



INVINCIBLE

We have always strived to go beyond our stakeholders' expectations in our quest for good returns. We have the inherent strength to thrive and grow, and we explore all opportunities to enrich our stakeholders in a myriad of different ways.

Rocell Journey

- 1991**
Commenced operations as a tile manufacturer.
- 2002 - 2009**
Commenced operations of Royal Porcelain (Pvt) Ltd and Rocell Bathware Limited.
- 2011 - 2013**
Acquired 20% stake on Delmege Ltd, a 25.85% stake in LB Finance PLC and a 76.54% stake in Lanka Ceramic PLC.
- 2017**
Restructured investment in Lanka Ceramic PLC to bring Lanka Walltiles PLC directly under Royal Ceramics Lanka PLC.
- 2019**
Amalgamated Royal Porcelain (Pvt) Ltd with Royal Ceramics Lanka PLC.
- 2021 to present**
Acquired CP Holding (Pvt) Ltd.

This Year's Highlights

Rs. 86 Bn

GROUP TOTAL ASSETS

An increase of 30% due to increased cash balances, inventories, investments in property, plant and equipment and an increase in the value of the investment in the Associate company.

Rs. 57.5 Bn

REVENUE

63 %

PROFIT AFTER TAX GROWTH

Footprint in Sri Lanka

59

SHOWROOMS

05

HYBRID SHOWROOMS

32

FACTORY OUTLETS

67

FRANCHISE SHOWROOMS



Northern Province..... 6
1. Jaffna District 3
2. Vavuniya District 2
3. Kilinochchi District 1

North Central Province 6
4. Anuradhapura District 4
5. Polonnaruwa District 2

North Western Province 11
6. Kurunegala District 6
7. Puttalam District 5

Western Province 75
8. Colombo District 39
9. Gampaha District 25
10. Kalutara District 11

Southern Province 13
11. Galle District 7
12. Hambantota District 3
13. Matara District 3

Central Province 18
14. Kandy District 12
15. Matale District 4
16. Nuwara Eliya District 2

Eastern Province 7
17. Batticaloa District 4
18. Trincomalee District 1
19. Ampara District 2

Uva Province 11
20. Badulla District 6
21. Monaragala District 5

Sabaragamuwa Province 16
22. Kegalle District 6
23. Ratnapura District 10

Rs. **16.7** Bn
PRE-TAX PROFIT

An increase of 70% over the achievements of last year.

Rs. **13.7** Bn
PROFIT AFTER TAX

59.6 %
EARNINGS PER SHARE GROWTH

The Business Review areas



Tiles and Associated Products

Renowned as a design icon, catering to the refined tastes of interior connoisseurs, the establishment produces about 41,500 square metres (per day) of tiles, reflecting the epitome of design and production excellence.



Sanitaryware

Through a combination of innovation, design foresight and technology, the company manufactures designer bathware that is both functional and elegant.



Plantations

Horana Plantations owns and manages 14 estates spanning over 6,500 hectares. The company cultivates and produces tea, rubber, oil palm and other export crops.



Aluminium

Swisstek Aluminium is one of Sri Lanka's leading and most innovative aluminium extrusion company.



Packaging

Unidil is the leading corrugated carton manufacturer with a market share of 18% for corrugated cartons and 25% for paper sacks.

INV INC IBLE

At Rocell, we firmly believe that success isn't a matter of destiny or luck. It's about hard work and consistency. Over the years, our stakeholders would have noticed how we have stuck by our strategy of steady diversification, broadening our Group portfolio to include various associated industry sectors while also expanding our production centres, based on our anticipation of continuing growth.

Last year, we reported on our best year so far. This year we have surpassed those benchmarks, seeing Group profitability rise by 63% while Company profitability went up by a remarkable 94%. Shareholder returns have never been better - a performance that is truly creditable since it was achieved in a business landscape that was challenging on many different fronts.

As we go forward, we will continue to rely on our dynamic leadership, our passionate team and the strength of our business model to keep us moving forward year after year; strong, steady....and invincible.

Contents



1

An Overview

About this Report	4
About Us	6
Our Socioeconomic Impact	8
Financial Highlights	10
Non-Financial Highlights	11
Chairman's Message	12
Managing Director's Message	16
Board of Directors	22
The Corporate Management	27

4

Strategy

Strategy	30
The Strategic Report	32
Stakeholder Engagement	34
Material Matters	35
Managing Risks	36

2

Management Discussion and Analysis

Operating Environment	44
Business Line Reviews	48
Capital Reports	
Financial Capital	64
Human Capital	70
Manufactured Capital	80
Social and Relationship Capital	87
Natural Capital	92
Intellectual Capital	98
Corporate Governance	104
Annual Report of the Board of Directors on the Affairs of the Company	117
Statement of Directors Responsibilities	123
Report of the Audit Committee	124
Report of the Remuneration Committee	126
Report of the Related Party Transactions Review Committee	127

3

Financial Information

Financial Calendar	130
Independent Auditor's Report	131
Statement of Financial Position	134
Statement of Profit or Loss	136
Statement of Comprehensive Income	137
Statement of Changes in Equity - Company	138
Statement of Changes in Equity - Consolidated	139
Statement of Cash Flows	140
Notes to the Financial Statements	142

5

Supplementary Information

Ten-Year Summary - Company	250
Group Value Added Statement	252
Share Information	253
GRI Index	255
Glossary of Financial Terms	257
Notice of Meeting	258
Form of Proxy	259

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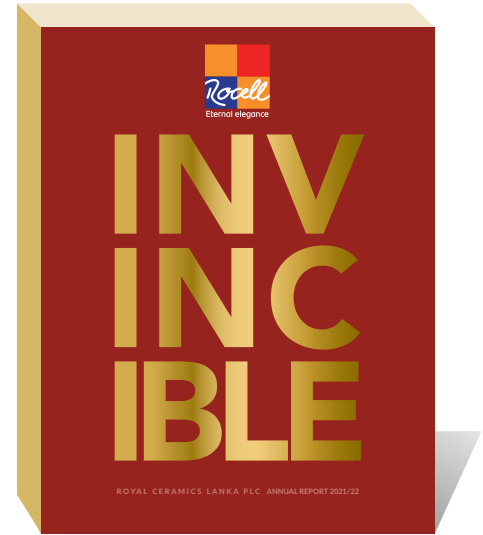
We will adapt, innovate and thrive,
even in challenging times

An Overview

About This Report

GRI - 102-3 | 102-45 | 102-46 | 102-48 |
102-49 | 102-50 | 102-51 | 102-52 |
102-53 | 102-54 | 102-56

This is the sixth Annual Integrated Report of Royal Ceramics Lanka PLC which provides a balanced account of the performance during the financial year ended 31st March 2022. In preparing this report we have provided evidence for the statements made where necessary and a reliable source of information is available. We continue to experiment with changes to enhance readability, highlighting material matters, building on the Annual Integrated Report for the year ended 31st March 2021 which is the most recent report prior to the publication of this report.



BASIS OF PREPARATION

Scope & Boundaries

- The financial and non-financial reporting boundaries are the same, covering the parent company and 23 legal entities across 6 sectors, collectively referred to as "the Group".

Regulatory Framework

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

Voluntarily Adopted Frameworks

- <IR> Framework 2021 issued by the International Integrated Reporting Council
- GRI Standards issued by the Global Reporting Initiative in 2020
- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017
- UN Sustainable Development Goals

NAVIGATING OUR REPORT

The Capitals



FINANCIAL
CAPITAL



MANUFACTURED
CAPITAL



SOCIAL &
RELATIONSHIP
CAPITAL



INTELLECTUAL
CAPITAL



HUMAN
CAPITAL



NATURAL
CAPITAL

Stakeholders



CUSTOMERS



EMPLOYEES



INVESTORS



BUSINESS
PARTNERS



GOVERNMENT &
REGULATORS



COMMUNITIES

INTEGRATING ESG TO FACILITATE INTEGRATED THINKING

Taking on the challenge of GRI reporting five years ago, our organisation processes have evolved to integrate the non-financial information into the reports used for monitoring performance at every level, from the factory to the Board. These are affirmed by certifications on environmental and social responsibility which serve to enhance management of these topics whilst also facilitating access to markets. All these services to embed ESG principles into our organisational processes, providing deeper insights on our impacts on society and the environment and stakeholder concerns. These insights facilitate holistic decision making through integrated thinking which serves to optimise efficient allocation of finite resources. This information also feeds into our risk management processes enabling evaluation of potential threats and opportunities are critical for resource allocation decisions in order to deliver progress on strategic goals and strengthen resilience of the Group.

ASSURANCE

Assurance on financial statements have been provided by Messrs Ernst & Young, Chartered Accountants and their report is set out on page 131.

SIGNIFICANT CHANGES DURING THE YEAR AND RESTATEMENTS

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

FORWARD LOOKING STATEMENTS

The report contains forward looking statements based on perceptions, opinions and views of external and internal information available to us at present. These are provided to facilitate assessment of the future performance of the Group which have varying degrees of uncertainty associated with them. The accuracy of these can be ascertained only with the benefit of hindsight as they relate to future events, outcomes and impacts which are beyond our control. The country situation and the global recovery after two years of the pandemic weight the risks to the downside and elevate uncertainties above normal levels. Users of this report are advised to make their own judgements as information is extremely dynamic even as at the reporting date. This information is provided without recourse or any liability whatsoever to the Board or other preparers of the Annual Report due to the relatively high levels of uncertainty regarding the same.

