 Rs.	2022 Rs.
Capital grants (Note 17.1)	-	113,323,831
Refundable Deposit	15,000,000	15,000,000
	15,000,000	128,323,831

Notes to the Financial Statements

17.1 Capital grants

Capital grants received on plantations

Granted by	Purpose of the grant	Basis of amortisation	Amount received Rs.'000	Balance as at 31.03.2022 Rs.'000	Received during the year Rs.'000	Amortised during the year Rs.'000	De-recognition on on disposal of subsidiary Rs.'000	Balance as at 31.03.2023 Rs.'000
Sri Lanka Tea Board	Tea factory modernization	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	756	1,059	-	(96)	(963)	-
	Tea replanting subsidy	Will be amortised at rate applicable to Tea mature plantations, after become mature (3.00%)	2,105	6,929	360	(186)	(7,103)	-
	Farm Waste Shedder	Will be amortised at rate applicable to Tea Mature Plantations, after become mature (3.00% p.a.)	-	-	300	(38)	(262)	-
Plantation development project / Asian Development Bank	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	31,588	13,188	-	(1,128)	(12,060)	-
Plantation human development trust	Improvement of workers living environment	Rate of depreciation applicable to buildings and furniture & fittings (2.5% & 10% p.a.)	45,143	22,336	-	(1,600)	(20,736)	-
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	219	-	(17)	(201)	-
Plantation development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	11,751	-	(716)	(11,035)	-
	Internal road development and boundary posts	Rate of depreciation applicable to permanent land development cost (2.5% p.a.)	4,622	2,804	-	(165)	(2,639)	-
	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	6,208	-	(361)	(5,847)	-
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	51,311	48,725	161	(3,354)	(45,532)	-
Export Agriculture Department (EAD)	Cinnamon Replanting Subsidy	Will be amortised at rate applicable to Cinnamon Mature Plantations, after become mature (6.67% p.a.)	76	110	-	(9)	(101)	-
Total			166,240	113,324	821	(7,670)	(106,479)	-

18. TRADE AND OTHER PAYABLES

	Company 2023 Rs.	Company 2022 Rs.	Group 2023 Rs.	Group 2022 Rs.
Trade Creditors (Note 18.2)	596,671,102	765,264,614	2,684,767,367	3,736,753,774
Accrued Expenses	624,971,309	423,751,845	681,865,318	454,514,974
Sundry Creditors	203,886,098	241,811,791	2,599,205,455	2,933,964,024
	1,425,528,509	1,430,828,250	5,965,838,140	7,125,232,772

18.1 Payable to Related Parties

	Relationship	Company		Group	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Nilano Garments (Pvt) Ltd	Subsidiary	13,094,493	17,530,339	-	-
Lanka Ceramics PLC	Subsidiary	27,952	20,802	-	-
Swisstek Aluminium Limited	Subsidiary	26,702	4,454	-	-
Swisstek Ceylon PLC	Subsidiary	-	2,251,254	-	-
Vallibel One PLC	Parent	37,203,168	3,655,313	260,731,195	149,042,187
Payable to key management personnel	Chairman	-	-	-	123,824,086
		50,352,315	23,462,162	260,731,195	272,866,273

18.2 Trade Creditors includes following related party payables,

	Relationship	Company		Group	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Lanka Ceramics PLC	Subsidiary	671,452	898,232	-	-
Unidil Packaging Limited	Subsidiary	19,896	19,896	-	-
Unidil Packaging Solution Limited	Subsidiary	24,222,850	21,563,369	-	-
Swisstek Ceylon PLC	Subsidiary	2,848,542	15,240,622	-	-
Swisstek Aluminium Limited	Subsidiary	345,758	2,130,299	-	-
Lanka Walltiles PLC	Subsidiary	982,196	1,170,749	-	-
Lanka Tiles PLC	Subsidiary	1,517,772	509,485	-	-
Delmege Forsyth Co. Limited	Associate	217,831	178,318	217,831	507,607
Grip Delmege (Pvt) Ltd	Associate	1,042,810	866,185	1,306,392	1,129,767
Grip Nordic (Pvt) Ltd	Associate	-	-	311,622	1,087,500
Singer (Sri Lanka) PLC	Affiliate	6,996,411	3,336,299	7,010,825	3,465,881
Hayleys PLC	Affiliate	-	-	-	18,615,790
Fentons Ltd.	Affiliate	-	26,892	-	38,388,892
Hayleys Agriculture Holding Limited	Affiliate	-	-	-	861,000
Hayleys Agro Fertilizer (Private) Limited	Affiliate	-	-	-	1,000
Hayleys Business Solutions International (Pvt) Ltd	Affiliate	-	-	-	312,490
Hayleys Electronics Lighting (Pvt) Ltd	Affiliate	5,000	5,000	5,000	5,000
Kelani Valley Plantations PLC	Affiliate	-	-	-	515,000
Talawakelle Tea Estates PLC	Affiliate	-	-	-	6,000
Hayleys Aventura (Pvt) Ltd	Affiliate	95,282	1,294,364	95,282	1,558,794
Venigros (Pvt) Ltd	Affiliate	102,040	102,040	102,040	102,040
Puritas (Pvt) Ltd	Affiliate	85,000	355,000	103,022	362,344
Mabroc Teas (Pvt) Ltd	Affiliate	-	12,300	-	53,300
Weerasinghe Property Development (Pvt) Ltd	Affiliate	-	1,161,517	-	1,161,517
Unisyst Engineering PLC	Affiliate	-	-	184,090	184,090
Regnis Lanka PLC	Affiliate	-	-	18,022	18,022
		39,152,840	48,870,567	9,354,126	68,336,034

Notes to the Financial Statements

19. OTHER CURRENT LIABILITIES

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Provisions	243,826,518	346,299,520	277,012,081	393,231,343
Other Statutory Payables	449,049,269	87,913,622	472,329,516	104,029,043
Contract Liability	1,999,500,044	5,488,836,016	2,343,915,250	6,190,506,582
	2,692,375,831	5,923,049,158	3,093,256,847	6,687,766,968

19.1 Contract Liability

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
As at 1st April	5,488,836,016	1,671,062,757	6,190,506,582	1,762,717,298
Advance received	1,999,500,044	5,488,836,016	2,243,710,549	6,133,808,000
During the year recognized	(5,488,836,016)	(1,671,062,757)	(6,090,301,881)	(1,706,018,716)
As at 31st March	1,999,500,044	5,488,836,016	2,343,915,250	6,190,506,582

The contract liability primarily relates to the advance consideration received from customers for Supply of timber and installation of timber flooring, for which revenue is recognized overtime and advances received for supply of tiles and sanitaryware. This will be recognized as revenue when the company issues an invoice to the customer, which is expected to occur over the next year.

20. CASH AND CASH EQUIVALENTS

Components of Cash and Cash Equivalents

20.1 Favourable Cash & Cash Equivalent Balances

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash & Bank Balances	802,327,697	7,244,400,506	3,601,535,933	15,383,052,267
Cash & Bank Balances attributable to discontinued operations			6,861,993	7,881,694

20.2 Unfavourable Cash & Cash Equivalent Balances

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Bank Overdraft	(1,373,488,077)	(213,460,952)	(3,674,731,383)	(1,967,646,195)
Bank Overdraft Attributable to Discontinued Operations			(88,052,877)	(94,140,708)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(571,160,380)	7,030,939,554	(154,386,334)	13,329,147,058

21. REVENUE FROM CONTRACTS WITH CUSTOMERS

21.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's/Company's revenue from contracts with customers:

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Type of goods or service				
Sale of Tiles & Associated Items	16,908,567,141	14,374,445,951	46,787,238,642	38,423,671,933
Sale of Sanitaryware	-	-	3,394,998,442	3,621,763,410
Sale of Packaging Material	-	-	8,062,274,663	5,985,897,162
Sale of Aluminium Products	-	-	4,933,737,533	6,935,831,795
Other	-	-	28,009,948	13,715,801
Total revenue from contracts with customers	16,908,567,141	14,374,445,951	63,206,259,228	54,980,880,101
Geographical markets				
Export Sales	177,555,823	104,950,521	2,439,400,586	1,742,062,629
Local Sales	16,720,462,824	14,261,746,348	60,756,310,148	53,231,068,390
Electricity Supply	10,548,494	7,749,082	10,548,494	7,749,082
Total revenue from contracts with customers	16,908,567,141	14,374,445,951	63,206,259,228	54,980,880,101
Timing of revenue recognition				
Goods transferred at a point in time	16,908,567,141	14,374,445,951	63,206,259,228	54,980,880,101
Total revenue from contracts with customers	16,908,567,141	14,374,445,951	63,206,259,228	54,980,880,101

Segmental Information given on note 28 to these financial statements.

Notes to the Financial Statements

21.2 Contract balances

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade receivables (Note 10)	601,142,128	384,206,490	5,762,201,310	4,845,780,932
Contract assets (Note 10.3)	-	-	32,342,715	29,342,566
Contract liabilities (Note 19.1)	1,999,500,044	5,488,836,016	2,343,915,250	6,190,506,582

22. OTHER OPERATING INCOME

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Dividends on long-term & current investments with Related Parties	2,013,470,716	2,536,942,151	-	-
Dividends on long-term & current investments	991,063	350,224	991,063	350,224
Rental Income and Service Charge - Related Parties	275,735,558	305,707,471	-	-
Technical Fee Income - Related Parties	35,003,239	28,000,300	-	-
Rent Income - Related Parties	507,692	1,900,000	-	-
Rent Income - Others	-	-	37,306,800	36,750,000
Profit/(Loss) on Disposal of Property, Plant & Equipment	4,000,000	-	5,000,000	(21,999,753)
Sundry Income	20,816,128	21,896,884	405,672,067	294,966,710
Change in fair value of investment property	-	-	22,272,196	46,572,704
Exchange Gain	36,006,931	91,886,610	-	711,873,517
	2,386,531,327	2,986,683,640	471,242,126	1,068,513,402

22.1 Other Operating Expenses

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Net loss on financial Assets at fair value through profit or loss	(20,709,416)	1,826,430	(20,709,416)	1,826,430
Unabsorbed production cost	-	-	-	4,227,742
Exchange loss	-	-	243,256,084	-
	(20,709,416)	1,826,430	222,546,668	6,054,172

23. FINANCE COST AND INCOME

23.1 Finance Cost

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Interest Expense on Overdrafts	137,894,486	3,112,954	595,391,740	45,318,493
Interest Expense on Loans & Borrowings	132,542,387	159,946,148	2,776,168,040	566,762,164
Finance Charges on Lease Liabilities	151,998,754	135,672,034	185,157,619	159,634,066
Interest expense on Related party balances	761,745	-	-	-
	423,197,372	298,731,136	3,556,717,399	771,714,723

23.2 Finance Income

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Interest Income	518,518,866	287,593,425	1,152,595,044	493,531,701
Interest Income on Related party balances	71,724,751	4,222,091	-	-
	590,243,617	291,815,516	1,152,595,044	493,531,701

Notes to the Financial Statements

24. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Stated after Charging /(Crediting)	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Included in Cost of Sales				
Depreciation	419,185,481	422,443,878	1,388,590,358	1,375,030,809
Amortisation of Right of use Lease Asset	-	-	4,142,159	591,140
Employee Benefits including the following	1,265,653,439	1,020,617,589	4,362,305,005	3,746,350,250
- Defined Benefit Plan Costs -Gratuity	53,576,904	27,515,300	120,284,000	67,134,302
- Defined Contribution Plan Costs - EPF & ETF	88,427,970	78,885,020	249,130,559	220,014,908
Included in Administrative Expenses				
Depreciation	39,114,246	34,610,523	135,528,166	99,423,459
Employee Benefits including the following	346,466,948	346,269,830	869,836,586	809,726,776
- Defined Benefit Plan Costs -Gratuity	16,267,554	8,420,068	44,370,836	16,124,424
- Defined Contribution Plan Costs - EPF & ETF	26,006,506	22,014,483	70,890,147	57,779,701
Auditors' Fees and Expenses	3,342,108	3,080,213	17,957,780	10,119,997
Amortisation of intangible assets	16,656,452	16,238,744	27,410,587	23,031,744
Amortisation of Right of use Lease Asset	-	-	30,729,811	25,863,812
Included in Selling and Distribution Costs				
Depreciation	284,029,143	278,992,643	348,986,443	316,048,715
Amortisation of Right of use Lease Asset	174,675,424	180,312,391	217,751,429	213,227,747
Amortisation of intangible assets	4,304,313	3,774,066	4,304,313	3,774,066
Employee Benefits including the following	1,192,624,730	1,043,784,669	1,722,141,313	1,478,130,299
- Defined Benefit Plan Costs -Gratuity	53,794,667	21,296,783	64,003,762	25,967,785
- Defined Contribution Plan Costs - EPF & ETF	90,062,782	77,336,048	117,159,552	101,537,639

25. INCOME TAX EXPENSE

25.1 The major components of income tax expense for the years ended 31 March are as follows :

Statement of Profit or Loss	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Current Income Tax				
Current Income Tax charge	919,258,313	845,098,180	3,091,233,402	2,695,365,693
Dividend Tax	77,112,466	252,263,282	408,525,049	252,263,282
Under/(Over) Provision of current taxes in respect of prior years	25,433,685	(22,354,924)	59,755,284	(25,531,512)
	1,021,804,464	1,075,006,538	3,559,513,735	2,922,097,463
Deferred Income Tax				
Deferred Tax Charge/(Reversal) (Note 25.5)	282,997,235	2,332,835	702,570,407	125,627,330
Deferred Tax on Un distributable Associate Profit	-	-	(32,951,911)	28,014,799
Income tax expense reported in the statement of profit or loss	1,304,801,699	1,077,339,373	4,229,132,231	3,075,739,592
Statement of Other Comprehensive Income				
Deferred Income Tax related to items charged or credited directly to equity :				
Deferred Tax effect on Employee Benefits	1,107,897	2,512,159	129,502	26,054,549
Deferred Tax effect on Land and Buildings revalued during the Year	-	306,920,643	1,907,604	366,271,667
Tax Rate Increase effect to previously revalued Land and Buildings	400,466,206		916,468,281	
Income tax expense reported in equity	401,574,103	309,432,802	918,505,387	392,326,216

Notes to the Financial Statements

25.2 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Accounting Profit (Profit before Taxation)	6,052,151,481	7,464,888,653	14,447,078,342	16,707,220,998
Share of results of associates	-	-	(2,312,742,890)	(2,328,418,140)
	6,052,151,481	7,464,888,653	12,134,335,452	14,288,072,828
Exempt Profit	(1,088,621,610)	(768,262,237)	(2,253,171,282)	(861,037,272)
Non deductible expenses	1,305,945,091	1,149,234,869	4,305,726,995	809,390,059
Deductible expenses	(4,203,071,817)	(4,302,979,852)	(7,776,849,310)	(6,076,074,229)
Tax losses utilized	-	-	(367,472,000)	(509,908,454)
Income considered as separate source of income	2,169,621,426	2,793,935,307	3,732,374,724	4,574,446,139
Qualifying Payment Relief	-	-	(100,000)	(1,055,000)
Taxable Income	4,236,024,571	6,336,816,740	9,774,844,579	12,314,564,101
Income Tax on Profit @ 30%	569,881,366	-	1,651,672,928	-
Income Tax on Profit @ 24%	116,142,4255	75,997,265	282,721,427	307,908,514
Income Tax on Profit @ 20%	-	-	3,446,000	-
Income Tax on Profit @ 18%	229,490,697	782,878,483	938,298,618	2,017,696,061
Income Tax on Profit @ 15%	-	-	40,885,121	51,491,480
Income Tax on Profit @ 14%	3,743,825	238,485,714	174,209,308	570,532,920
Dividend Tax @ 14%	77,112,466	-	408,525,049	-
Deferred Tax on Un distributable Associate Profit	-	-	(32,951,911)	28,014,799
Charge/(Reversal) of Deferred Tax (Note 26.5)	282,997,235	2,332,835	702,570,407	125,627,330
Adjustment of taxes in respect of prior years	25,433,685	(22,354,924)	59,755,284	(25,531,512)
	1,304,801,699	1,077,339,373	4,229,132,231	3,075,739,592

25.3 Deferred Tax Assets

	Group	
	2023 Rs.	2022 Rs.
At the beginning of the year	-	-
Reclassification from liability	(144,927,000)	-
Deferred Tax Charge/(Reversal) for the year	294,915,272	-
Deferred Tax release on components of other comprehensive Income	(3,155,654)	-
At the end of the year	146,832,618	-
	-	
The closing net deffered tax liability relate to the following;		
Capital allowances for tax purposes	(162,840,505)	-
Revaluation surplus on Land and Buildings	(1,552,424)	-
Retirement benefit Liability	7,227,000	-
Unutilized tax losses	297,131,547	-
Provision for Obsolete and Slow Moving, Consumables and Spares	6,867,000	-
	146,832,618	-

Notes to the Financial Statements

25.4 Deferred Tax Liability

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 31st March	999,612,462	687,846,825	3,509,055,664	2,944,503,432
Reclassification to deferred tax assets	-	-	(144,927,000)	-
De-recognition on disposal of subsidiaries	-	-	(129,109,151)	-
Charge/ (Reversal) Recognised in Profit or Loss				
- Arising on During the Year Movement	(15,287,765)	2,332,835	278,361,983	171,539,016
- Due to Change in Tax Rates	298,285,000	-	1,155,616,739	-
De-recognition on disposal of subsidiaries			(469,445,118)	-
Charge/ (Reversal) Recognised in Other Comprehensive Income				
- Arising on During the Year Movement	1,107,897	309,432,802	(16,798,874)	393,013,216
- Due to Change in Tax Rates	400,466,206	-	916,621,338	-
De-recognition on disposal of subsidiaries	-	-	15,527,269	-
At the end of the year	1,684,183,800	999,612,462	5,114,902,850	3,509,055,664

The closing net differed tax liability relate to the following;

	Company 2023 Rs.	Company 2022 Rs.	Group 2023 Rs.	Group 2022 Rs.
Capital allowances for tax purposes	949,521,953	537,968,863	2,873,331,694	2,213,714,519
Revaluation surplus on Land and Buildings	1,001,165,515	600,699,309	2,495,058,847	1,581,387,673
Revaluation surplus on on Investment Property	-	-	356,162,394	182,353,706
Retirement benefit Liability	(184,289,685)	(93,002,179)	(331,328,487)	(239,243,820)
Unutilized tax losses	-	-	(24,060,184)	(133,927,079)
Deferred Taxation on Un distributable Associate Profit	-	-	53,907,417	86,859,328
Provision for Obsolete and Slow Moving, Consumables and Spares	(71,871,347)	(30,188,904)	(266,166,778)	(153,782,566)
Allowances for Doubtful Debts	(16,261,079)	(9,444,951)	(33,963,076)	(32,141,382)
Leases	(46,265,694)	(25,137,286)	(53,753,271)	(35,395,610)
Unrealised Exchange Gain/(Loss)	52,184,136	18,717,611	45,714,293	39,230,895
	1,684,183,800	999,612,462	5,114,902,850	3,509,055,664

25.5 Statement of Profit or Loss

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Deferred tax expense/(reversal) arising from;				
Capital allowances for tax purposes	411,553,090	(741,345)	1,228,661,573	84,549,579
Retirement benefit Liability	(92,395,403)	(8,186,600)	(152,362,404)	(15,429,434)
Provision for Obsolete and Slow Moving, Consumables and Spares	(41,682,443)	6,234,190	(119,241,601)	(23,407,189)
Allowances for Doubtful Debts	(6,816,127)	95,760	(9,117,879)	(5,353,093)
Transfers on Revaluation	-	(2,145,527)	46,531,632	7,690,506
Carried Forward tax losses	-	-	(280,308,652)	57,239,921
Lease Liability	(21,128,407)	(11,641,253)	(24,280,673)	(12,688,843)
Unrealised Exchange Gain/(Loss)	33,466,525	18,717,611	12,688,409	33,025,883
	282,997,235	2,332,835	702,570,407	125,627,330
Deferred Tax on Un distributable Associate Profit	-	-	(32,951,911)	28,014,799
Total Deffered Tax Charge/(Reversal) for the year	282,997,235	2,332,835	669,618,496	153,642,129
Effective Tax Rate	21.56%	14.43%	29.27%	18.51%

Deferred tax has been computed at applicable weighted average tax rates of respective companies within the Group.

The Deferred Tax asset arising from unused tax losses has been recognised up to the extend that it is probable that future taxable temporary differences available against which the unused tax loss can be utilised.

Lanka Ceramics PLC

As per the transitional provisions of the Inland Revenue Act No. 24 of 2017, brought forward tax losses can be claimed against the taxable income for a period of six years with effective from 1 April 2018. The Company has a cumulative tax loss of Rs.188,078,868/- (2022- Rs. 222,017,183/-) as at 31 March 2023 which can be carried forward up to the financial year of 2023/2024.

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

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

Sensitivity analysis

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

Swisstek Aluminium Ltd

Income tax exemption given for the Swisstek Aluminium Ltd has been ended by 01st September 2016 and company liable to pay tax at a rate of 20% on trade profit and 30% on other income.

Notes to the Financial Statements

Surcharge Tax

As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8th April 2022, the Group was liable to pay the surcharge tax of Rs. 1,965 million (the Company - Rs. 388 million) pertaining to the year of assessment 2020/21. According to the said Act, the surcharge tax shall be deemed to be an expenditure in the financial statement relating to the year of assessment which commenced on 1st April 2020. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense is accounted through the Statement of Changes in Equity as an equity adjustment on the first day of the first reporting period ending after enactment of the said Act, as recommended in the Addendum to Statement of Alternative Treatment (SoAT) on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, in August 2022.

25.6 Carried forward tax losses of the Group as follows:

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Tax loss brought forward	-	-	**2,084,929,195**	2,264,422,566
Loss for the year	-	-	**1,583,791,619**	27,726,898
Adjustment for prior years	-	-	**(36,959,329)**	(69,581,799)
Utilised during the year	-	-	-	(124,468,056)
Investment Income claimed	-	-	**(22,167,778)**	(13,170,414)
De-recognition on disposal of subsidiaries			**1,852,934,905**	-
Tax loss carried forward	-	-	**1,756,658,802**	2,084,929,195

26. EARNINGS PER SHARE

26.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.

26.2 The following reflects the income and share data used in the basic Earnings Per Share computation.

Amount Used as the Numerator:	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Net Profit for the year attributable to equity holders of the parent				
Continuing operations	**4,747,349,782**	6,387,549,280	**7,371,086,673**	9,641,340,477
Discontinued operations	-	-	**375,987,603**	148,837,888
Net Profit for the year attributable to equity holders of the parent	**4,747,349,782**	6,387,549,280	**7,747,074,276**	9,790,178,365

Number of Ordinary Shares Used as the Denominator:	Company		Group	
	2023 Number	2022 Rs.	2023 Number	2022 Rs.
Weighted Average number of Ordinary Shares in issue Applicable to basic Earnings Per Share	**1,107,893,840**	1,107,893,840	**1,107,893,840**	1,107,893,840

26.3 There were no potentially dilutive Ordinary Shares outstanding at any time during the year.

27. DIVIDEND PER SHARE

	Company/Group	
	2023 Rs.	2022 Rs.
1st Interim Dividends for 2022/23	2,658,945,216	-
Final Dividends for 2021/22	830,920,380	1,661,840,760
2nd Interim Dividends for 2021/22	-	1,661,840,760
1st Interim Dividends for 2021/22	-	1,329,472,608
Total Dividends	3,489,865,596	4,653,154,128
No of shares	1,107,893,840	1,107,893,840
Total Dividend per Share	3.15	4.20

28 SEGMENT INFORMATION

Primary Reporting Format - Business Segments

For management purposes, the group is organised into business units based on its products and services and has seven reportable segments, as follows:

- Tiles and Associated Items
- Sanitaryware
- Packaging
- Finance
- Aluminium
- Other

The following tables present revenue and profit and certain assets and liability information regarding the company's business segments:

No operating segments have been aggregated to form the reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Notes to the Financial Statements

	Tiles & Associated Items		Sanitaryware		Packaging		Aluminium Products	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Revenue								
Sales to external customers	46,787,238,642	38,423,671,933	3,394,998,442	3,621,763,410	8,062,274,663	5,985,897,162	4,933,737,533	6,935,831,795
Inter-Segment Sales	-	14,563,600	6,082,345	3,197,728	1,163,347,618	592,377,038	323,105,467	378,916,794
Total Revenue	46,787,238,642	38,438,235,533	3,401,080,787	3,624,961,138	9,225,622,281	6,578,274,200	5,256,843,000	7,314,748,589
Results								
Gross Profit	20,558,429,720	18,195,294,256	1,269,261,493	1,248,476,743	2,288,322,080	1,011,683,271	1,280,277,000	1,457,482,409
Other Income	567,220,136	905,018,677	78,166,050	148,056,765	334,126,487	318,957,850	87,205,000	24,233,000
Distribution Expenses	(6,767,849,950)	(5,118,110,575)	(673,737,023)	(718,812,564)	(304,277,255)	(178,242,400)	(581,823,000)	(547,334,552)
Administrative Expenses	(2,445,497,021)	(1,627,893,083)	(65,818,605)	(39,896,776)	(430,114,639)	(286,084,000)	(233,404,000)	(238,277,773)
Other Operating Expenses	20,709,416	(6,054,172)	-	-	-	(26,818,500)	(485,804,000)	-
Finance Costs	(1,345,574,197)	(480,679,267)	(161,600,606)	(16,635,981)	(674,453,484)	(126,427,550)	(1,391,618,656)	(145,565,207)
Finance Income	1,136,720,054	474,813,679	49,524,984	21,499,541	-	-	-	-
Share of Associate Company's Profit	-	-	-	-	-	-	-	-
Net Profit before Income Tax	11,724,158,158	12,342,389,515	495,796,293	642,687,728	1,213,603,189	713,068,671	(1,325,167,656)	550,537,877
Income Tax Expense	(3,745,909,670)	(2,674,699,211)	(52,525,884)	(99,888,782)	(290,675,471)	(117,233,870)	256,564,000	(96,394,000)
Net Profit for the Year	7,978,248,488	9,667,690,304	443,270,409	542,798,946	922,927,718	595,834,801	(1,068,603,656)	454,143,877
As at 31st March								
Assets and Liabilities								
Segment Assets	57,086,461,293	50,185,913,096	7,584,279,210	5,459,971,116	5,279,444,688	5,037,773,105	7,377,511,067	7,522,471,028
Total assets	57,086,461,293	50,185,913,096	7,584,279,210	5,459,971,116	5,279,444,688	5,037,773,105	7,377,511,067	7,522,471,028
Segment liabilities	27,157,853,327	21,429,397,601	3,470,682,072	1,385,079,427	2,987,973,651	3,042,315,657	6,812,451,661	5,897,622,453
Total Liabilities	27,157,853,327	21,429,397,601	3,470,682,072	1,385,079,427	2,987,973,651	3,042,315,657	6,812,451,661	5,897,622,453
Other Segment Information								
Total cost incurred during the period to acquire								
Property, Plant & Equipment	4,810,768,784	2,376,792,222	168,204,259	233,059,544	194,992,122	213,814,220	134,791,711	184,294,000
Depreciation & Amortisation	1,509,907,627	1,460,405,181	147,370,492	136,993,383	97,406,289	98,547,770	128,523,000	109,391,000
Provisions for retirement benefit liability	192,011,556	81,898,339	12,949,231	7,784,937	22,537,714	11,106,590	12,707,000	8,156,000