FEEDBACK & INQUIRIES

We value your feedback and will use the same in improving the Annual Report in the year that has commenced. Please contact the following person for inquiries regarding the Annual Report:

For inquiries, please contact;
Mr. Haresh Somashantha
Director Finance
No. 20, R A De Mel Mawatha,
Colombo 3
Email: haresh@rcl.lk
Website: www.roccl.com



ACKNOWLEDGEMENT

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 Directors includes an acknowledgement of the Directors' responsibilities 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 the Integrated Annual Report of Royal Ceramics Lanka PLC for the financial year ending 31st March 2022 is presented in accordance with the <IR> Framework 2021.

Dhammika Perera

Chairman

L N de S Wijeyeratne

Audit Committee Chairman

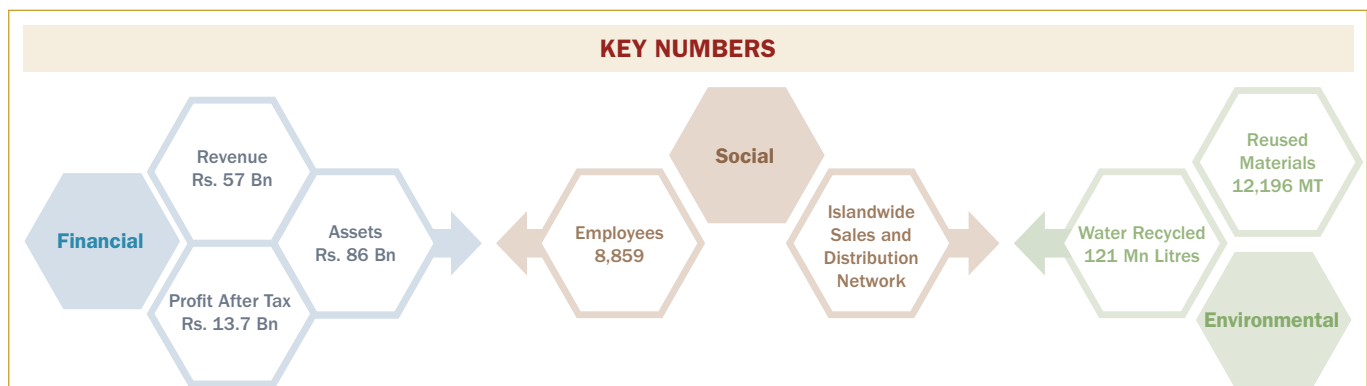
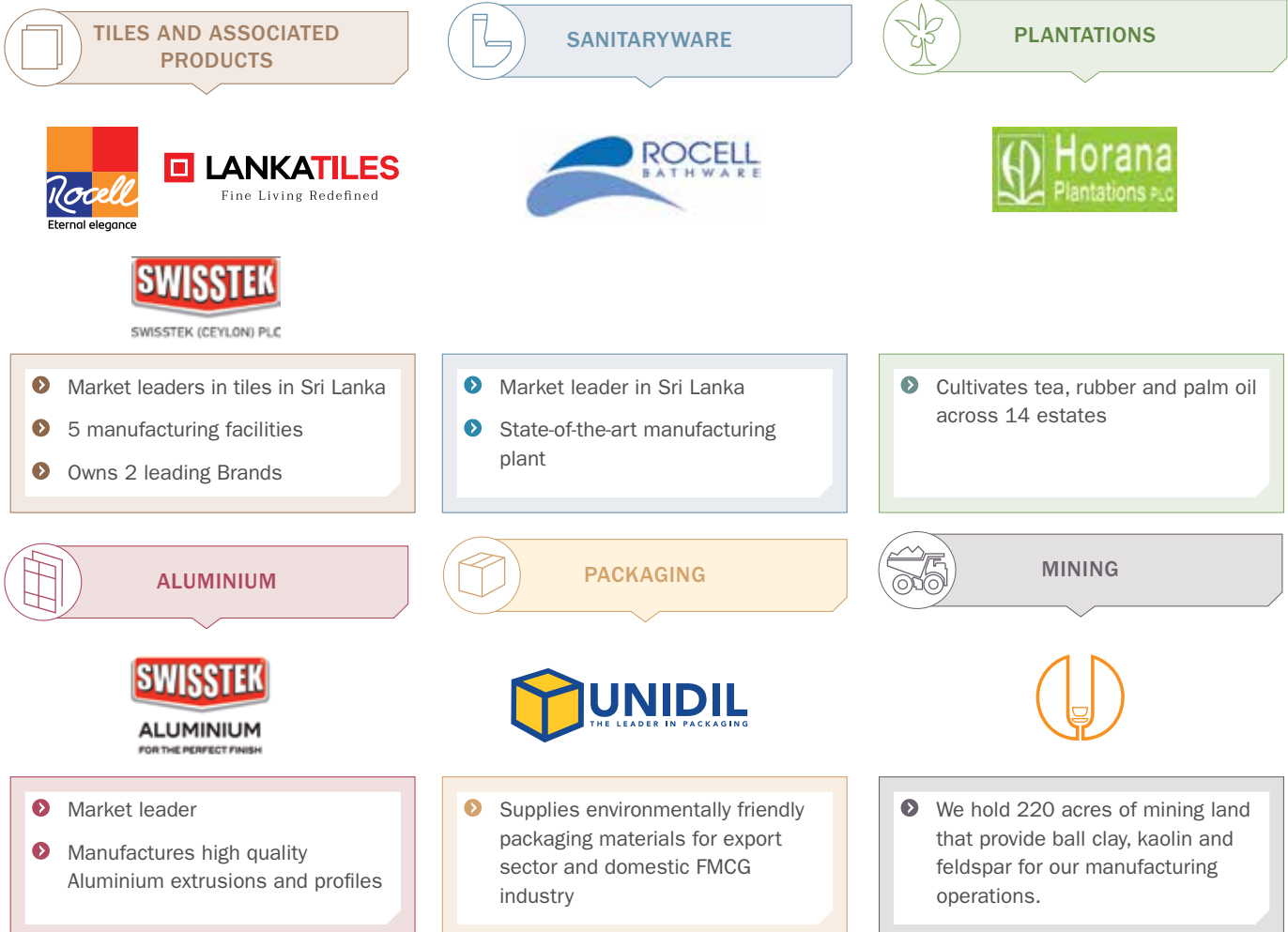
Aravinda Perera