Finance		Other		Total Segments		Eliminations/Adjustments		Total	
2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
-	-	28,009,948	13,715,801	63,206,259,228	54,980,880,101	-	-	63,206,259,228	54,980,880,101
-	-	418,804,901	413,973,547	1,911,340,330	1,403,028,707	(1,911,340,330)	(1,403,028,707)	-	-
-	-	446,814,849	427,689,347	65,117,599,558	56,383,908,808	(1,911,340,330)	(1,403,028,707)	63,206,259,228	54,980,880,101
-	-	94,906,648	121,461,519	25,491,196,942	22,034,398,198	38,979,496	-	25,530,176,438	22,034,398,199
-	-	87,177,221	122,270,941	1,153,894,893	1,518,537,233	(682,652,767)	(450,023,831)	471,242,126	1,068,513,402
-	-	(25,187,163)	(7,889,542)	(8,352,874,390)	(6,570,389,633)	380,416,475	397,987,937	(7,972,457,915)	(6,172,401,696)
-	-	(98,438,722)	(71,425,663)	(3,273,272,988)	(2,263,577,296)	5,316,814	(3,892,557)	(3,267,956,174)	(2,267,469,853)
-	-	(15,392,067)	(29,724,507)	(480,486,651)	(62,597,179)	257,939,983	56,543,007	(222,546,668)	(6,054,172)
-	-	(56,238,616)	(6,014,249)	(3,629,485,559)	(775,322,254)	72,768,160	3,607,531	(3,556,717,399)	(771,714,723)
-	-	39,118,167	1,440,571	1,225,363,205	497,753,791	(72,768,161)	(4,222,090)	1,152,595,044	493,531,701
2,231,024,827	2,224,753,264	81,718,062	103,664,876	2,312,742,890	2,328,418,140	-	-	2,312,742,890	2,328,418,140
2,231,024,827	2,224,753,264	107,663,530	233,783,946	14,447,078,342	16,707,220,998	-	-	14,447,078,342	16,707,220,998
-	-	(106,368,533)	(59,508,817)	(3,938,915,558)	(3,047,724,679)	(290,216,673)	(28,014,913)	(4,229,132,231)	(3,075,739,592)
2,231,024,827	2,224,753,264	1,294,997	174,275,129	10,508,162,784	13,659,496,319	(290,216,673)	(28,014,913)	10,217,946,111	13,631,481,406
-	-	3,627,892,881	2,446,825,659	80,955,589,139	70,652,954,004	9,609,555,966	15,588,294,528	90,565,145,104	86,241,248,531
-	-	3,627,892,881	2,446,825,659	80,955,589,139	70,652,954,004	9,609,555,966	15,588,294,528	90,565,145,104	86,241,248,531
-	-	807,078,316	805,912,896	41,236,039,027	32,560,328,035	(4,076,696,099)	2,481,796,331	37,159,342,929	35,042,124,364
-	-	807,078,316	805,912,896	41,236,039,027	32,560,328,035	(4,076,696,099)	2,481,796,331	37,159,342,929	35,042,124,364
-	-	208,681,636	115,296,107	5,517,438,511	3,123,256,093	432,507,000	293,075,992	5,949,945,511	3,416,332,085
-	-	21,614,595	11,971,462	1,904,822,004	1,817,308,796	166,016,000	176,375,000	2,070,838,004	1,993,683,796
-	-	1,675,742	566,234	241,881,243.01	109,512,100	101,037,000	75,478,000	342,918,243	184,990,101

Notes to the Financial Statements

28 SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment revenues, Profit or loss,assets and liabilities and other material items.

	2023 Rs.	2022 Rs.
Reconciliation of Net Profit for the year		
Segment Net Profit for the year	10,508,162,784	13,659,496,319
Dividend Tax on Intercompany dividend Income	(323,168,584)	(28,014,913)
Deferred Tax effect on Associate undistributed Profit	32,951,911	-
Group Net Profit for the year	10,217,946,111	13,631,481,406
Reconciliation of assets		
Segment assets	80,955,589,139	70,652,954,004
Assets of discontinued operations	42,861,993	4,051,060,700
Investment in subsidiaries (elimination)	548,179,283	744,591,432
Inter company balances (elimination)	(4,331,260,101)	(986,355,688)
Share of associate company's accumulated profit net of dividend received (elimination)	13,349,774,791	11,778,998,083
Group assets	90,565,145,105	86,241,248,531
Reconciliation of Liabilities		
Segment Liabilities	41,236,039,027	32,560,328,035
Liabilities of discontinued operations	200,656,585	208,229,917
Deferred Tax effect on Associate undistributed Profit	53,907,417	86,859,328
Inter company balances (elimination)	(4,331,260,101)	(986,355,688)
Group Liabilities	37,159,342,928	31,869,061,591

29. CONTINGENT LIABILITIES

a) Companies with in the group issued corporate guarantees in favour of Royal Ceramics Lanka PLC ,Rocell Bathware Ltd and Rocell (Pty) Ltd guaranteeing loans, interest and other charges of the loans as stated in note 15.4

Further, Commercial Bank of Ceylon PLC has offered a combined letter of guarantee facility for the above mentioned companies amounting to Rs.100Mn & at the reporting date total guaranteed value is Rs. 137.15Mn.

The Department of Inland Revenue has issued two assessments claiming an additional income tax of Rs. 156 Mn and penalty of Rs. 78 Mn for the year of assessments 2013/14 and 2014/15. The Company has filed appeals against these assessments and subsequent determinations on those appeals were not in favour of the company. Currently the appeal is being heard in the Tax Appeal Commission. The Directors believe, based on the information currently available, the amounts provided in the accounts based on the proposal submitted is reasonable and that the ultimate resolution of such assessments is not likely to have a material adverse effect on the Company. Accordingly, provision for additional income tax and penalties including the resulting adjustment of deferred taxation on carried forward tax losses have not been made in these financial statements.

b) Lanka Walltiles PLC

As at the reporting date, the Lanka Walltiles PLC has received assessments issued by the Department of Inland revenue in-respect of Income tax, Value added tax and economic service charge totaling Rs. 46,988,405/- for the year of assessment 2008/09, 2009/10. The Company has appealed against the assessments in the appeal hearing branch. The Directors believe, based on the information currently available, the ultimate resolution of such assessment is not likely to have a material adverse effect on the Company. Accordingly no provision for liability has been made in these financial statements.

There are no other material contingent liabilities as at the reporting date.

30. CAPITAL COMMITMENTS

30.1 Capital commitments

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

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

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Contracted but not provided for	467,767,316	1,520,767,609	677,960,260	1,648,967,339
	467,767,316	1,520,767,609	677,960,260	1,648,967,339

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

Lease commitments

b). Lanka Tiles PLC is committed to pay Rs. 14,808,000/- as rent per month for the use of land & buildings situated in Nawala.

Notes to the Financial Statements

31. EVENTS AFTER THE REPORTING PERIOD

Subject to the approval of the shareholders at the Annual General Meeting, Directors recommended payment of a final dividend of Rs. 0.50 per share for the year ended 31 March 2023 on 02 June 2023.

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

32. ASSETS PLEDGED

The group has pledged its assets as security for the interest bearing loans and borrowings obtained as stated in note 15.4

Royal Ceramics Lanka PLC/Rocell Bathware Ltd

Bank overdrafts and Short term loans are secured primarily over stocks in Trade and over book debts.

Lanka Tiles PLC

Bank overdrafts are secured primarily on inventories.

Unidil Packaging Ltd

Lender	Facility	Limit Rs.	Security
Hatton National Bank PLC	Import Loan	1,200,000,000	Immovable Property
			Inventories and Debtors
Standard Chartered Bank	Import Loan	70,000,000	Land and Building, Immovable Machinery and Debtors
		134,000,000	Inventories and Debtors
DFCC Bank PLC	Import Loan	1,250,000,000	Inventories and Debtors
Sampath Bank PLC	Import Loan	1,000,000,000	Corporate Bonds

Unidil Packaging Solutions Ltd

Lender	Facility	Limit Rs.	Security
Hatton National Bank PLC	Import Loan	570,000,000	Primary Mortgage Bond over the Company's Stock-in-trade and Book Debts
	Overdraft	40,000,000	
HSBC	Import Loan	40,000,000	Corporate Guarantee from Unidil Packaging Limited
Seylan Bank PLC	Import Loan	100,000,000	Corporate Guarantee from Unidil Packaging Limited
	Overdraft	20,000,000	
DFCC Bank PLC	Import Loan	100,000,000	Primary concurrent Mortgage Bond for Rs 120,000,000/- ranking equal and parri passu with mortgage bond no 2365.
	Overdraft	20,000,000	

Horana Plantations PLC

The following securities were offered for bank overdraft facilities .

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs'000
Seylan Bank PLC	Mortgage over leasehold rights of Mahanilu Estate and including buildings, fixed and floating assets.	AWPLR+2% (with the floor Rate of 9.5%)	100,000
Commercial Bank of Ceylon PLC	"Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets.	AWPLR+0.5% (Weekly Review)	250,000
Hatton National Bank PLC	Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets.	AWPLR+0.75% (Weekly Review)	150,000
Sampath Bank PLC	Primary Mortgage Bond for Rs.100 Million over leasehold rights of Gouravilla Estate.	AWPLR+1.8% (Monthly Review)	100,000

Lanka Walltiles PLC

Hatton National Bank Rs. 100 Mn bank overdraft is secured primarily on register primary floating mortgage bond for Rs.390 Mn over the project assets comprising of land, building and machinery at Meepe.t

Swisstek Aluminium Ltd

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs'000
Hatton National Bank (Import Loan)	Trading Stock and Trade Debtors	AWPLR+0.5%	300,000
DFCC Bank(Term loan)	Primary mortgage over plant and machinery	AWPLR+1.5%	200,000
DFCC Bank(Import loan and Bank overdrafts	Secondary mortgage over stock and book debtors	AWPLR+0.5%	800,000

Notes to the Financial Statements

33. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

33.1 Transactions with the Related Entities - Company

Nature of Transaction	Parent		Subsidiaries		Associates and other		Affiliates	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Nature of Transaction								
Statement of Profit or Loss								
Sale of Goods	-	-	10,033,160	13,190,366	26,346	3,329,530	9,400,469	43,481,706
Purchase of Goods/Services	-	-	(509,515,012)	(323,292,307)	(1,831,145)	(1,275,622)	(8,800,077)	(57,719,938)
Rendering of Services	-	-	479,431,160	445,475,177	-	-	-	-
Rent Income	-	-	(4,156,748)	(2,735,014)	-	-	-	-
Dividend Income	-	-	1,724,484,804	1,525,491,654	288,985,856	1,011,450,496	-	-
Interest Income/(Expense)	-	-	70,963,006	4,222,091	-	-	-	-
Dividend Payments	(1,849,778,748)	(2,604,109,200)	-	-	-	-	-	-
Technical Fee	(70,024,410)	(18,581,399)	39,611,565	30,240,324	-	-	-	-
Investments made by the Company	-	-	58,276,546	56,666,660	-	-	-	-
Reimbursement of Expenses net of fund Transfer	37,417,789	25,243,462	1,478,647,063	(229,510,519)	-	-	-	-
Statement of Financial Position								
Balance outstanding as at end of the year								
Trade Debtors	-	-	-	831,767	-	-	1,935,919	1,920,209
Due from Related Parties	-	-	1,914,101,426	81,006,022	-	-	-	-
Due to Related Parties	(37,203,168)	(3,655,313)	(13,149,147)	(19,806,849)	-	-	-	-
Trade Creditor	-	-	(30,608,468)	(41,532,651)	(1,260,640)	(1,044,503)	(7,283,732)	(6,293,412)

Royal Ceramics Lanka PLC issued corporate guarantees in favour of Rocell Bathware Limited and Rocell Pty Ltd guaranteeing loans, interest and other charges of the loans as stated in note 15.4.

33.1.1 Transaction with the related entities-Group

	Parent		Affiliates	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Nature of Transaction				
Statement of Profit or Loss				
Sale of Goods	-	-	4,221,895,588	1,701,337,521
Purchase of Goods/Services	-	-	(6,430,501,514)	(3,232,718,557)
Dividend Payments	(2,423,237,948)	(4,611,216,400)	-	-
Technical Fee	(487,774,072)	(395,348,923)	-	-
Reimbursement of Expenses net of fund Transfer	37,417,789	33,952,377	(673,551,174)	(26,574,978)
Balance outstanding as at end of the year				
Trade Debtors	-	-	1,935,919	9,690,703
Due from Related Parties	-	-	233,936,064	245,247,384
Due to Related Parties	(285,647,277)	(23,586,948)	(1,634,816,640)	(36,051,653)
Trade Creditor	-	-	(37,868,839)	(68,336,033)

Parent company is Vallibel One PLC

Transactions With the Subsidiaries include Rocell Bathware Limited, Royal Ceramics Distributors (Pvt) Ltd,Ever Paint & Chemical Industries (Pvt) Ltd, Lanka Ceramic PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek Ceylon PLC, Swisstek Aluminum Ltd., Horana Plantations PLC, Unidil Packaging Ltd,Unidil Packaging Solutions Limited, LWL Development (Private) Limited, Beyond Paradise Collection Limited, Rocell Pty Limited, Nilano Garments (Pvt) Ltd,CP Holdings (Pvt) Ltd,LC Plantation Project Ltd, LTL Development Ltd and LW Plantation Ltd.

Associates of the Group include L. B. Finance PLC and Delmege Limited.

Transactions with Affiliates includes Greener Water Limited, Singer Sri Lanka PLC, Singer Finance PLC, Hayleys PLC, Haycarb PLC, Dipped product PLC, The Kingsbury PLC, Hayleys Agriculture PLC, Hayleys Aventura (Pvt) Ltd, Martin Bauer Hayleys (Pvt) Ltd, Fentons Limited, Mabroc Teas (Pvt) Ltd and Puritas (Pvt) Ltd .

The company carried out above transactions under the ordinary course of its business at commercial rates as agreed between outside parties. Fund transfers represents the sales proceeds of the subsidiaries received by the parent company and it will be settled by transferring of funds back to the relevant companies.

Outstanding related party balances are repayable on demand.

33.2 Transactions with Key Management Personnel (*)

33.2.1 Compensation to Key Management Personnel

Nature of Transaction	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Short term Employee Benefits	392,405,431	317,681,568	612,176,939	446,485,270
Post Employment Benefits	33,105,213	30,449,937	90,919,724	69,342,937
	425,510,644	348,131,505	703,096,663	515,828,207

Notes to the Financial Statements

33.2.2 Other Transactions with Key Management Personnel

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Rent Payment	9,860,000	23,395,802	9,860,000	23,395,802
Transport Expenses	6,525,468	3,832,985	6,525,468	3,832,985
Advanced Received	-	-	-	123,824,086

(*) Key management personnel include the Board of Directors of the Company, Parent Company and its Subsidiaries. In addition,Director Finance and Director Manufacturing are Key management personnel of the Company.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise interest bearing loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The senior management of the Group oversees the management of these risks. The Senior management of the Group determine on financial risks and the appropriate financial risk governance framework for the Group. The financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk such as equity price risk. Financial instruments affected by market risk include loans and borrowings, equity investments classified as fair value through profit or loss.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt and short term borrowings with floating interest rates. The Group manages its risk by striking a balance between long term and short term debts. The company has easy access to funds at competitive interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of the long term and short term borrowings. With all other variables held constant, the Groups profit before tax is affected through the impact on floating rate borrowings as follows;

	Company		Group	
	Change in interest rate	Change in Profit before tax	Change in interest rate	Change in Profit before tax
2023	**6%**	**Rs. -203.5 Mn**	**6%**	**Rs. -1014.4 Mn**
	4%	**Rs. -135.7 Mn**	**4%**	**Rs. -676.3 Mn**
	2%	**Rs. -67.8 Mn**	**2%**	**Rs. -338.1 Mn**
	-2%	**Rs. 67.8 Mn**	**-2%**	**Rs. 338.1 Mn**
	-4%	**Rs. 135.7 Mn**	**-4%**	**Rs. 676.3 Mn**
	-6%	**Rs. 203.5 Mn**	**-6%**	**Rs. 1014.4 Mn**
2022	6%	Rs. -5.2 Mn	6%	Rs. -568.8 Mn
	4%	Rs. -3.5 Mn	4%	Rs. -379.2 Mn
	2%	Rs. -1.7 Mn	2%	Rs. -189.6 Mn
	-2%	Rs. 1.7 Mn	-2%	Rs.189.6 Mn
	-4%	Rs. 3.5 Mn	-4%	Rs. 379.2 Mn
	-6%	Rs. 5.2 Mn	-6%	Rs.568.8 Mn

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities. The Group companies exposed to foreign currency-denominated payments with local currency revenues are adversely impacted to undue fluctuations in exchange rates.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in USD, AUD, EURO and GBP exchange rates, with all other variables held constant. The Group exposure to all the other currencies are not material. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

	Company		Group	
	Change in exchange rate	Change in Profit before tax	Change in exchange rate	Change in Profit before tax
2023	**20%**	**Rs. 109.9 Mn**	**20%**	**Rs. 748.6 Mn**
	15%	**Rs. 82.4 Mn**	**15%**	**Rs. 561.4 Mn**
	10%	**Rs. 55.0 Mn**	**10%**	**Rs. 374.3 Mn**
	-10%	**Rs. -55.0 Mn**	**-10%**	**Rs. -374.3 Mn**
	-15%	**Rs. -82.4 Mn**	**-15%**	**Rs. -561.4 Mn**
	-20%	**Rs. -109.9 Mn**	**-20%**	**Rs. -748.6 Mn**
2022	20%	Rs. 64.2 Mn	20%	Rs. 343.6 Mn
	15%	Rs. 48.2 Mn	15%	Rs. 257.7 Mn
	10%	Rs. 32.1 Mn	10%	Rs. 171.8 Mn
	-10%	Rs. -32.1 Mn	-10%	Rs. -171.8 Mn
	-15%	Rs. -48.2 Mn	-15%	Rs. -257.7 Mn
	-20%	Rs. -64.2 Mn	-20%	Rs. -343.6 Mn

Notes to the Financial Statements

Equity Price risk

The Groups listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about the future values of the investments securities. The Group manages the equity price risk by diversification and placing limits on individual and total investment in equity instruments. The group Board of Directors reviews and approves all equity investment decisions. The exposure was limited as total investments in listed equity securities at fair value was not material to the group.

At the reporting date, the exposure to listed equity securities at fair value was Rs. 63.4 Mn (2022 - Rs. 42.7 Mn). A change in 5% of the ASPI could have an impact on approximately Rs. 1.7 Mn (2022 - Rs. 1.6 Mn) on the Company/Groups profit before tax.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks.

Trade receivables

Customer credit risk is managed in accordance with the Group's established policy, procedures and control relating to customer credit risk management. Individual credit limits are defined in accordance with the prior experience with the customers. Outstanding customer receivables are regularly monitored. The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. Part of the trade receivable of the group are backed by bank guarantees. Hence the Group evaluates the concentration of risk with respect to trade receivables as low. Further, the individual receivable balances were re-assessed, specific provisions were made wherever necessary.

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

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and lease contracts. The Management is solemnly engaging with banks as well as with suppliers to negotiate terms in order to manage liquidity levels effectively.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2023 based on contractual undiscounted (principal plus interest) payments.

	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Over 5 years Rs.	Total Rs.
As at 31 March 2023						
Company						
Interest-bearing loans and borrowings	1,373,488,077	1,920,239,367	430,897,929	1,019,668,438	-	4,744,293,811
Lease liability of right of use assets	-	34,601,881	108,869,332	503,753,431	1,019,131,608	1,666,356,252
Trade and other payables	-	1,425,528,509	-	-	-	1,425,528,509
	1,373,488,077	3,380,369,757	539,767,261	1,523,421,869	1,019,131,608	7,836,178,572
Group						
Interest-bearing loans and borrowings	3,674,731,383	7,662,084,992	6,972,304,106	1,969,338,705	-	20,278,459,186
Lease liability of right of use assets	-	39,593,150	124,715,402	583,822,110	1,119,495,609	1,867,626,271
Trade and other payables	-	5,965,837,140	-	-	-	5,965,837,140
	3,674,731,383	13,667,515,282	7,097,019,508	2,553,160,815	1,119,495,609	28,111,922,597

	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Over 5 years Rs.	Total Rs.
As at 31 March 2022						
Company						
Interest-bearing loans and borrowings	213,460,952	305,755,958	962,012,648	909,748,269	-	2,390,977,827
Lease liability of right of use assets	-	30,493,397	95,942,638	592,579,712	845,101,981	1,564,117,727
Trade and other payables	-	1,430,828,250	-	-	-	1,430,828,250
	213,460,952	1,767,077,605	1,057,955,286	1,502,327,981	845,101,981	5,385,923,804
Group						
Interest-bearing loans and borrowings	1,870,024,501	2,774,034,314	4,755,558,873	4,358,514,852	174,030,017	13,932,162,556
Lease liability of right of use assets	-	36,792,918	115,942,089	631,125,512	872,163,226	1,656,023,745
Trade and other payables	-	7,125,232,772	-	-	-	7,125,232,772
	1,870,024,501	9,936,060,004	4,871,500,962	4,989,640,364	1,046,193,243	22,713,419,074

35. CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2023 and 31 March 2022.

The Company monitors capital using a gearing ratio, which is interest bearing borrowings divided by equity plus interest bearing borrowings.

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Interest Bearing Borrowings	5,554,111,508	3,178,409,276	19,586,291,442	13,983,534,123
Equity	20,143,630,649	19,662,065,641	53,405,802,175	51,199,124,167
Gearing ratio	22%	14%	27%	21%

Notes to the Financial Statements

36. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Company Name	Country of incorporation and operation	Location	2023	2022
Lanka Ceramic PLC	Sri Lanka	Sri Lanka	26.44%	26.44%
Lanka Walltiles PLC	Sri Lanka	Sri Lanka	45.45%	45.45%
Lanka Tiles PLC	Sri Lanka	Sri Lanka	60.17%	60.17%
Vallibel Plantation Management Limited	Sri Lanka	Sri Lanka	45.45%	45.45%
Swisstek (Ceylon) PLC	Sri Lanka	Sri Lanka	67.82%	67.82%
Swisstek Aluminium Limited	Sri Lanka	Sri Lanka	64.28%	64.28%
Horana Plantations PLC	Sri Lanka	Sri Lanka	72.18%	72.18%
Unidil Packaging Limited	Sri Lanka	Sri Lanka	45.45%	45.45%
Unidil Packaging Solutions Limited	Sri Lanka	Sri Lanka	45.45%	45.45%
LWL Development (Private) Limited	Sri Lanka	Sri Lanka	45.45%	45.45%
Beyond Paradise Collection Limited	Sri Lanka	Sri Lanka	60.17%	60.17%
Lankatiles (Pvt) Ltd	India	India	79.69%	79.69%
Swisstek Development Limited	Sri Lanka	Sri Lanka	67.82%	67.82%
LW Plantation Investments Limited	Sri Lanka	Sri Lanka	45.45%	45.45%
LTL Development Ltd	Sri Lanka	Sri Lanka	60.17%	60.17%
LC Plantation Project Ltd	Sri Lanka	Sri Lanka	26.44%	26.44%
CP Holding (Pvt) Ltd	Sri Lanka	Sri Lanka	33.31%	33.31%
Biscuit and Chocolate Company Limited	Sri Lanka	Sri Lanka	30.89%	0.00%

Accumulated Balances of Material Non - Controlling Interest

	2023 Rs. 000's	2022 Rs. 000's
Lanka Ceramic PLC	256,740	277,717
Lanka Walltiles PLC	3,348,327	3,393,386
Lanka Tiles PLC	7,224,004	6,604,287
Vallibel Plantation Management Limited	413,929	166,733
Swisstek (Ceylon) PLC	1,320,246	1,319,475
Swisstek Aluminium Limited	363,238	1,044,505
Horana Plantations PLC	-	574,647
Unidil Packaging Limited	803,331	746,810
Unidil Packaging Solutions Limited	307,465	229,308
LWL Development (Private) Limited	196,626	195,350
Beyond Paradise Collection Limited	251,843	260,177
Lankatiles (Pvt) Ltd	16,137	13,167
Swisstek Development Limited	38,347	(346)
LW Plantation Investments Limited	25,752	(49)
LTL Development Ltd	34,061	(202)
LC Plantation Project Ltd	14,908	14,947
CP Holding (Pvt) Ltd	128,562	120,679
Biscuit and Chocolate Company Limited	188,779	-
Less - Cross investments	(1,564,091)	(1,530,829)
Add - Attributed Goodwill	445,990	445,990
Accumulated Material Non- Controlling Interest	13,814,193	13,875,753

Profit allocated to Material Non - Controlling Interest

	2023 Rs. 000's	2022 Rs. 000's
Lanka Ceramic PLC	(11,652)	19,989
Lanka Walltiles PLC	387,626	729,794
Lanka Tiles PLC	2,318,409	2,288,425
Vallibel Plantation Management Limited	70,346	(6,515)
Swisstek (Ceylon) PLC	238,918	287,454
Swisstek Aluminium Limited	(686,932)	291,938
Horana Plantations PLC	122,752	30,643
Unidil Packaging Limited	226,485	144,691
Unidil Packaging Solutions Limited	181,058	126,129
LWL Development (Private) Limited	1,278	(8,737)
Beyond Paradise Collection Limited	(8,198)	(7,817)
Lanka Tiles (Private) Limited	347	288
LW Plantation Investments Limited	(55)	(16)
LTL Development Ltd	(86)	(36)
Swisstek Development Limited	(104)	(283)
LC Plantation Project Ltd	(39)	(38)
CP Holding (Pvt) Ltd	6,706	3,502
Accumulated Material Non- Controlling Interest	2,846,859	3,899,411

Notes to the Financial Statements

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminatior

Summarised statement of profit or loss for year ended 31 March 2023:

	Lanka Ceramic PLC Rs. 000's	Lanka Walltiles PLC Rs. 000's	Lanka Tiles PLC Rs. 000's	Vallibel Plantation Management Limited Rs. 000's	Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's	Horana Plantations PLC Rs. 000's
Revenue	446,815	9,297,171	18,684,042	-	3,741,283	5,256,843	-
Cost of sales	(351,908)	(5,753,067)	(10,256,396)	-	(2,816,587)	(3,976,566)	-
Administrative expenses	(68,645)	(427,514)	(1,023,031)	(1,820)	(119,130)	(233,404)	-
Finance costs	(56,238)	(390,543)	(264,642)	-	(263,720)	(1,877,423)	-
Profit before tax	37,259	3,508,837	5,670,742	1,107,340	532,601	(1,325,168)	-
Income tax	(81,323)	(560,326)	(1,686,966)	(19,190)	(180,331)	256,564	-
Profit for the year from continuing operations	(44,064)	2,948,511	3,983,776	1,088,150	352,270	(1,068,604)	-
Total comprehensive income	(65,215)	2,690,621	3,861,934	1,088,150	274,855	(1,059,791)	133,831
Attributable to non-controlling interests	(17,245)	270,414	2,245,093	70,346	186,413	(681,267)	96,600
Dividends paid to non-controlling interests	4,125	1,141,526	531,819	-	199,263	141,071	-

Summarised statement of profit or loss for year ended 31 March 2022:

	Lanka Ceramic PLC Rs. 000's	Lanka Walltiles PLC Rs. 000's	Lanka Tiles PLC Rs. 000's	Vallibel Plantation Management Limited Rs. 000's	Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's	Horana Plantations PLC Rs. 000's
Revenue	427,689	8,058,545	14,591,620	-	2,390,434	7,314,749	2,563,636
Cost of sales	(306,228)	(4,772,898)	(7,981,658)	-	(1,718,337)	(5,857,266)	(2,192,626)
Administrative expenses	(62,900)	(289,316)	(573,381)	(1,702)	(93,320)	(238,278)	(201,354)
Finance costs	(6,011)	(22,629)	(88,126)	(3)	(67,125)	(145,565)	(141,063)
Profit before tax	121,815	3,670,478	4,819,523	199,486	811,439	550,538	68,321
Income tax	(46,370)	(587,498)	(829,966)	(12,629)	(146,595)	(96,394)	(25,868)
Profit for the year from continuing operations	75,446	3,082,980	3,989,557	186,857	664,844	454,144	42,453
Total comprehensive income	82,379	3,129,128	4,021,772	186,857	667,786	455,400	48,313
Attributable to non-controlling interests	21,822	750,769	2,307,809	(6,515)	289,449	292,746	34,873
Dividends paid to non-controlling interests	-	980,220	1,117,215	-	264,533	177,298	-

ns.