Managing Director

About Us

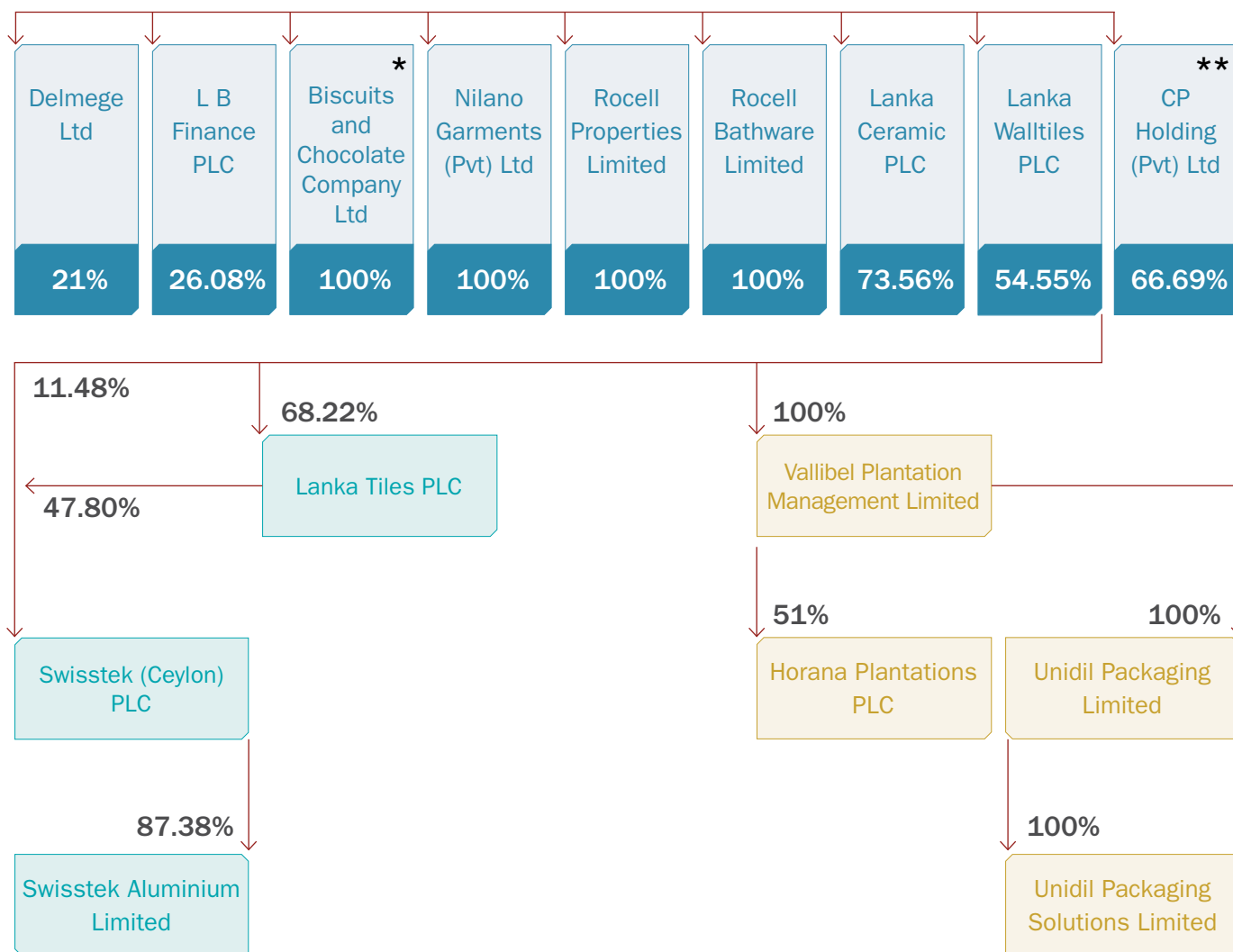
GRI - 102-1 | 102-5

Commencing our journey in 1991 with a vision to build a brand synonymous with contemporary lifestyles, innovation, design, and quality, Royal Ceramics Lanka PLC (Rocell) has now grown into a conglomerate that is primarily focused on manufacturing items supporting the housing and construction industry. In 2013, the Group acquired the Lanka Walltiles PLC Group, our main competitor, enhancing our market leadership by adding 'Lanka Tiles' also to our portfolio. Today the Group is diversified across 6 key sectors which include its core competency Tiles, Aluminium, Sanitaryware, Plantations, Packaging and Mining through acquisitions and strategic investments. We also represent in Finance and services sectors through our associate undertaking of LB Finance PLC and Delmege Ltd.





Royal Ceramics Lanka PLC



Tiles and
Associated
Products



Sanitaryware



Plantations



Aluminium



Packaging



Finance



Other

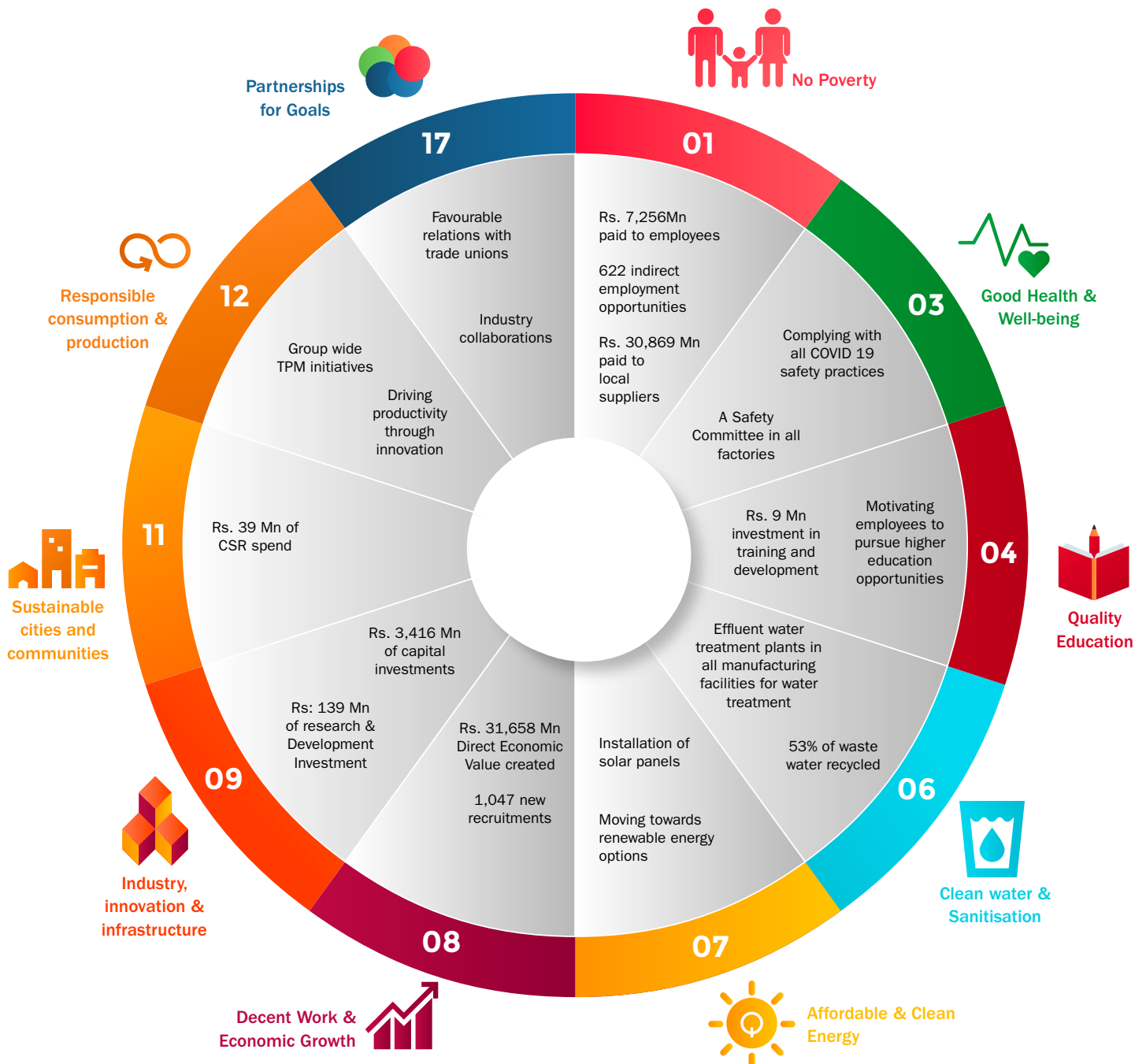
* Previously known as Rocell Ceramics Limited

** Effective Holding

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

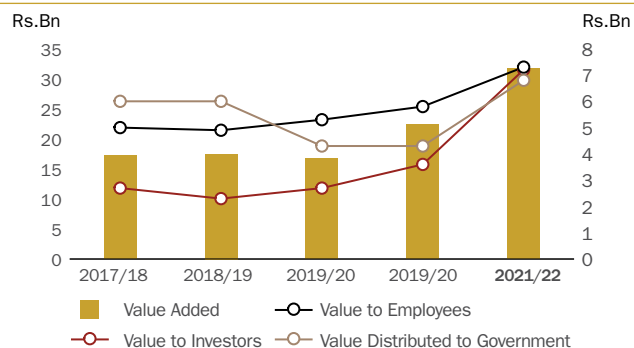
Our Socioeconomic Impact

We are conscious of the socio-economic responsibility we hold and are actively involved in working towards betterment of all our stakeholders. We have created an environmentally conscious culture with our Group and take measure to preserve finite resources that are vital for our value creation. Illustrated below are some of the efforts aligned with the UN Sustainable Development Goals.

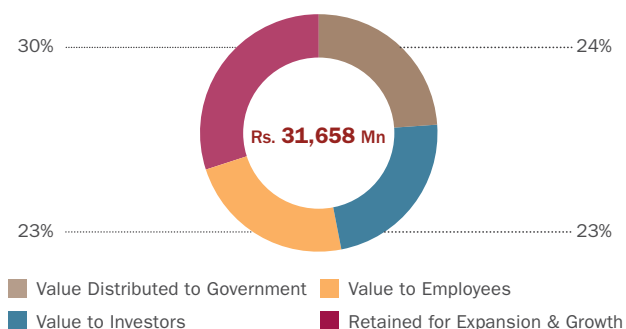


The socioeconomic impact of the Group is significant due to its islandwide reach. The Group's value addition and distribution is given below. The value distribution reflects a fair distribution amongst the key stakeholders. The Group also creates value to the economy in other ways as depicted below.

Economic Value Added & Distributed



Value Added and Distributed



EXTERNAL SECTOR ACTIVITIES

Earnings from Exports

Rs. 1,742 Mn

Indirect Exports

Rs. 2,157 Mn

Value of Imports

Rs. 17,064 Mn

EMPLOYMENT & LIVELIHOODS SUPPORTED

Jobs provided

8,859

Local Suppliers

4,727

Dealers, Distributors and Consignment Agents

622

Tilers & Fabricators

5,825

CAPITAL MARKETS

Listed Companies in Group

7 Listed Companies including an Associate Company

Market Capitalisation of Rocell Group

Rs. 116 Bn
3% of Total Market Capitalisation

Market Capitalisation of Royal Ceramics Lanka PLC

Rs. 45 Bn
1.2% of Total Market Capitalisation

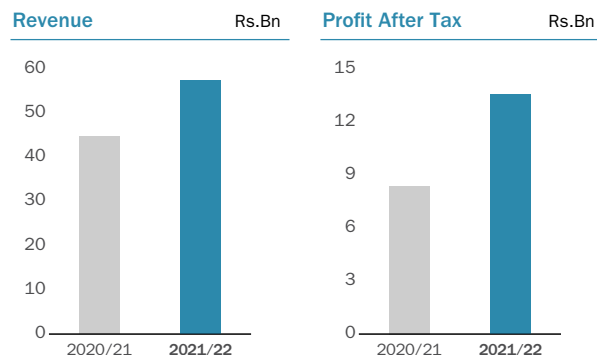
Financial Highlights



FINANCIAL INDICATORS

		2021/22	2020/21
Revenue	Rs.Bn	57.5	44.9
Operating profit	Rs.Bn	17.1	11.2
Profit before tax	Rs.Bn	16.8	9.9
Profit after tax	Rs.Bn	13.7	8.4
Revenue growth	%	28	43
Profit after tax growth	%	63	205