	Unidil Packaging (Private) Limited Rs. 000's	Unidil Packaging Solutions Limited Rs. 000's	LWL Development (Private) Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lankatiles (Private) Limited Rs. 000's	Swisstek Development Limited Rs. 000's	LTL Development (Pvt) Limited Rs. 000's	LW Plantation Investments Limited Rs. 000's	CP Holding (Pvt) Ltd Rs. 000's	LC Plantation Project Ltd Rs. 000's	Biscuit and Chocolate Company Limited Rs. 000's
	7,329,952	2,755,778	-	-	-	-	-	-	-	-	-
	(5,808,973)	(1,988,435)	-	-	-	-	-	-	-	-	-
	(352,979)	(77,136)	(3,267)	(2,650)	(439)	(154)	(142)	(120)	(7,890)	(146)	(34,793)
	(404,761)	(167,609)	(460)	-	-	-	-	-	-	-	-
	908,102	504,765	(2,302)	317	423	(154)	(142)	(120)	25,984	(146)	(34,793)
	(184,259)	(106,416)	5,113	(13,941)	12	-	-	-	(5,855)	-	-
	723,843	398,348	2,812	(13,625)	436	(154)	(142)	(120)	20,128	(146)	(34,793)
	727,629	397,507	2,812	(13,625)	3,728	(154)	(142)	(120)	23,679	(146)	(84,473)
	228,205	180,676	1,278	(8,198)	2,970	(104)	(86)	(55)	7,889	(39)	-
	-	-	-	-	-	-	-	-	-	-	-

	Unidil Packaging (Private) Limited Rs. 000's	Unidil Packaging Solutions Limited Rs. 000's	LWL Development (Private) Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lankatiles (Private) Limited Rs. 000's	Swisstek Development Limited Rs. 000's	LTL Development (Pvt) Limited Rs. 000's	LW Plantation Investments Limited Rs. 000's	CP Holding (Pvt) Ltd Rs. 000's	LC Plantation Project Ltd Rs. 000's
	4,871,924	1,706,351	-	-	-	-	-	-	-	-
	(4,269,049)	(1,297,542)	-	-	-	-	-	-	-	-
	(254,355)	(31,729)	(3,526)	(1,819)	(291)	(417)	(60)	(35)	(5,811)	(144)
	34,747	(43,589)	(548)	-	-	-	-	-	-	-
	498,488	326,747	(3,135)	(619)	530	(417)	(60)	(35)	11,022	(144)
	(67,985)	(49,249)	(16,089)	(12,373)	(169)	-	-	-	(510)	-
	430,503	277,498	(19,224)	(12,991)	361	(417)	(60)	(35)	10,512	(144)
	444,640	278,468	(19,224)	(12,991)	3,884	(417)	(60)	(35)	22,380	(144)
	151,117	126,570	(8,737)	(7,817)	3,095	(283)	(36)	(16)	7,456	(38)
	-	-	-	-	-	-	-	-	-	-

Notes to the Financial Statements

Summarised statement of financial position as at 31 March 2023:

	Lanka Ceramic PLC Rs. 000's	Lanka Walltiles PLC Rs. 000's	Lanka Tiles PLC Rs. 000's	Vallibel Plantation Management Limited Rs. 000's	Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's	Horana Plantations PLC Rs. 000's
Current Assets	272,906	6,271,610	9,923,802	719,244	1,419,241	5,577,156	-
Non- Current Assets	1,359,336	7,589,263	7,686,783	196,992	2,454,768	1,800,356	-
Current Liabilities	314,700	5,297,129	3,791,946	5,548	1,537,194	6,658,328	-
Non- Current Liabilities	346,643	1,196,712	1,813,188	-	390,194	154,124	-
Total equity	970,899	7,367,032	12,005,447	910,688	1,946,625	565,059	-
Attributable to:							
Equity holders of parent	714,159	4,018,704	4,781,443	496,759	626,378	201,821	-
Non-controlling interest	256,740	3,348,327	7,224,004	413,929	1,320,246	363,238	-
	970,899	7,367,031	12,005,447	910,688	1,946,624	565,059	-

Summarised statement of financial position as at 31 March 2022:

	Lanka Ceramic PLC Rs. 000's	Lanka Walltiles PLC Rs. 000's	Lanka Tiles PLC Rs. 000's	Vallibel Plantation Management Limited Rs. 000's	Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's	Horana Plantations PLC Rs. 000's
Current Assets	238,649	3,425,512	8,369,338	25,405	1,288,714	5,878,393	558,165
Non- Current Assets	1,212,498	6,558,706	7,040,869	346,407	2,201,866	1,644,078	3,406,040
Current Liabilities	131,860	1,759,381	2,905,452	4,980	1,005,304	5,503,157	1,463,982
Non- Current Liabilities	269,203	758,666	1,529,203	-	539,789	394,465	1,704,101
Total equity	1,050,083	7,466,171	10,975,551	366,832	1,945,488	1,624,850	796,123
Attributable to:							
Equity holders of parent	772,366	4,072,785	4,371,264	200,098	626,012	580,345	221,476
Non-controlling interest	277,717	3,393,386	6,604,287	166,733	1,319,475	1,044,505	574,647
	1,050,083	7,466,171	10,975,551	366,831	1,945,487	1,624,850	796,123

Unidil Packaging (Private) Limited Rs. 000's	Unidil Packaging Solutions Limited Rs. 000's	LWL Development (Private) Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lankatiles (Private) Limited Rs. 000's	Swisstek Development Limited Rs. 000's	LTL Development (Pvt) Limited Rs. 000's	LW Plantation Investments Limited Rs. 000's	CP Holding (Pvt) Ltd Rs. 000's	LC Plantation Project Ltd Rs. 000's	Biscuit and Chocolate Company Limited Rs. 000's
2,893,655	1,069,748	20,416	7,800	20,321	-	-	-	21,409	-	10,038
1,332,576	135,866	480,253	484,857	-	56,667	56,667	56,667	379,000	56,667	725,925
2,162,853	503,467	10,951	6,313	71	127	61	7	2,127	290	593
295,964	25,690	57,095	67,585	-	-	-	-	12,382	-	124,199
1,767,414	676,457	432,619	418,760	20,250	56,540	56,606	56,660	385,900	56,377	611,171
964,084	368,992	235,993	166,917	4,113	18,193	22,544	30,908	257,338	41,469	422,392
803,331	307,465	196,626	251,843	16,137	38,347	34,061	25,752	128,562	14,908	188,779
1,767,414	676,457	432,619	418,760	20,250	56,540	56,605	56,660	385,900	56,377	611,171

Unidil Packaging Limited Rs. 000's	Unidil Packaging Solutions Limited Rs. 000's	LWL Development (Private) Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lankatiles (Private) Limited Rs. 000's	Swisstek Development Limited Rs. 000's	LTL Development (Pvt) Limited Rs. 000's	LW Plantation Investments Limited Rs. 000's	CP Holding (Pvt) Ltd Rs. 000's	LC Plantation Project Ltd Rs. 000's
2,947,628	871,689	19,251	6,600	16,648	0	-	-	15,742	-
1,230,652	139,911	480,740	483,091	-	56,667	56,667	56,667	352,079	56,667
2,218,711	480,933	7,041	3,665	126	57,176	57,003	56,775	1,282	144
316,507	26,165	63,137	53,644	-	-	-	-	4,302	-
1,643,062	504,501	429,813	432,384	16,523	(510)	(336)	(108)	362,237	56,523
896,253	275,194	234,462	172,207	3,356	(164)	(134)	(59)	241,559	41,576
746,810	229,308	195,350	260,177	13,167	(346)	(202)	(49)	120,679	14,947
1,643,063	504,502	429,812	432,384	16,523	(510)	(336)	(108)	362,238	56,523

Notes to the Financial Statements

Summarised cash flow information for year ending 31 March 2023:

	Lanka Ceramic PLC Rs. 000's	Lanka Walltiles PLC Rs. 000's	Lanka Tiles PLC Rs. 000's	Vallibel Plantation Management Limited Rs. 000's	Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's	Horana Plantations PLC Rs. 000's	Unidil Packaging Limited Rs. 000's
Operating Cash Flow	(211,050)	(1,160,898)	(1,188,706)	(37,501)	152,312	(1,527,941)	686,659	805,516
Investing Cash Flow	(127,889)	641,602	(1,007,863)	563,397	(314,566)	(143,008)	(436,026)	(189,866)
Financing Cash Flow	106,355	(686,795)	(2,002,369)	(544,294)	(127,382)	1,733,518	(226,364)	(822,004)
Net increase / (decrease) in cash and cash equivalents	(232,584)	(1,206,091)	(4,198,938)	(18,398)	(289,636)	62,569	24,269	(206,355)

Summarised cash flow information for year ending 31 March 2022:

	Lanka Ceramic PLC Rs. 000's	Lanka Walltiles PLC Rs. 000's	Lanka Tiles PLC Rs. 000's	Vallibel Plantation Management Limited Rs. 000's	Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's
Operating Cash Flow	119,813	2,248,868	5,125,219	(25,567)	480,583	(1,439,852)
Investing Cash Flow	48,954	630,900	(819,490)	201,190	(244,198)	(205,700)
Financing Cash Flow	(36,694)	(2,308,985)	(2,120,728)	(165,893)	(13,960)	1,632,436
Net increase / (decrease) in cash and cash equivalents	132,074	570,782	2,185,001	9,730	222,425	(13,116)

Unidil Packaging Solutions Limited Rs. 000's	LWL Development (Private) Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lankatiles (Private) Limited Rs. 000's	Swisstek Development Limited Rs. 000's	LTL Development (Pvt) Limited Rs. 000's	LW Plantation Investments Limited Rs. 000's	CP Holding (Pvt) Ltd Rs. 000's	LC Plantation Project Ltd	Biscuit and Chocolate Company Limited Rs. 000's
236,438	(14,907)	-	1,739	-	(57,084)	(56,888)	8,757	-	(34,551)
(5,126)	-	-	-	-	-	-	(2,218)	-	(41,795)
(162,699)	(1,200)	-	-	-	57,084	56,888	-	-	85,989
68,613	(16,107)	-	1,739	-	-	-	6,539	-	9,644

Horana Plantations PLC Rs. 000's	Unidil Packaging Limited Rs. 000's	Unidil Papersacks Limited Rs. 000's	Unidil Packaging Solutions Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lankatiles (Private) Limited Rs. 000's	Swisstek Development Limited Rs. 000's	LTL Development (Pvt) Limited Rs. 000's	LW Plantation Investments Limited Rs. 000's	CP Holding (Pvt) Ltd Rs. 000's
246,505	(65,678)	(51,746)	(339,746)	(175,729)	470	-	-	-	21,333
(303,583)	(206,136)	(7,678)	357,706	175,728	-	-	-	-	(7,516)
(157,203)	844,673	38,549	(658)	-	-	-	-	-	-
(214,281)	572,859	(20,875)	17,303	(1)	470	-	-	-	13,817

Notes to the Financial Statements

37. SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

	L. B. Finance PLC		Delmege Limited	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Revenue / Operating Income	21,950,353,931	20,182,936,262	10,727,457,997	9,428,070,044
Cost of sales / Operating Expenses	(7,429,683,432)	(6,325,433,990)	(7,890,828,136)	(7,030,234,345)
Other Income and Gains	-	-	95,527,676	80,183,291
Administrative expenses	-	-	(938,276,263)	(744,425,210)
Selling and Distribution Costs	-	-	(892,560,836)	(780,920,744)
Other Operating Expenses	-	-	-	-
Finance costs	-	-	(746,005,159)	(262,282,057)
Finance Income	-	-	181,317,463	11,564,972
Tax on Financial Services	(2,677,605,595)	(2,136,550,710)	-	-
Profit before tax	11,843,064,904	11,720,951,562	536,632,741	701,955,950
Income tax Expenses	(3,290,177,961)	(3,244,922,620)	(135,426,776)	(180,325,378)
Profit for the year	8,552,886,943	8,476,028,942	401,205,965	521,630,571
Other Comprehensive income	(33,318,340)	192,081,906	819,761,134	6,957,419
Total Comprehensive income	8,519,568,603	8,668,110,848	1,220,967,099	528,587,990
Group share of profit for the year	2,231,024,827	2,224,753,264	81,718,062	103,664,876
Group share of Total comprehensive income for the year	2,222,335,404	2,274,848,355	242,537,944	105,125,934

	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Current Assets	129,727,367,423	108,157,979,872	6,307,920,526	6,172,100,643
Non- Current Assets	52,546,235,976	62,988,815,375	5,818,422,117	4,778,127,606
Current Liabilities	118,889,513,338	100,475,375,127	4,771,590,415	4,747,152,206
Non- Current Liabilities	27,964,420,433	31,150,732,313	653,298,909	718,887,695
Total Equity	35,419,669,628	39,520,687,807	6,701,453,319	5,484,188,348
Group's Carrying amount of the investments	11,728,782,012	10,400,543,248	1,620,992,779	1,378,454,835

Group Share of Contingent liabilities	99,582,060	2,086,400	-	-
Capital and other commitments	527,367,486	439,829,473	-	-

38. FAIR VALUE MEASUREMENT

Accounting Policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

01. In the principal market for the asset or liability, or

02. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

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. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses various valuation methodologies 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. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our fair value hierarchy assessment.

Level 1 : Inputs include quoted prices for identical instruments and are the most observable

Level 2 : Inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates, and yield curves

Level 3 : Inputs include data not observable in the market and reflect management judgment about the assumptions market participants would use in pricing the instruments

Management review the inputs to the fair value measurements to ensure they are appropriately categorized within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period.

Notes to the Financial Statements

38.1 Assets Measured at Fair Value:

As at 31 March	Notes	2023			
		Fair Value Measurement Using			
		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total Fair Value
		Level 1	Level 2	Level 3	
		Rs.	Rs.	Rs.	Rs.
Other Financial Assets					
Investments at fair value through profit or loss	12	63,415,635	-	-	63,415,635
		63,415,635	-	-	63,415,635
Property, Plant & Equipment	3				
Freehold and Clay Mining Land		-	-	9,610,054,069	9,610,054,069
Buildings		-	-	7,937,785,404	7,937,785,404
Consumable Biological Assets		-	-	-	-
Investment Property	4	-	-	2,069,663,100	2,069,663,100
		63,415,635	-	19,617,502,573	19,680,918,208

There were no transfers into and transfers out of the hierarchy levels during 2023 & 2022.

Financial assets and financial liabilities at amortized cost

Fair value of financial assets and financial liabilities at amortized cost does not materially deviate from carrying value of those as at the reporting date.

Fixed rate financial instruments

Fair Value of interest bearing borrowing at fixed interest rate is amounted to Rs. 999Mn (2022-Rs.2,809Mn) as at reporting date.

In fair valuing financial assets and financial liabilities with fixed rate, Average Weighted Primary Lending rate published by the CBSL were used.

38.2 Financial Assets and Financial Liabilities not carried at fair value

Assets for which Fair Value Approximates Carrying Value

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.

Accordingly, the following is a list of financial instruments whose carrying amount is a reasonable approximation of fair value.

2022			
Fair Value Measurement Using			
Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total Fair Value
Level 1	Level 2	Level 3	
Rs.	Rs.	Rs.	Rs.
42,706,220	-	-	42,706,220
42,706,220	-	-	42,706,220
-	-	9,599,195,389	9,599,195,389
-	-	7,993,353,653	7,993,353,653
-	-	595,643,399	595,643,399
-	-	2,045,053,010	2,045,053,010
42,706,220	-	20,233,245,451	20,275,951,671

Assets

Trade and Other Receivables,Amounts Due From Related Parties and Cash and short-term deposits

Liabilities

Trade and Other Payables and Amount Due to Related Parties

Majority of the Interest-bearing loans and borrowings balances comprise floating rate instruments therefore fair value of the value due to banks approximate to the carrying value as at the reporting date.