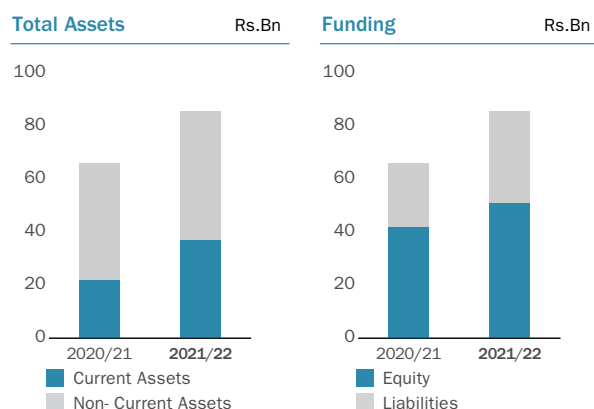
Recorded the highest earnings in history
for the **2nd** consecutive year



Shareholder Returns

		2021/22	2020/21
Earnings per share	Rs.	8.84	5.54
Dividend per share	Rs.	3.75	2.6
Market capitalisation	Rs.Bn	45.0	28.4
Market value per share	Rs.	40.70	257.00*
Return on Equity (ROE)	%	26.7	20.1

* Before the share split of 1:10 shares



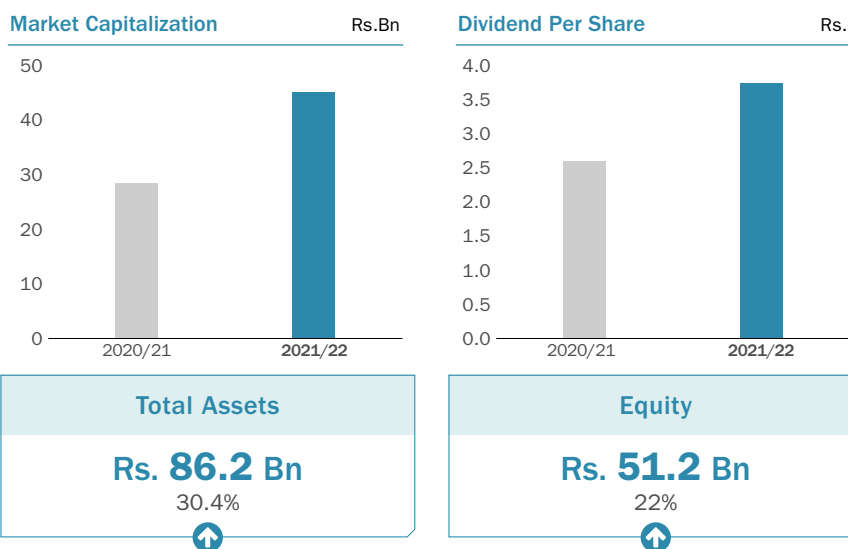
Resilience and Growth

Net Assets Per Share **Rs. 33.69**

Gearing Ratio **21.5%**

Current Ratio **1.45:1**

Quick Assets Ratio **0.93:1**



Non-Financial Highlights



MANUFACTURED AND INTELLECTUAL CAPITAL INDICATORS

		2021/22	2020/21
Value of property, plant and equipment	Rs.Mn.	20,342	18,317
Capital expenditure	Rs.Mn.	3,416	1,961
Depreciation and amortisation	Rs.Mn.	1,994	1,918
Investment in research and development	Rs.Mn.	139	115



SOCIAL AND HUMAN INDICATORS

		2021/22	2020/21
Number of suppliers	Number	4,727	4,527
Showrooms	Number	59	59
Factory outlets/Hybrid showrooms	Number	37	35
Dealers	Number	491	383
Distributors	Number	115	118
Consignment agents	Number	16	13
Franchises	Number	67	66
Members in tilers' clubs	Number	5,100	5,030
Number of employees	Number	8,859	9,424
New recruits	Number	1,026	1,486

Female Participation

33%

2020/21 - 36%



Employee Retention

83%

2020/21 - 82%



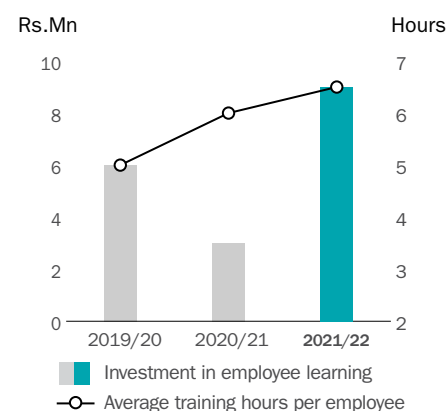
CSR Expenditure

Rs. 39 Mn

(2020/21 - Rs 20.6 Mn)



Training and Development



ENVIRONMENTAL INDICATORS

		2021/22	2020/21
Total raw material consumption			
Non-renewable materials	MT	354,742	274,610
Renewable materials	MT	55,474	51,218
Energy consumption	Kwh	82,867,568	68,777,062
Water withdrawn	Ltr	527,563,529	421,302,335
Effluents discharged	Ltr	226,288,047	187,582,744

Chairman's Message

Royal Ceramics Lanka PLC Group sustained its' growth momentum delivering top line growth of 28% to Rs. 57.5 Bn and profit growth of 63% to Rs. 13.7 Bn. The performance is commendable as it is the highest in its entire history for the second consecutive year and all sectors of the Group contributed positively to the bottom line while also recording profit growth.

Royal Ceramics Lanka PLC Group sustained its growth momentum delivering top line growth of 28% to Rs.57.5 Bn and profit growth of 63% to Rs.13.7 Bn. The performance is commendable as it is the highest in its entire history for the second consecutive year and all sectors of the Group contributed positively to the bottom line while also recording profit growth. Consistent investment in expansion combined with productivity and sustainability initiatives enabled lean cost profiles, shorter lead times and focused improvements in quality which were critical to realise our strategic goals.

RELEVANCE TO ECONOMY

As Sri Lankans seek a path to political stability and economic recovery, we need to review the relevance of the Royal Ceramics Group to the Sri Lankan economy and align our strategies to drive growth, finding the paths that support the country's recovery.

Housing is part of the right to an adequate standard of living in article 25 of the 1948 Universal Declaration of Human Rights - the blue print for socioeconomic development around the world. It is also the aspiration of millions of families and housing costs account for between 13% and 20% of household income, depending on the district.

The Rocell Group is heavily weighted to supporting the country's housing and construction sector which accounted for 6.1% of imports in 2021 which amounted of US\$ 20,637 Mn. Over 80% of Group assets are invested in manufacturing tiles and Associated Products, sanitaryware and aluminium profiles which are key inputs for this sector. These companies play an important role in providing high quality products that are relevant and accessible for all people for their housing needs. They also save significant outflows of foreign exchange while also creating a non-traditional inflow of foreign exchange through exports of tiles and bathware.

The group's key business is the manufacture of tiles and bathware which has saved the country over US\$ 8.5 Mn in foreign exchange as estimated by the dollar value sold by the Group. The availability of ball clay and feldspar in the country favours the location of manufacturing facilities within the country, reducing the length of the supply chain. The Aluminium sector and Sanitaryware sectors also creates significant value in the country although its principal inputs are imported.

The Plantation sector manufactures tea which is still the principal agriculture export and contributed US\$1,329 Mn to the country's coffers in 2021. Additionally, the output of palm oil enables the saving of foreign exchange although further progress in this has been halted with the ban on cultivation of oil palm. The Packaging sector plays a vital role supporting the export sector as well as the FMCG and tiles sectors with their specialised requirements.

On the people side, the Group employs over 8,500 people and also supporting indirect employment of over 100 distributors and suppliers. As a pivotal player in local supply chains, we played a critical role providing safety nets to the more vulnerable businesses in our supply chain through extended credit, cash advances and other forms of assistance during the pandemic years. Employees jobs were secured and additional supports were provided to those affected by the pandemic.

Over the years, our products have become more futuristic and sophisticated, catering to the increasingly sophisticated taste of a more affluent customers. However, we have continued to maintain a wide portfolio relevant to all customers although the innovation has largely been at the high value end of the spectrum. As the leading player in the country in tile, bathware and aluminium sectors, we are committed to helping Sri Lankans realise their aspirations of a space to call their own, be it in a high rise condominium or a cottage in the country's villages.

GOVERNANCE & RESILIENCE

The Board maintained a high level of vigilance as the country's economic deterioration unfolded with a view to identifying the risks that we needed to mitigate and manage. The collective wisdom of the Board and senior leadership of the Group made it possible to flex our strategies to seize opportunities as well as to put in place additional safeguards to sustain the diverse businesses. Debt levels were reduced with the strong cashflows generated from operations in anticipation of increases in interest rates and additional liquidity built up to strengthen the Group's financial resilience to manage the downside risks. The Board will continue to monitor the operating environment as risk levels remain elevated due to the country situation.



Chairman's Message



Importantly, the Group's strategic goals were evaluated and developing export markets will be prioritised to align with the urgent needs of the country.

28%

REVENUE GROWTH

Rs. 13.7Bn

PROFIT AFTER TAX

Importantly, the Group's strategic goals were evaluated and developing export markets will be prioritised to align with the urgent needs of the country. The successful foray into exports by Lanka Tiles and Bathware paves the way for other Group companies to follow, leveraging networks and learnings to drive success.

The Board also reviewed its composition, the governance structures and processes during the year. Accordingly, Mr.L.N.De S Wijeratne was appointed as the Senior Independent Director to comply with the CSE Listing Rules and the Code of Best Practice on Corporate Governance.

ON HIGH ALERT

The economic and political instability have impacted the lives of every Sri Lankan individual and business. Sri Lanka remains extremely vulnerable at present with foreign exchange reserves adequate for mere days of imports of food, fuel and medicine. The urgent need of foreign inflows must be addressed immediately to keep the wheels of the economy running, even at this slower pace. It is my earnest prayer that political stability has been restored by the time this message reaches your hands as this is the first step on the path to a sustained recovery.

The Group has the funds and the capacity to grow but basic requirements for enterprise such as a stable supply of energy and access to raw materials are fundamentals that must be secured for further investment. The lack of foreign exchange for basic needs precludes planned investments which will hinder our growth. More importantly, in the case of the Plantation sector, lower productivity without access to fertilizer will further reduce much needed foreign exchange inflows aside from the impact on the Group's profitability. However, despite our concerns, we remain on high alert to switch gears and move forward as the country moves beyond the present uncertainty and volatility.

ACKNOWLEDGEMENTS

The Board joins me in commending the employees for their synchronized performance that proved our will to win together. I also congratulate the Chief Executive Officers of the Group who led their teams to deliver the exceptional results set out in this report. I thank all our business partners for their contributions and look to strengthen the partnerships.

I take this opportunity to thank my fellow Board members for their insights and deliberations. Finally I thank our shareholders for their continued trust and confidence and look forward to delivering enhanced value in the year ahead.



Dhammika Perera

Chairman



Managing Director's Message

The Royal Ceramics Group recorded a phenomenal year as post tax earnings soared by 63% to Rs. 13.7Bn, the highest profit recorded historically amidst significant challenges. In the last year, it was yet a highest profit recorded at Rs. 8.4 Bn. The improvement in performance was evident across all sectors of the Group as we focused on expansion and efficient production to deliver top line and margin growth boosting overall performance.

Dear Stakeholders,

The Royal Ceramics Group recorded a phenomenal year as post tax earnings soared by 63% to Rs. 13.7Bn, the highest profit recorded historically amidst significant challenges. In the last year, it was yet a highest profit recorded at Rs. 8.4 Bn. The improvement in performance was evident across all sectors of the Group as we focused on expansion and efficient production to deliver top line and margin growth boosting overall performance. Strong demand across all sectors ranging from tiles to tea provided the impetus to drive efficiencies in every aspect of our operations as we enhanced the value delivered to all stakeholders.

UNCERTAINTY AND VOLATILITY

Sri Lanka is at a critical juncture at the time of writing as we wait for the establishment of a government to provide the leadership needed to find a way past the political, social and economic morass. The energy crisis continues to be a drag on day to day life and economic activity, draining productive hours of effort in to securing a supply or finding alternatives. The volatility witnessed in 2022 is unprecedented in the country's history after independence as the rupee devalued by 77% from March to April 2022, interest rates soared by more than 8% and the country's foreign exchange reserves depleted rapidly to a mere US\$ 50 Mn.

The year under review saw the build up of the multiple crisis we are facing at present. Import restrictions have been in place for the 2nd consecutive year which has posed challenges in importing raw material and machinery for expansion but also had a positive impact on demand for tiles as these could not be imported. Health and safety remained key concerns as new waves of the pandemic continued to disrupt businesses and lives during the year. The policy environment also remained challenging, particularly in the plantation sector with the ban on chemical fertilizer and other agrochemicals.

As in the previous year, excess demand over production caused severe product shortages which requires 7- 8 months waiting time if a specific design was required. While we continued to manage production to meet the unprecedented demand, the gap between supply and demand continued to widen, necessitating a rationalisation in the number of products. Factories operated at the highest levels of capacity utilisation optimizing absorption of fixed overheads with a positive impact on margins.

RAISING THE BAR AT ROCELL

Rocell raised its own bar for performance for the second consecutive year as post tax earnings grew by a phenomenal 95% to Rs. 6.4 Bn due to sales, productions efficiencies and increased dividend income from the subsidiary and associate companies. Revenue growth was relatively modest at 15% reaching Rs. 14.4 Bn for the reporting year. There was a significant gap between supply and demand due to the lack of imports resulting in long waiting times for tiles if specific designs were required. However, this also indicated the potential of the local market and the scope for import substitution in the sector. Production efficiencies were aligned to meet the demand as much as possible by longer production runs as we minimised change over times boosting capacity utilisation.

Gross profit increased by 20% to Rs.7.6 Bn as gross margins improved by 2.2%, contributing significantly to bottom line growth. Other operating income increased by 116% boosted Rs.2.5 Bn in dividends from Group companies. Improved operating margins contributed a further boost to profitability as Distribution and Other Operating expenses declined. Finance costs declined by 50% as we reduced borrowings and renegotiated interest rates. Finance income increased by 422% as cash and cash equivalents grew by 287% to Rs. 7.2 Bn and interest rates trended up in the second half of the year.

Managing Director's Message



Continuous investments in expanding capacity was key to meeting demand. The two tile factories at Eheliyagoda and Horana and the Sanitaryware factory at Panagoda operated at full capacity and we minimised production changeovers to cater to the increased demand. We also reaped the benefits of implementing Total Productive Maintenance over the past 4 years which enabled significant savings of around Rs. 544 Mn for the financial year due to higher yields, lower rejects and faster processing times. Bathware exports which made losses in previous years proved to be a valuable lifeline for much needed dollars to facilitate imports of key inputs required for manufacture of bathware.

The company strengthened its balance sheet with equity increasing by 19% from Rs. 16.5 Bn to Rs. 19.7 Bn with increased retained earnings and revaluation reserves. Total assets increased by 28% from Rs. 25.4 Bn to Rs. 32.4 Bn as supported by growth in cash and cash equivalents and property, plant and equipment. The quick asset ratio improved from 0.61 in the previous year to 0.88 reflecting the improvement in cash and cash equivalents as sales orders increased at an unprecedented pace during the year. The current ratio improvement was marginal from 1.16 to 1.18 due to the increase in customer advances for tiles reflecting the strong pipeline of projects in hand. The debt equity ratio continued to improve decreasing from 0.23 as at March to 2021 to 0.16 as at March 2022 reflecting the financial stability of the company and headroom for growth as we look to navigate another year of uncertainty.

A SYNCHRONISED PERFORMANCE

After many years, the Rocell Group recorded revenue growth and profits across all its business sectors as we geared up to meet challenges and cleared bottlenecks to optimise performance. Top line growth was an encouraging 28% which was mainly driven by increased capacity utilisation, recording Rs. 57.5 Bn in 2021/22 compared to Rs.44.9 Bn in the previous year. The Tiles and Associated Products sector accounted for 67% of revenue compared to 71% in the previous year as other sectors grew their top lines. The Aluminium sector contributed 12.7% to the top lines compared to 9% in the previous year, becoming the second highest contributor to the Group's top line.

The Group recorded post tax earnings of Rs. 13.7 Bn which was an stellar increase of 63% over the previous year largely due to the excellent performance of the Tiles and Associated Products sector that contributed 71% to the total.

Tiles Sector

The Tiles sector turned in an exceptional performance recording top line growth of 20% to record Rs. 38 Bn as revenue supported by increased capacity and productivity. Rocell accounted for 37% of the total revenue with the Lanka Walltiles Group accounting for the balance 63%. Profit after tax of the sector increased by 66% to Rs. 9.7 Bn as high capacity utilisation and productivity contributed to enhance margins and finance costs were reduced with repayment of debt. Additionally, fast moving inventory strengthened increased cash and cash equivalents supporting an increase in interest income. The Walltiles Group was successful in the launch of their mosaic tiles which was hot trend as we continue to innovate to enhance the lifestyle choices for Sri Lankans. The sector faced significant issues with regard to

import of raw materials during the year and also experienced difficulties in obtaining fuel and LP gas to power the factories and fleets although these were managed. The pandemic also raised concern as it continued for a second year with lockdowns and extensive arrangements for the health and safety of workers which has now waned to a large extent although we remain on alert. Net assets of the sector improved by 27.2% as cashflows strengthened liquidity and debt was reduced.

Sanitaryware

Sanitaryware delivered a solid performance recording top line growth of a relatively modest 9.3% to Rs. 3.6 Bn supported by sustained demand in export markets while demand in the domestic market increased exponentially. Profitability of the sector increased by 79.3% to Rs. 541 Mn in 2021/22 supported by strong demand and foreign exchange gain derived from exports and foreign exchange deposit translations. Unprecedented demand for sanitary and bathware resulted in long waiting times for customers which is reflected in the segment liabilities which doubled to Rs. 1.4 Bn as contract liabilities increased exponentially.

Plantations

Plantations recorded 21% top line growth buoyed by favourable prices for tea, rubber, oil palm and minor crops. Sustained focus on driving quality enabled the sector to recover from a loss of Rs. 94 Mn to a profit of Rs. 28 Mn despite significant challenges which affected the entire plantation sector in the country. The ban on fertilizer and weedicides were badly impacted to the industry which was already dealing with the ban on oil palm cultivation. The losses incurred in writing off the nurseries needed to be absorbed during the year although the opportunity cost is perhaps the greater loss. The increased in price of urea was also a key factor as price moved up by around 1,000%. Rubber was affected by the pest disease which cannot be treated due to unavailability of the chemicals. The industry needs a consultative process for policies as the effects of poorly deliberated policies can have a disastrous impact that can last well beyond the period of implementation to regain its momentum for sustained investments in to long term plans.