Notes to the Financial Statements

39 DISCONTINUED OPERATIONS

On 28th March 2023, the group decided to dispose Horana Plantations PLC, which carried out all the group's plantations operations. The disposal was effected in order to generate cash flows for the expansion of group's other businesses. The disposal was completed on 29 March 2023, on which date control of the Horana Plantations PLC passed to the Hayleys Plantation Management Services (Pvt) Ltd (the acquirer). Details of the assets and liabilities disposed of, and the calculation of the gain on disposal, are disclosed in note 40.

On 25th July 2016, the Board of Directors took a decision to cease the operations of Ever Paint and Chemical Industries (Private) Limited ("EPCI") and to dispose of the assets thereof. EPCI is a fully owned subsidiary of Royal Ceramics Lanka PLC and it was engaged in the business of manufacturing and marketing of paints and allied products. With EPCI being classified as discontinued operations, the paint and allied products segment is no longer presented in the segment note.

On 31st January 2021, the Board of Directors decided to cease the operations of Rocell Pty Ltd ("RPTY") and to dispose of the assets thereof. RPTY is a fully owned subsidiary of Royal Ceramics Lanka PLC and it was engaged in the business of wholesale and retailing of floor tiles and wall tiles in Australia. With RPTY being classified as discontinued operations, its results are no longer taken to tiles and associated items segment.

Management has reassessed the recoverability of the remaining assets and liabilities as at the reporting date. Management has continued to take steps to dispose the remaining assets of the Company. The results of discontinued operations for the period ended is presented below:

	2023				2022			
	Ever Paint and Chemical Industries (Private) Limited	Rocell Pty Ltd	Horana Plantations PLC	Total	Ever Paint and Chemical Industries (Private) Limited	Rocell Pty Ltd	Horana Plantations PLC	Total
	31.03.2023	31.03.2023	31.03.2023	31.03.2023	31.03.2022	31.03.2022	31.03.2022	31.03.2022
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Net Revenue	-	-	3,794,035	3,794,035	-	-	2,563,636	2,563,636
Cost of Sales	-	-	(2,559,346)	(2,559,346)	-	-	(2,192,626)	(2,192,626)
Operating Income	-	-	1,234,689	1,234,689	-	-	371,010	371,010
Other Operating Income	-	-	3,404	3,404	3,219	12,153	39,028	54,400
Distribution Expenses	-	(235)	-	(235)	(1,476)	4,373	-	2,897
Administrative Expenses	(2,462)	(36)	(251,583)	(254,082)	2,578	(204)	(201,353)	(198,979)
Finance Expenses	-	(7,303)	(334,515)	(341,818)	(14)	(5,048)	(141,062)	(146,124)
Finance Income	-	8	5,097	5,105	-	73	700	773
Tax Expense	-	-	(487,030)	(487,030)	-	-	(25,868)	(25,868)
Gain/(Loss) for the year from discontinued operations	(2,462)	(7,567)	170,062	160,033	4,307	11,347	42,455	58,108
Gain on disposal of subsidiary	-	-	215,955	215,955	-	-	-	-
Total Gain/(Loss) for the year from discontinued operations	(2,462)	(7,567)	386,016	375,988	4,307	11,347	42,455	58,108
Basic Earnings Per Share (Rs.)	(0.12)	(3.03)	6.80	-	2.15	4.55	1.70	-

The major classes of assets and liabilities of discontinued operations are being classified as held for sale as at the end of the year:

	2023			2022		
	Ever Paint and Chemical Industries (Private) Limited	Rocell Pty Ltd	Total	Ever Paint and Chemical Industries (Private) Limited	Rocell Pty Ltd	Total
	31.03.2023	31.03.2023	31.03.2023	31.03.2022	31.03.2022	31.03.2022
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Assets						
Property, Plant & Equipment	36,000	-	36,000	36,000	-	36,000
Trade and Other Receivables	-	-	-	7,079	-	7,079
Other Financial assets	-	-	-	-	10,491	10,491
Cash and Cash Equivalents	173	6,689	6,862	829	7,052	7,881
Assets held for sale	36,173	6,689	42,862	43,908	17,543	61,451
Liabilities						
Trade and Other Payables	(214)	(17,678)	(17,892)	(205)	(21,747)	(21,952)
Interest Bearing Loans & Borrowings	-	(182,765)	(182,765)	-	(186,278)	(186,278)
Liabilities directly associated with the assets held for sale	(214)	(200,443)	(200,657)	(205)	(208,025)	(208,230)
Net Assets directly associated with disposal group	35,959	(193,754)	(157,795)	43,703	(190,482)	(146,779)

The net cash flows incurred by each company for the period ended is as follows:

	2023				2022			
	Ever Paint and Chemical Industries (Private) Limited	Rocell Pty Ltd	Horana Plantations PLC	Total	Ever Paint and Chemical Industries (Private) Limited	Rocell Pty Ltd	Horana Plantations PLC	Total
	31.03.2023	31.03.2023	31.03.2023	31.03.2023	31.03.2022	31.03.2022	31.03.2022	31.03.2022
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Operating activities	(658)	(11,643)	681,562	669,261	(683)	(2,516)	245,804	242,605
Investing activities	-	10,498	(430,106)	(419,608)	722	642	(300,989)	(299,625)
Financing activities	-	4,299	(227,186)	(222,887)	-	-	(159,097)	(159,097)
Net cash (outflow)/inflow	(658)	3,154	24,270	26,766	39	(1,874)	(214,282)	(216,117)

Ever Paint and Chemical Industries (Private) Limited.

The fair value of land and buildings amounting to Rs. 36 Mn was determined by Mr. A.A.M. Fathihu, an independent professionally qualified valuer in reference to market based evidence. (valuation report dated 9 April 2018)

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

Price per square feet is in the range of Rs. 3,000/- to Rs.2,000/-

Price per perch is in the range of Rs. 85,000/ to Rs. 5,000/-

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

Notes to the Financial Statements

40 Disposal of subsidiary

The net assets of Horana Plantations PLC at the date of disposal were as follows:

	2023
	Rs.
Non Current Assets	
Right of Use Assets	184,741,563
Bearer Biological Assets	2,296,046,437
Consumable Biological Assets	591,546,025
Property, Plant & Equipment	552,280,671
Total Non Current Assets	3,624,614,697
Current Assets	
Non-harvested Produce on Bearer Biological Assets	9,846,899
Inventories	476,386,043
Trade and Other Receivables	197,559,632
Other Related Companies Receivables	9,383,970
Cash and Cash Equivalents	37,378,987
Total Current Assets	730,555,531
Total Assets	4,355,170,227
Non Current Liabilities	
Interest bearing Loans & Borrowings	745,938,835
Lease Liabilities	183,991,203
Retirement Benefit Obligations	505,748,000
Deferred Income	106,475,470
Deferred Tax Liability	583,026,787
Total Non Current Liabilities	2,125,180,295
Current Liabilities	
Trade and Other Payables	314,761,737
Related Companies Payables	32,929,954
Interest bearing Loans & Borrowings	444,875,421
Lease Liabilities	10,466,598
Short Term Borrowings	497,003,077
Total Current Liabilities	1,300,036,787
Total Liabilities	3,425,217,081
Carrying amount of the net assets disposed	929,953,146

Gain on Disposal of Subsidiary - Group

	2023 Rs.	2023 Rs.
Total Cash Consideration Receivable to Vallibel Plantation Management Limited (VPML)		695,180,153
Net Assets Attributable to Immediate Parent		
Carrying amount of the net assets disposed	929,953,146	
Goodwill on Acquisition of HPPLC	4,948,995	
De-recognition of non-controlling interests	(455,676,803)	479,225,338
Gain on disposal of subsidiary to VPML		215,954,815
Attributable to:		
Equity Holders of the Parent - Royal Ceramics Lanka PLC		117,798,350
Non-Controlling Interest		98,156,465
		215,954,815
Net cash inflow arising on disposal		
The consideration receivable from the disposal of subsidiary		695,180,153
Net cash inflow from disposal of subsidiary		459,625,000

Ten Year Summary - Company

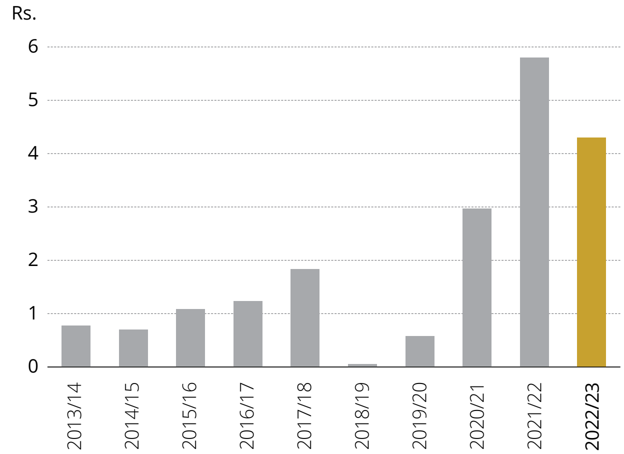
Trading results (RS.'000)	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Net Turnover	16,908,567	14,374,446	12,524,229	6,445,391	3,794,578	3,452,289	3,824,905	3,405,538	2,649,933	2,413,817
Other Income	2,386,531	2,986,684	1,385,096	1,016,944	1,039,703	2,759,288	1,808,744	1,679,396	1,256,470	1,435,441
Profit before interest & Tax	6,475,349	7,763,620	4,473,528	1,703,780	815,937	2,672,951	1,875,976	1,538,438	1,011,066	1,186,310
Interest	(423,197)	(298,731)	(594,353)	(952,011)	(795,936)	(432,816)	(386,935)	(360,784)	(376,515)	(518,989)
Profit After Interest Before Tax	6,052,151	7,464,889	3,879,175	769,656	32,940	2,247,381	1,489,818	1,177,680	635,642	668,861
Tax Reversal/Expense	(1,304,802)	(1,077,339)	(593,885)	(122,966)	24,779	(218,578)	(130,701)	15,315	143,881	185,780
Net Profit	4,747,350	6,387,549	3,285,290	646,690	57,719	2,028,803	1,359,117	1,192,996	779,524	854,641

Statement of Financial Position (RS.'000)	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Stated Capital	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673
Capital Reserve	2,358,007	2,758,474	1,360,280	1,192,935	830,591	830,591	213,634	213,634	213,634	213,634
Retained Earnings	16,416,950	15,534,919	13,783,646	12,023,045	7,247,365	7,466,545	6,444,557	6,076,307	5,545,481	5,205,381
Shareholders Funds	20,143,631	19,662,066	16,512,599	14,584,653	9,446,629	9,665,810	8,026,864	7,658,614	7,127,789	6,787,689
Fixed Assets	11,713,876	10,069,898	8,377,817	8,690,289	7,055,383	6,730,677	4,250,818	3,402,847	3,270,216	2,919,364
Right to use lease asset	946,301	881,696	855,049	965,787	-	-	-	-	-	-
Other non financial assets	-	-	18,017	41,304	-	-	-	-	-	-
Investments	10,226,881	10,168,604	9,786,712	9,786,712	9,769,937	9,618,309	8,320,280	8,046,217	8,153,536	7,830,693
Other Financial Assets	63,416	42,706	436,933	74,240	64,758	146,928	43,981	56,771	131,735	197,210
Current Assets	10,204,972	11,307,121	6,356,039	6,289,860	3,459,721	2,801,554	2,402,416	2,459,179	2,215,855	1,929,083
Current Liabilities	(8,878,564)	(9,597,794)	(5,491,693)	(7,146,803)	(7,307,418)	(5,525,765)	(3,625,785)	(3,485,306)	(3,333,914)	(2,394,873)
Non Current Liabilities	(4,069,835)	(3,167,460)	(3,389,342)	(4,042,496)	(3,530,994)	(3,958,965)	(3,515,723)	(3,088,016)	(3,487,254)	(3,859,125)
Total Equity	20,143,631	19,662,066	16,512,599	14,584,653	9,446,629	9,665,810	8,026,864	7,658,614	7,127,789	6,787,689

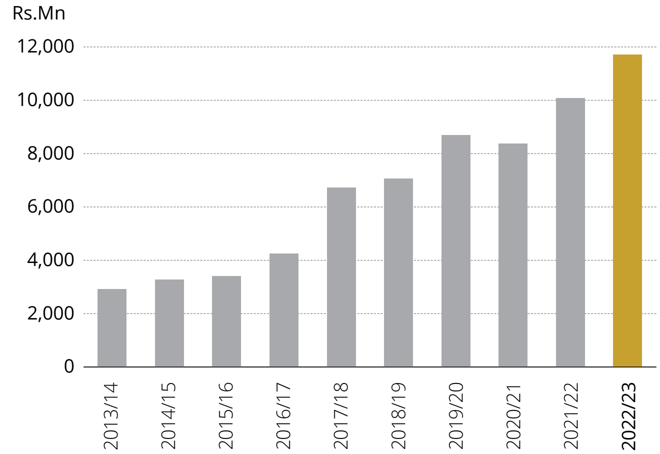
Ratios and Statistics	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Ordinary Dividends (Rs.'000)	3,489,866	4,653,154	1,551,051	443,158	221,579	997,104	997,104	664,736	443,158	-
Dividend per Share (Rs)*	3.15	4.20	1.40	0.40	0.20	0.90	0.90	0.60	0.40	-
Dividend Payout Ratio (%)	74	73	47	69	92	49	73	56	57	-
Earnings per Share (Rs.)*	4.29	5.77	2.97	0.58	0.05	1.83	1.23	1.08	0.70	0.77
Market value per share-closing (Rs.)	27.60	40.70	257.00	55.90	59.00	105.40	119.00	100.10	111.00	79.30
Market value per share-Highest (Rs.)	44.90	83.50	439.50	99.10	109.50	134.70	125.30	137.00	125.00	112.00
Price Earnings Ratio (Times)	6.44	7.06	8.67	9.64	118.00	5.76	9.67	9.27	15.86	10.30
Net Assets per Share (Rs.)	18.18	17.75	14.90	13.16	8.53	8.72	7.25	6.91	6.43	6.13
Return on Equity (%)	24	32	20	4	1	21	17	16	11	13

* On 19 April 2021, the Company effected the sub-division of Ordinary Shares on the basis of a sub-division of every one (01) Ordinary Shares into ten (10) Ordinary Shares, thus increasing the existing 110,789,384 number of issued Ordinary Shares of the Company to 1,107,893,840 number of Ordinary Shares. Therefore Dividend per share, Earnings per share and Net price per share adjusted to reflect the current status for 10 years.