Packaging

The Unidil Packaging Group has delivered a strong performance recording revenue of Rs. 6.57 Bn, which is an encouraging increase of 57%. Post tax earnings increased by 72.6% to Rs. 596 Mn despite significant challenges which included an increase of over 100% for raw materials, steep devaluation of the rupee and limitations in importing raw materials due to the foreign exchange liquidity crisis. The Group was also able to set a new benchmark for the industry by more than halving its lead time. High levels of capacity utilisation and investment in a die cast printer supported growth in activity levels. Accordingly, profitability improved by 72.6% to Rs. 596 Mn as the Group worked through the challenges. Segment assets and liabilities increased significantly due to the expansion in this sector.

Top line growth was an encouraging 28% which was mainly driven by increased capacity utilisation, recording Rs. 57.5 Bn in 2021/22 compared to Rs. 44.9 Bn in the previous year. The Tiles and Associated Products sector accounted for 67% of revenue compared to 71% in the previous year as other sectors grew their top lines.

63%

PROFIT AFTER TAX GROWTH

Rs. 57.5 Bn

TOTAL REVENUE

Aluminium Products

Swisstek Aluminium became the market leader in Aluminium as expansion propelled its top line growth by 88% to Rs. 7.3 Bn. This was supported by favourable demand factors as interest rates were low supporting renovation and refurbishment of premises. E commerce channels gained momentum for prefabricated items such as ladders supporting growth of a new channel. Profit after tax increased by 33% to Rs. 454 Mn maintaining the growth momentum. Margins came under pressure as the raw materials costs increased and the impact was exacerbated with the devaluation of the rupee. Imports of raw material and availability of fuel and energy continue to be challenges for this industry. Total assets of the sector increased by 86% to Rs. 7.5 Bn due to the expansion while liabilities increased by 128% to Rs. 5.9 Bn.

Finance

The Group's associate company, LB Finance accounted for 16% of profit after tax contributing Rs. 2.2 Bn to the Rocell Group. This is an increase of 25% over the previous year reflecting the sustained growth of this leader in the Non-Banking Financial Institution sector of the country. The company has successfully strategised to overcome the 4th year of import restrictions on motor vehicles shifting focus to other areas of growth while diversifying its portfolio. A strong domestic franchise and an islandwide footprint support the growth and stability of this company which maintains a conservative risk appetite.

Managing Director's Message

An Empowered Team

The Rocell Group has a diverse team of 8,859 employees who powered our performance. Ensuring that we got through the pandemic years with all the jobs intact and with reasonable safety nets. All Rocell Group companies put in place care packages for those diagnosed with COVID which included dry rations for families while those in need of critical care had access to intermediary care centers with all costs borne by the relevant Group company. All companies worked with public health authorities to conduct vaccination programmes for their staff. Health and safety committees played a key role in implementing the safety protocols while the Human Resources functions ensured that they had access to care. All employees received their full salaries, bonuses, incentives and increments throughout the pandemic years and this was appreciated by the employees who worked with a will during the year.

Value to Shareholders

Rocell Group has declared a dividend of Rs. 3.75 per share as shareholders benefited from a return on equity of 27% underpinned by a strong performance. Equity increased by 22% to Rs. 51 Bn boosted by retained earnings.

The share price increased from Rs. 257 (Pre-Split) as at 31st March 2021 to Rs. 83.50 (Post Split) in January 2022 which was the peak for the year reflecting the strong demand that prevailed for most of the year. The share price dipped to Rs. 40.70 by the close of the year as the ASPI commenced a decline with the country's energy crisis. Market capitalisation of the Group increased by 58% to Rs. 45 Bn as at 31st March 2022 accounting for 1.2% of the market capitalisation of the CSE.

ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

The Rocell Group's core competences are manufacturing, supply chain management and marketing which have underpinned the growth and profitability of the Group. Our focus on manufacturing necessitated a sustained commitment to environmental and social responsibility as sustainability and efficiency are two sides of the same coin in a manufacturing entity. Total Productive Maintenance, Lean and Six Sigma tools supported the elimination of waste, reduced rejects, recycling etc., cultivating sustainable mindsets across the organisations with employees taking ownership to drive improvements. Our supply chain management 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. Additionally, our sustainability management information systems ensure that non-financial information required to understand our impacts on society and the planet are reviewed quarterly to understand the movements and initiate remedial action where needed. Certifications affirming environmental and social compliance are in place for a number of entities, ensuring that our business practices are on par with global best practice.

Aside from the integration of sustainability into our business processes, we also have a programme of activity and a dedicated budget for strategic philanthropy and preservation of biodiversity which are described elsewhere in this report. Among these, DP Education, the passion project of the Group's Chairman, is continuing to make a difference to rural education, providing teachers and students access to high quality digital content to supplement classroom education.



OUTLOOK

Despite the current situation in the country, we are cautiously optimistic of a positive outcome of the stirring changes that have taken place. We expect the road ahead to have some pitfalls and are on the alert to identify them early to avoid or mitigate their impacts.

The scale and breadth of uncertainty in the country requires every responsible citizen, be it an individual or a corporate, to commit to acting in the best interests of the country and its people. While detailed plans are in place for continuing the growth momentum through expansion, we are conscious of the need to time these with the recovery of the economy due to practical considerations as well as prudential and social concerns. A strong balance sheet supports our ambitions for expansion as well as finely honed expertise of teams across all our sectors.

It is clear that we need to urgently develop our exports to sustain economic stability whenever it may be restored. This will be our priority in the year ahead and we are encouraged by the progress made by the Lanka Walltiles Group in this regard as well as Rocell Bathware Ltd.

Raw material prices, energy prices, volatile exchange rates and inflation are expected to strain margins in the year ahead. Inflation is also likely to lead to pressure on wages as disposable incomes decline. Maintaining production will be a critical factor and we have increased our stocks of fuel and reduced our dependency on LP gas as the supply issues became apparent. The appointment of a head of supply chain management was timely as the increased complexity of this function in the current context requires specialised skills for effective management.

ACKNOWLEDGEMENTS

The CEO's within the Rocell Group have inspired their teams to drive growth and value to our stakeholders and I commend the leadership provided by them in a difficult year. I thank all employees of the Rocell Group executed our vision and strategy to deliver an outstanding performance for 2021/22.

I wish to thank the Chairman and the Board for their insights and diligent review of our performance and plans which enabled the results set out in this report. My team and I thank all our customers, business partners and other stakeholders who have been part of our journey over the years. I thank our shareholders for their continued confidence and close with a request that we all come together as a nation to realise our vision of a bright future for all Sri Lankans.



Aravinda Perera
Managing Director

Board of Directors



MR. DHAMMIKA PERERA

Chairman



MR. ARAVINDA PERERA

Managing Director



MR. A M WEERASINGHE

Deputy Chairman



MR. THARANA THORADENIYA

Director Marketing and
Business Development



MR. HARSHA AMARASEKARA

Director



MR. R N ASIRWATHAM

Director



MR. G A R D PRASANNA

Director



MRS. NIRUJA THAMBIAYAH

Director



MR. L N DE S WIJEYERATNE

Director



MR. NIVRAN WEERAKOON

Director



MR. SANJEewa RENUKA JAYAWEEERA

Director



MR. JITENDRA R GUNARATNE

Director



MR. SAMEERA MADUSHANKA LIYANAGE

Director

Board of Directors

MR. DHAMMIKA PERERA

Chairman

Mr. Dhammika Perera is a quintessential strategist and a business leader with interests in a variety of key industries including manufacturing, banking and finance, leisure and hydropower generation. He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and unquoted companies.

Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resort PLC, Vallibel Power Erathna PLC, Greener Water Ltd, Delmege Limited, and LB Microfinance Myanmar Company Limited. He is the Co Chairman of Hayleys PLC, The Kingsbury PLC and Singer (Sri Lanka) PLC. Executive Deputy Chairman of L B Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Hayleys Leisure PLC, Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC. Also, a Director of Dhammika and Priscilla Perera Foundation.

MR. ARAVINDA PERERA

Managing Director

Mr. Aravinda Perera counts over 38 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 serves on the Boards of Singer Finance (Lanka) PLC as Chairman, as Deputy Chairman in Pan Asia Banking Corporation PLC, Director of Rocell Bathware Ltd., SNAPS Residencies Pvt Ltd., & Kosgulana Hydro Company Ltd. Further to the Directorships, 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 Past Graduate 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 Jayawardenapura 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 and Hospital industries and has been a Landed Proprietor. In addition to the above, he is the Chairman of Lanka Ceramic PLC, Singhe Hospitals PLC, Weerasinghe Property Development (Pvt) Ltd., Trade Huts (Pvt) Ltd. and Weerasinghe Gems (Pvt) Ltd, and the Deputy Chairman of Lanka Tiles PLC., and Lanka Walltiles PLC. 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 sits on the Boards of several public quoted and privately held companies, including Lanka Ceramic PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Hayleys Fibre PLC, Delmege Ltd, Vallibel Plantation Management Ltd, Dipped Products (Thailand) Ltd, Unidil Packaging (Pvt) Ltd, Fentons Ltd and Swisstek Aluminium Ltd, among others. He has been credited as a proven business innovator across industries. A marketer by profession, he was in the pioneering batch of Chartered Marketers of the Chartered Institute of Marketing (UK).

MR. HARSHA AMARASEKERA

Director

Mr. Harsha Amarasekera, President's 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 also serves as an Independent Director in several listed companies in the Colombo Stock Exchange including Sampath Bank PLC, CIC Holding PLC, Swisstek Ceylon PLC, Swisstek Aluminium Ltd as Chairman and Vallibel Power Erathna PLC as Deputy Chairman. He is also an Independent Non-Executive Director of Vallibel One PLC, Expolanka Holdings PLC, Ambeon Capital PLC and Amaya Leisure PLC. He is also the Chairman of CIC Agri Businesses (Private) Ltd.

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, is a fellow member of the Institute of Chartered Accountants of Sri Lanka and serves as the Chairman of the Audit and Governance 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.

Mr. Asirwatham also serves as a Member of the Board of the Post Graduate Institute of Medicine Council of University of Wayamba and the Board of Management of S.W.R.D. Bandaranaike Memorial Foundation.

MR. G A R D PRASANNA

Director

Mr. Prasanna was appointed to the Royal Ceramics Board on 29 May 2009. He has wide experience in various businesses and also in business management. He is 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 (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 WIJAYERATNE

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 the 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 former Member of the Corporate Governance and Quality Assurance Board of the Institute of Chartered Accountants of Sri Lanka as well as the Accounting Standards and Monitoring Board of Sri Lanka.

Board of Directors

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 Directors of Delmege Limited, Fly Lankan Asia (Pvt) Ltd., Kasper Global (Pvt) Ltd. 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 positions 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 has 40 years career experience at John Keells Holdings PLC, leading the teams in the Food and Beverage, Plantations and Leisure sectors of the Group. The insights and experiences gained from these diverse industries honed his expertise in Strategic Planning & Execution, Production & Distribution and Industrial relations and Change Management.

Mr. Gunaratne was a Member of the Group Executive Committee of the JKH Group from 2005 to 2020, 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.

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 Ceramic PLC, Swisstek Aluminium Limited, Unidil 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

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 Bathaware Factory Complex



RANDEER MENDIS

Head of Supply Chain



UPUL DISSANAYAKE

Head of Logistics



SHAMMIKA DE SILVA

Head of Warehouse Operations

INDEX TRUC TIBLE

We continue to develop growth opportunities that keep us strong in times of change.

Strategy

Strategy

Our business model was adjusted to adapt to the challenging economic conditions that is prevailing in the country while continuing to meet the evolving consumer needs and balancing other stakeholder expectations.

Uninterrupted Operations

Uninterrupted production became a challenge due to the scarcity and high cost of raw materials caused by import restrictions and lack of foreign reserves in the country. Following strategies were implemented to ensure continuous operations of manufacturing plants.

- Shifting towards more cost-effective energy options
- Expanding storage facilities for raw material
- Maintaining positive relationships with suppliers
- Building a buffer stock on imported materials

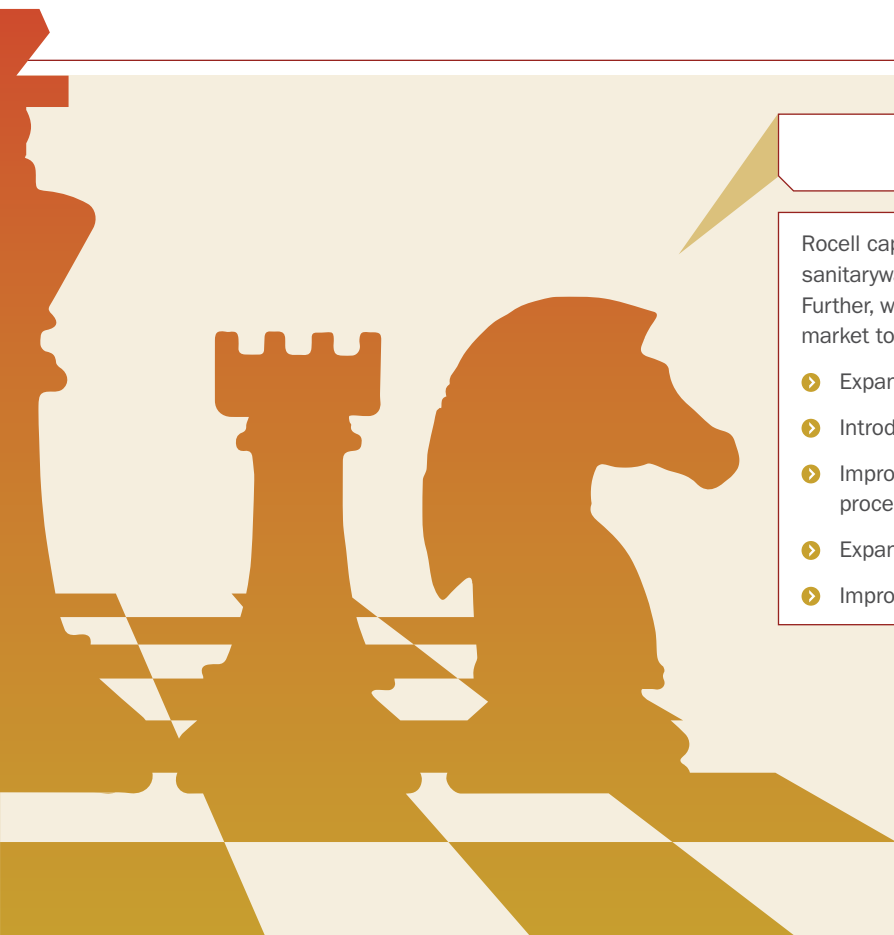


BUSINESS

Financial Stability

Resource allocation was carried out strategically to maintain healthy cash flows and a strong balance sheet.

	2021/22	2020/21
Total Funds (Debt+Equity) (Rs.Mn)	65,183	52,665
Gearing (%)	21.5	20.3



STRATEGY

Growth in Revenue

Rocell capitalized on the void in supply of tiles and sanitaryware created by the absence of imported substitutes. Further, we increased our focus on expanding the export market to increase the contribution made to Group's top line.

- › Expansion of production facilities
- › Introduction of new products
- › Improving productivity by driving efficiencies in production processes
- › Expansion of distribution network
- › Improving customer dispatches of goods ordered.

Sustainable Mindset

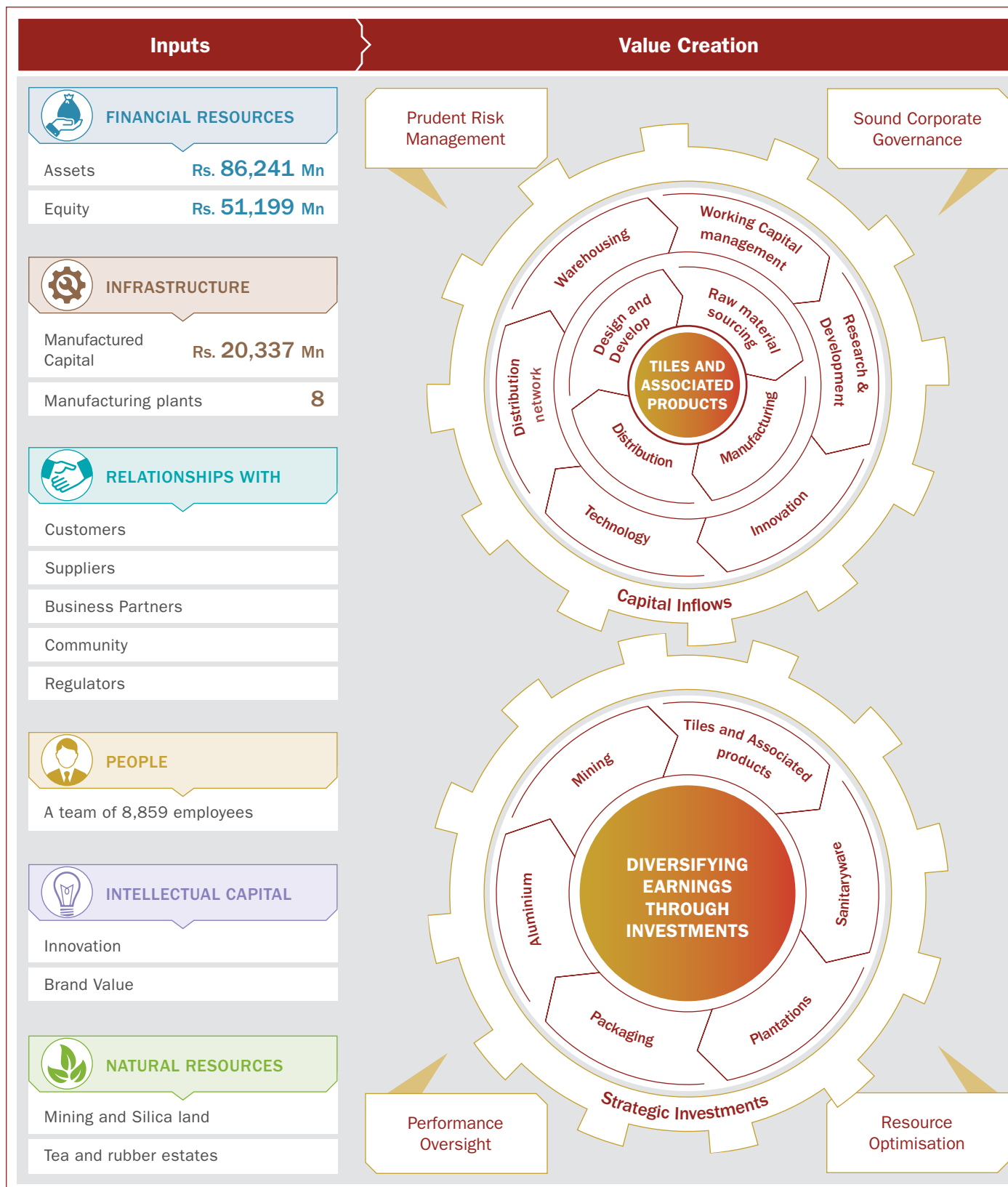
Our business journey is carried out with a sustainable mindset. We take all reasonable measures to minimize harmful impacts to the environment while supporting the socio economic progress of the country and communities we operate in.