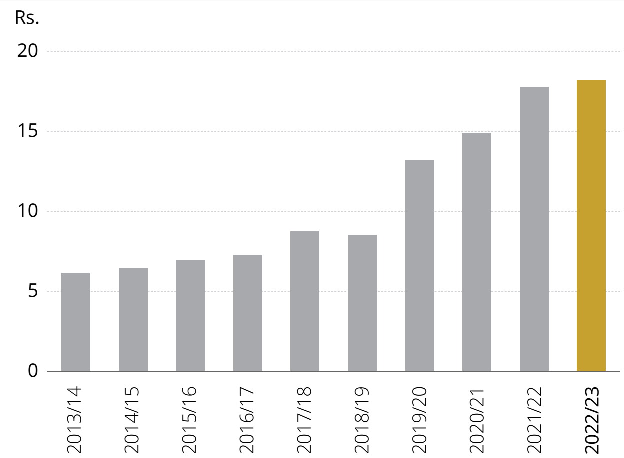
Earnings Per Share



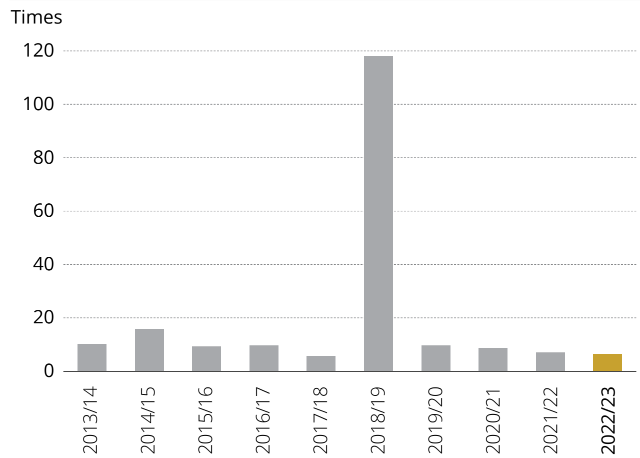
Fixed Assets



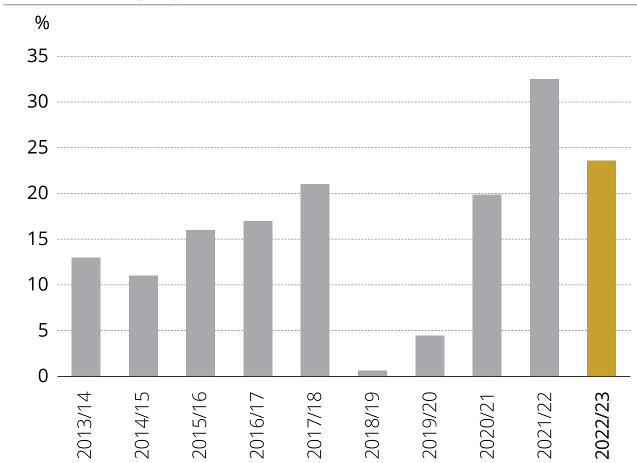
Net Assets Per Share



Price Earnings Ratio



Return on Equity



Group Value Added Statement

	2022/23			2021/22		
	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%
Turnover	74,100,681				61,289,985	
Finance & Other Income	1,632,347				1,617,218	
Share of Associate Company's profit	3,170,821				3,174,694	
	78,903,849				66,081,897	
Less: Cost of Material & Services bought in	41,070,920				34,210,196	
	37,832,929				31,871,701	
Value Allocated to Employees						
Salaries and Wages and Other Benefits		8,478,574	22%		7,469,629	23%
To Government						
Income Tax/Surcharge Tax	7,539,241			3,947,883		
VAT/SSCL	7,777,427	15,316,668	40%	3,745,469	7,693,352	24%
To Providers of Capital						
Dividends	5,366,393			6,310,647		
Finance Cost	3,898,536	9,264,929	25%	904,645	7,215,292	23%
To Expansion and Growth						
Retained in Business	2,733,635			7,526,550		
Depreciation	2,039,123	4,772,758	13%	1,966,878	9,493,428	30%
		37,832,929	100%		31,871,701	100%

Value generated by the Horana Plantations PLC which was disposed on 29th March 2023 also considered when preparing Group Valued Added Statement.

Share Information

SHARE DISTRIBUTION

Shareholding as at 31st March 2023

There were 22,392 registered shareholders as at 31st March 2023, distributed as follows

Number of Shares Held	Number of Shareholders	Number of Shares	% Shareholding
1 - 1,000	8,864	3,090,978	0.28
1,001 - 10,000	10,757	35,836,290	3.24
10,001 - 100,000	2,396	70,336,247	6.35
100,001 - 1,000,000	326	93,989,297	8.48
1,000,000 & over	49	904,641,028	81.65
Total	**22,392**	**1,107,893,840**	**100.00**

Category Shareholders	Number of Shareholders	Number of Shares	% Shareholding
Local Individuals	21,459	193,521,681	17.47
Local Institutions	787	902,378,390	81.45
Foreign Individuals	136	4,365,966	0.39
Foreign Institutions	10	7,627,803	0.69
Total	**22,392**	**1,107,893,840**	**100.00**

Share Prices for the year

	2022/23		2021/22	
	Date	Price	Date	Price
Highest during the year				
Pre Sub division	-	-	15.04.2021	375.00
Post Sub division	05.04.2022	44.90	07.01.2022	83.50
Lowest during the year	07.07.2022	22.50	23.04.2021	30.50
As at end of the year	-	27.60	-	40.70

Public Holding Percentage as at 31st March 2023 - 43.80%

Number of shareholders representing the above Percentage - 22,385

The float adjusted market capitalization as at 31st March 2023 - Rs. 13,394,602,285

The Float adjusted market capitalization of the Company falls under Option 1 of Rule 7.14.1 (i) (a) 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.

Share Information

TWENTY FIVE MAJOR SHAREHOLDERS

		31st March 2023		31st March 2022	
		No of Shares	% of Issued Capital	No of Shares	% of Issued Capital
1	Vallibel One PLC	620,026,000	55.964	620,026,000	55.964
2	Employee's Provident Fund	152,779,980	13.790	152,779,980	13.790
3	Mr K.D.H. Perera	15,657,474	1.413	9,691,242	0.875
4	Sri Lanka Insurance Corporation Ltd-Life Fund	10,362,668	0.935	5,602,966	0.506
5	Hatton National Bank PLC/JN Lanka Holdings Company (Pvt) Ltd	7,658,937	0.691	3,151,312	0.284
6	Seylan Bank PLC/Mohamed Nayaz Deen	7,414,855	0.669	6,204,855	0.560
7	DFCC Bank PLC/J N Lanka Holdings Company (Pvt) Ltd	6,305,000	0.569	500,000	0.045
8	Employees Trust Fund Board	5,819,327	0.525	2,779,955	0.251
9	Mrs S.N. Fernando	5,500,000	0.496	5,500,000	0.496
10	Sri Lanka Insurance Corporation Ltd-General Fund	4,559,537	0.412	980,000	0.088
11	Lotus Technologies (Private) Limited	3,959,259	0.357	3,959,259	0.357
12	Seylan Bank PLC/Hotel International (Pvt) Ltd	3,685,864	0.333	8,042,016	0.726
13	Northern Trust Company S/A LSV Frontier Markets Equity Fund,LP	3,600,600	0.325	3,600,600	0.325
14	Mr A.S. Ashraf	3,182,557	0.287	3,368,849	0.304
15	Mackenzie Capital Ltd	3,000,000	0.271	3,000,000	0.271
16	Renuka Hotels PLC	2,900,000	0.262	1,900,000	0.171
17	Amana Bank PLC/Mr.mohamed Nayaz Deen	2,732,486	0.247	2,732,486	0.247
18	Macksons Holdings (Pvt) Ltd	2,447,056	0.221	537,000	0.048
19	Bank Of Ceylon-No2 A/C (BOC PTF)	2,403,392	0.217	2,403,392	0.217
20	Mr S.A. Cooray & Mr P.T. Cooray & Mrs S. Nugapitiya	2,276,000	0.205	-	-
21	Hatton National Bank Plc/Ruwan Prassana Sugathadasa	2,229,282	0.201	2,165,424	0.195
22	Mr K.D.D. Perera	2,007,720	0.181	2,007,720	0.181
23	Mr T.G. Thoradeniya	1,856,800	0.168	1,856,800	0.168
24	Renuka Consultants & Services Limited.	1,810,000	0.163	800,000	0.072
25	Renuka City Hotels PLC	1,800,000	0.162	1,800,000	0.162
		875,974,794	78.260	845,389,856	76.306
	Others	231,919,046	21.740	262,503,984	23.694
	Total	1,107,893,840	100.00	1,107,893,840	100.00

Independent Assurance Report

Building a better working world

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

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

Independent Assurance Report to the Board of Directors of Royal Ceramics Lanka PLC on the Integrated Annual Report- 2022/23

Scope

We have been engaged by Royal Ceramics Lanka PLC ("the Entity") to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, on its Integrated Annual Report for the year ended 31st March 2023 (the "Subject Matter").

Criteria applied by Royal Ceramics Lanka PLC

In preparing the Subject Matter, Royal Ceramics Lanka PLC applied the Guiding Principles and Content Elements given in the IFRS Foundation/International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) ("Criteria").

Such Criteria were specifically designed for purpose of assisting in determining whether the capital management, stakeholder engagement, business model, strategy, organizational overview & external environment outlook presented in the Integrated Annual Report is in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

Royal Ceramics Lanka PLC's responsibilities

Royal Ceramics Lanka PLC's management is responsible for selecting the Criteria, preparation and presentation and self-declaration of the information and statements contained within the Integrated Annual Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Royal Ceramics Lanka PLC on 02 May 2023. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Professional Accountants issued by CA Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Independent Assurance Report

EY
Building a better working world

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).
- Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organization creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- Obtained an understanding of the description of the organization's strategy and how the organization creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement

We also performed such other procedures as we considered necessary in the circumstances.

Emphasis of matter

Economic, Natural, Social and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Integrated Annual Report.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Entity's Integrated Annual Report as of 31st March 2023 in order for it to be in accordance with the Criteria.

Ernst & Young

05 June 2023

Colombo

GRI Index

Statement of use	Royal Ceramics PLC has reported in accordance with the GRI Standards for the period 1st April 2022 to 31st March 2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	There is no applicable sector standard.

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
General disclosures						
	2-1 Organizational details	7	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	2-2 Entities included in the organization's sustainability reporting	4				
	2-3 Reporting period, frequency and contact point	4				
	2-4 Restatements of information	4				
	2-5 External assurance	4				
	2-6 Activities, value chain and other business relationships	7				
	2-7 Employees	92				
	2-8 Workers who are not employees		2-8	Not Applicable	No such workers employed in the company	
	2-9 Governance structure and composition	129				
	2-10 Nomination and selection of the highest governance body	132				
	2-11 Chair of the highest governance body	132				
	2-12 Role of the highest governance body in overseeing the management of impacts	128				
	2-13 Delegation of responsibility for managing impacts	128				
	2-14 Role of the highest governance body in sustainability reporting	128				
	2-15 Conflicts of interest	134				
	2-16 Communication of critical concerns	134				
	2-17 Collective knowledge of the highest governance body	128				
	2-18 Evaluation of the performance of the highest governance body	135				
	2-19 Remuneration policies	135				
	2-20 Process to determine remuneration	135				
	2-21 Annual total compensation ratio		2-21	Confidentiality constraints	Not disclose due to confidentiality constraints	
	2-22 Statement on sustainable development strategy	30				
	2-23 Policy commitments	134				
	2-24 Embedding policy commitments	134				

GRI Index

GRI Standard/ Other Source	Disclosure	Location	Omission: Requirement(s) Omitted	Omission: Reason	Omission: Explanation	GRI sector Standard Ref. No.
	2-25 Processes to remediate negative impacts	134				
	2-26 Mechanisms for seeking advice and raising concerns	134				
	2-27 Compliance with laws and regulations	134				
	2-28 Membership associations	111				
	2-29 Approach to stakeholder engagement	40				
	2-30 Collective bargaining agreements	100				
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	42	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	3-2 List of material topics	42				
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	42				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	284				
	201-2 Financial implications and other risks and opportunities due to climate change	45				
	201-3 Defined benefit plan obligations and other retirement plans	185				
	201-4 Financial assistance received from government		201-4	Not applicable	No such assistance received during the FY 2022/23	
Market presence						
GRI 3: Material Topics 2021	3-3 Management of material topics	90,92				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	95				
	202-2 Proportion of senior management hired from the local community	93				
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	108				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	111				
	203-2 Significant indirect economic impacts	111				
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	42				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	110				

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
Anti-corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics	108				
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	110				
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	176				
GRI 207: Tax 2019	207-1 Approach to tax	176,177, 247-252				
	207-2 Tax governance, control, and risk management	251-252				
	207-3 Stakeholder engagement and management of concerns related to tax	41				
	207-4 Country-by-country reporting		207-4	Not Applicable	Do not meet criteria for Country-by country reporting	
Materials						
GRI 3: Material Topics 2021	3-3 Management of material topics	112				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	114				
	301-2 Recycled input materials used	114				
	301-3 Reclaimed products and their packaging materials		301-3	Not Applicable	No such incidents reported during FY 22/23	
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	112				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	116				
	302-2 Energy consumption outside of the organization		302-2	Information unavailable	The group do not track this information at present	
	302-3 Energy intensity	114				
	302-4 Reduction of energy consumption	116				
	302-5 Reductions in energy requirements of products and services	115				

GRI Index

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	112				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	116				
	303-2 Management of water discharge-related impacts	116				
	303-3 Water withdrawal	116				
	303-4 Water discharge	116				
	303-5 Water consumption	116				
Biodiversity						
GRI 3: Material Topics 2021	3-3 Management of material topics					
GRI 304:EO Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		304-1	Not Applicable		
	304-2 Significant impacts of activities, products and services on biodiversity		304-2	Information unavailable		
	304-3 Habitats protected or restored		304-3	Not Applicable		
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		304-4	Not Applicable		
Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	117				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	117				
	305-2 Energy indirect (Scope 2) GHG emissions	117				
	305-3 Other indirect (Scope 3) GHG emissions	117				
	305-4 GHG emissions intensity	117				
	305-5 Reduction of GHG emissions	117				
	305-6 Emissions of ozone-depleting substances (ODS)		305-6	Not Applicable		
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		305-7	Not Applicable		

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
Waste						
GRI 3: Material Topics 2021	3-3 Management of material topics	117				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	117				
	306-2 Management of significant waste-related impacts	117				
	306-3 Waste generated	117				
	306-4 Waste diverted from disposal	117				
	306-5 Waste directed to disposal	117				
Supplier environmental assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	110				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	110				
	308-2 Negative environmental impacts in the supply chain and actions taken		308-2	Not Applicable	No such incidents reported during FY 22/23	
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	90				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	94				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	95				
	401-3 Parental leave					
Labor/management relations						
GRI 3: Material Topics 2021	3-3 Management of material topics	90				
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	95				
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	96				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	96				
	403-2 Hazard identification, risk assessment, and incident investigation	96				
	403-3 Occupational health services	96-97				
	403-4 Worker participation, consultation, and communication on occupational health and safety	96				

GRI Index

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
	403-5 Worker training on occupational health and safety	97				
	403-6 Promotion of worker health	96				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	97				
	403-8 Workers covered by an occupational health and safety management system	96				
	403-9 Work-related injuries	96				
	403-10 Work-related ill health	96				
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	97				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	97				
	404-2 Programs for upgrading employee skills and transition assistance programs	97				
	404-3 Percentage of employees receiving regular performance and career development reviews	95				
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	90				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	100				
	405-2 Ratio of basic salary and remuneration of women to men	100				
Non-discrimination						
GRI 3: Material Topics 2021	3-3 Management of material topics	90				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	100				
Freedom of association and collective bargaining						
GRI 3: Material Topics 2021	3-3 Management of material topics	90				
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		407-1	Not Applicable	No such incidents reported during the FY 22/23	

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
Child labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	91				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor		408-1	Not Applicable	No such incidents reported during the FY 22/23	
Forced or compulsory labor						
GRI 3: Material Topics 2021	3-3 Management of material topics					
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor		409-1	Not Applicable	No such incidents reported during the FY 22/23	
Security practices						
GRI 3: Material Topics 2021	3-3 Management of material topics					
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures		410-1	Information Unavailability	Currently we do not capture this information	
Rights of indigenous peoples						
GRI 3: Material Topics 2021	3-3 Management of material topics					
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples		411-1	Not Applicable	No such incidents reported during the FY 22/23	
Local communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	111				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	111				
	413-2 Operations with significant actual and potential negative impacts on local communities		413-1	Not Applicable	No such incidents reported during the FY 22/23	
Supplier social assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	110				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	110				
	414-2 Negative social impacts in the supply chain and actions taken		414-2	Not Applicable	No such incidents reported during the FY 22/23	

GRI Index

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
Public policy						
GRI 3: Material Topics 2021	3-3 Management of material topics					
GRI 415: Public Policy 2016	415-1 Political contributions		415-1	Not Applicable	No such incidents reported during the FY 22/23	
Customer health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics					
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	108				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services		416-2	Not Applicable	No such incidents reported during the FY 22/23	
Marketing and labeling						
GRI 3: Material Topics 2021	3-3 Management of material topics	108				
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	108				
	417-2 Incidents of non-compliance concerning product and service information and labeling	108				
	417-3 Incidents of non-compliance concerning marketing communications	108				
Customer privacy						
GRI 3: Material Topics 2021	3-3 Management of material topics	110				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		418-1	Not Applicable	No such incidents reported during the FY 22/23	

SASB Disclosure

This year, we have moved to voluntarily adopt the SASB Construction Materials Standard and have complied partially with the requirements of the standard. We will enhance our coverage of the standard in the year ahead.

Topic	Accounting Metric	Unit of Measure	Code	Disclosure/Reference
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Metric tons (t) CO-e	EM-CM-110a.1	117
	Percentage covered under emissions-limiting regulations	%		117
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets		EM-CM-110a.2	
Air Quality	Air emissions of the following pollutants: 1. NOx (excluding N2O) 2. SOx 3. particulate matter (PM10) 4. dioxins/furans 5. volatile organic compounds (VOCs) 6. polycyclic aromatic hydrocarbons (PAHs) 7. heavy metals	Metric tons (t)	EM-CM-120a.1	Not Applicable
Energy Management	1. Total energy consumed	Gigajoules (GJ)	EM-CM-130a.1	116
	2. % of grid electricity	%		116
	3. % of Renewable			116
	4. % of alternative			
Water Management	1. Total fresh water withdrawn	Thousand cubic meters (m³)	EM-CM-140a.1	113
	2. % of recycled	%		113
	3. percentage in regions with High or Extremely high Baseline Water stress			
Waste Management	1. Amount of waste generated	Metric tons (t)	EM-CM-150a.1	117
	2. % hazardous	%		117
	3. % recycled			113
Biodiversity Impacts	1. Description of environmental management policies and practices for active sites			Not Applicable
	2. Terrestrial acreage disturbed,	Acres (ac)	EM-CM-160a.2	
	3. Percentage of impacted area restored	%		
Workforce health & safety	1. Total recordable incident rate (TRIR)	Rate	EM-CM-320a.1	96
	2. Near miss frequency rate (NMFR) for full time employees			Not Available Information
	3. Near miss frequency rate (NMFR) for contract employees			
	4. Number of reported cases of silicosis	Number	EM-CM-320a.2	No such incidents reported during FY 22/23
Product Innovation	Percentage of products that qualify for credits in sustainable building design and construction certifications	Percentage (%) by annual sales revenue	EM-CM-320a.1	79% of our products qualify for sustainable product certifications
	Total addressable market	Reporting currency	EM-CM-410a.1	Not Available Information
	share of market for products that reduce energy, water, and/or material impacts during usage and/or production	%	EM-CM-410a.2	Not Available Information

Glossary of Financial Terms

ACCOUNTING POLICIES
Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

CAPITAL EMPLOYED
Total assets less interest free liabilities.

CASH AND CASH EQUIVALENT
Short-term highly liquid assets those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CONTINGENCIES
A condition or situation existing at the reporting date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

CURRENT RATIO
Current assets divided by current liabilities.

GEARING RATIO
Interest bearing borrowings divided by equity plus interest bearing borrowings.

LEVERAGE RATIO
Interest bearing borrowings divided by equity.

DEFERRED TAXATION
Sum set aside for tax in the accounts of an entity that will become liable in a period other than that under review.

QUICK ASSET RATIO
Current assets excluding inventories divided by current liabilities.

DIVIDEND PAYOUT RATIO
Dividends Per Share divided by Earnings Per Share.

EARNINGS PER SHARE
Profits attributable to ordinary Shareholders divided by the number of ordinary shares in issue and ranking for dividend.

GROSS DIVIDEND
Portion of profits distributed to Shareholders.

NET ASSETS PER SHARE
Shareholders' funds divided by the number of ordinary shares issued.

OPERATING PROFIT MARGIN
Operating profit divided by turnover.

PRICE EARNINGS RATIO
Market price of a share divided by Earnings per share.

RELATED PARTIES
Parties who could control or significantly influence the financial and operating policies of the business.

RETURN ON ASSETS
Net profit for the year divided by assets.

RETURN ON EQUITY
Net profit for the year divided by Equity.

RETURN ON CAPITAL EMPLOYED (ROCE)
Operating Profit (EBIT) divided by equity plus interest bearing borrowings.

SHAREHOLDERS' FUNDS
Total of issued and fully paid up capital and reserves.

VALUE ADDITIONS
The quantum of wealth generated by the activities of the group and its application.

WORKING CAPITAL
Capital required to finance the day-to-day operations (current assets minus current liabilities).

EBIT
Earnings before interest and tax (Includes other operating income).

MARKET CAPITALISATION
Number of Shares in issue at the end of the period multiplied by the share price at the end of the period.

ENERGY INTENSITY
Energy consumed in GJ divided by the production quantities.

WATER INTENSITY
Water consumed in litres divided by the production quantities.

OPERATING EXPENSES
Summaztion of Administration, Distribution and other operating expenses.

OPERATING PROFIT
Earnings before interest and tax (Includes other operating income).

DIVIDEND YIELD
Dividend per share divided by the market price per share.

NET ASSETS PER SHARE
Net Assets divided by the number of shares.

PRICE TO BOOK VALUE
Market price per share divided by the net assets per share.

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty Third (33rd) Annual General Meeting of Royal Ceramics Lanka PLC will be held by way of electronic means on the 30th day of June 2023 at 2.30 p.m. for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31st March 2023 and the Report of the Auditors thereon.

2. To declare a Final Dividend of Cents Fifty (Rs. 0.50) per share for the year ended 31st March 2023 as recommended by the Board of Directors.

3. To re-elect Mr. S R Jayaweera, who retires by rotation in terms of Article 87(i) of the Articles of Association, as a Director of the Company

4. To pass the ordinary resolution set out below to re- appoint Mr. R N Asirwatham who is 80 years of age, as a Director of the Company;

   "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. R N Asirwatham who is 80 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"

5. To pass the ordinary resolution set out below to re- appoint Mr. L N de S Wijeyeratne who is 73 years of age, as a Director of the Company;

   "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. L N de S Wijeyeratne who is 73 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"

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

7. To authorize the Directors to determine payments for the year 2023/2024 and upto the date of the next Annual General Meeting for charitable and other purposes as set out in the Companies Donations Act (Cap 147).

By Order of the Board
ROYAL CERAMICS LANKA PLC

P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

At Colombo
05th June 2023

Notes:

1) A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to 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. 20, R.A. de Mel Mawatha, Colombo 03, not later than 48 hours before the time appointed for the Meeting.

Notes

Notes

Form of Proxy

*I/We .... holder of NIC No. ....
of .... being a *Shareholder /Shareholders of Royal Ceramics Lanka PLC, do hereby appoint
.... holder of NIC No. ....
of ....or failing him/her

Mr. S H Amarasekera	or failing him
Mr. A M Weerasinghe	or failing him
Mr. M Y A Perera	or failing him
Mr. T G Thoradeniya	or failing him
Mr. G A R D Prasanna	or failing him
Mr. R N Asirwatham	or failing him
Ms. N R Thambiayah	or failing her
Mr. L N de S Wijeyeratne	or failing him
Mr. N J Weerakoon	or failing him
Mr. S M Liyanage	or failing him
Mr. S R Jayaweera	or failing him
Mr. J R Gunaratne	or failing him
Ms. K A D B Perera	

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 30th June 2023 at 2.30 p.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1.	To declare a Final Dividend of Cents Fifty (Rs. 0.50) per share for the year ended 31st March 2023 as recommended by the Board of Directors.		
2.	To re-elect Mr. S R Jayaweera, who retires by rotation in terms of Article 87(i) of the Articles of Association, as a Director of the Company..		
3.	To pass the ordinary resolution set out below to appoint Mr. R N Asirwatham who is 80 years of age, as a Director of the Company; “IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. R N Asirwatham who is 80 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007”		
4.	To pass the ordinary resolution set out below to re- appoint Mr. L N de S Wijeyeratne who is 73 years of age, as a Director of the Company; “IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. L N de S Wijeyeratne who is 73 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007”		
5.	To re-appoint Messrs. Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.		
6.	To authorize the Directors to determine payments for the year 2023/2024 and up to the date of the next Annual General Meeting for Charitable and other purposes as set out in the Companies Donations Act (Cap 147).		

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

....
Signature

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

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The Proxy shall –

(a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

(b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).

3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.

4. To be valid, the completed Form of Proxy must be deposited at the Registered Office of the Company, No. 20, R.A. de Mel Mawatha, Colombo 03,.not later than 48 hours before the time appointed for the Meeting.

Corporate Information

NAME OF THE COMPANY

Royal Ceramics Lanka PLC

LEGAL FORM

A Public Quoted Company with limited liability incorporated Under the provisions of Companies Act No. 7 of 2007

DATE OF INCORPORATION

29th August 1990

COMPANY REGISTRATION NUMBER

PQ 125

NATURE OF BUSINESS

Manufacture and sale of Porcelain & Ceramic Tiles

BOARD OF DIRECTORS

Mr. S H Amarasekara (Chairman)

Mr. A M Weerasinghe (Deputy Chairman)

Mr. M Y A Perera (Managing Director)

Mr. T G Thoradeniya
(Director Marketing & Business Development)

Mr. G A R D Prasanna

Mr. R N Asirwatham

Ms. N R Thambiayah

Mr. L N de S Wijeyeratne

Mr. N J Weerakoon

Mr. S M Liyanage

Mr. S R Jayaweera

Mr. J R Gunaratne

Mr. Dhammika Perera
(Resigned w.e.f 10th June 2022)

Ms. Brindhiini Perera
(Appointed w.e.f 19th October 2022)

HEAD OFFICE AND REGISTERED OFFICE

20, R. A de Mel Mawatha, Colombo 03.

Tel : 011 4799400
Fax : 011 4720077
Email : ho.gen@rcl.lk
Website : www.rocell.com

SUBSIDIARY COMPANIES

Rocell Bathware Limited

Royal Ceramics Distributors (Private) Limited

Ever Paint and Chemical Industries (Private) Limited

Nilano Garments (Private) Limited

Rocell Pty Ltd

Biscuits and Chocolate Company Limited (Previously known as Rocell Ceramics Limited)

Rocell Properties Limited
CP Holding (Private) Limited

Lanka Walltiles PLC and its subsidiaries
Lanka Ceramic PLC and its subsidiary

ASSOCIATE COMPANIES

Delmege Limited L B Finance PLC

SECRETARIES

P W Corporate Secretarial (Pvt) Ltd 3/17,
Kynsey Road,
Colombo 08.

Tel : 011 4640360-3
Fax : 011 4740588
Email : pwcs@pwcs.lk

EXTERNAL AUDITORS

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

BANKERS

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

Standard Chartered Bank Ltd.

HSBC Ltd.

DFCC Bank PLC

Seylan Bank PLC

Bank of Ceylon

PABC Bank PLC

Sampath Bank PLC

MCB Bank Ltd.

NDB Bank PLC

Nations Trust Bank PLC

Eternal Elegance