Category	2021/22	2020/21
CSR Investment (Rs.Mn)	39	20.6
Consumption of renewable energy ('000 Kg)	11,041	6,780
Waste recycled (MT)	12,611	7,879

The Strategic Report

VALUE CREATION

Below is an illustration of our business model that creates value to our stakeholders.



Outputs	Outcomes	Value Delivered
<div> TILES AND ASSOCIATED PRODUCTS</div> <div><div>Tiles14,648,670 sqm</div><div>Grouts1,308 MT</div><div>Mortar52,093 MT</div></div>	<div> ECONOMIC</div> <div><div>Economic value added by the GroupRs. 31,658 Mn</div><div>Direct and indirect tax paymentsRs. 7,693 Mn</div></div>	<div> SHAREHOLDERS<div></div></div> <div><div>Earnings per ShareRs. 8.84</div><div>Dividend per ShareRs. 3.75</div></div>
<div> SANITARYWARE</div> <div><div>Bathware250,999 pieces</div><div>Bathware accessories251,776 pieces</div></div>	<div> ENVIRONMENTAL</div> <div><div>Reforestation</div><div>Waste discharged42,884 MT</div><div>Water discharged227 Mn.Litres</div><div>Renewable energy11,041 '000 kg</div></div>	<div> EMPLOYEES<div></div></div> <div><div>Employee remunerationRs. 7,256 Mn</div><div>Investment in training and developmentRs. 9 Mn</div><div>Job security</div><div>Healthy and safe workplace</div><div>An inclusive workplace</div></div>
<div> PLANTATIONS</div> <div><div>Tea2,860 MT</div><div>Rubber611 MT</div></div>	<div> SOCIAL</div> <div><div>Direct and indirect employment opportunities</div><div>Community development initiatives</div></div>	<div> CUSTOMERS<div></div></div> <div><div>Delivery of high quality, innovative products</div><div>Customer support</div></div>
<div> ALUMINIUM</div> <div><div>Aluminium products6,726 MT</div></div>		<div> SUPPLIERS<div></div></div> <div><div>Payments to local suppliersRs. 30,869 Mn</div><div>Payments to foreign suppliersRs. 15,521 Mn</div></div>
<div> PACKAGING</div> <div><div>Corrugated cartons27,277 MT</div><div>Paper sacks3,278 MT</div></div>		<div> COMMUNITIES<div></div></div> <div><div>New recruitments1,026</div><div>CSR spendRs. 39 Mn</div></div>
<div> MINING</div> <div><div>Feldspar29,125 MT</div><div>Kaolin7,272 MT</div></div>		<div> GOVERNMENT<div></div></div> <div><div>Tax paymentsRs. 7,693 Mn</div></div>

Stakeholder Engagement

GRI - 102 - 40, 102 - 42, 102 - 43, 102 - 44

Balancing the expectation of key stakeholders is essential for the sustainability of our business while the effectiveness of our business model depends on the contribution made by these stakeholders.

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

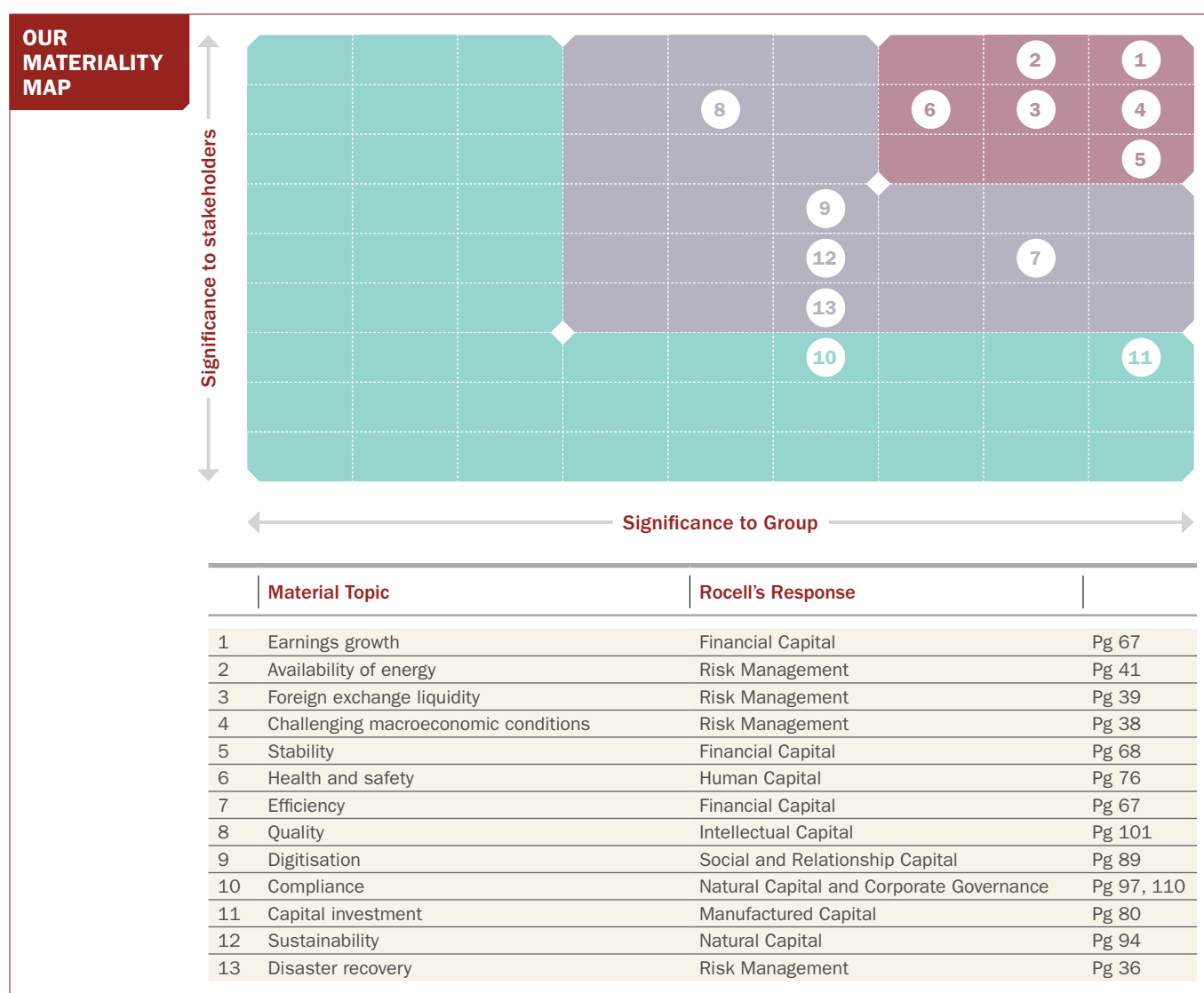
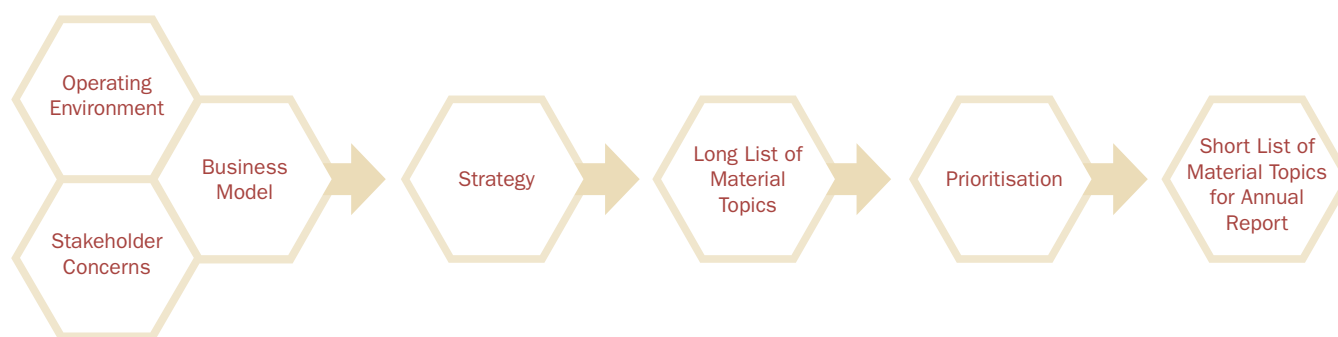
Stakeholder Group	Engagement Mechanisms	Stakeholder concerns	Value created by Rocell
Customers  <ul style="list-style-type: none"> Direct buyers Influencers Architects Fabricators Tilers 	<ul style="list-style-type: none"> Concept stores Showrooms Direct visits Trade fairs Call centre Tilers app Social media Corporate website 	<ul style="list-style-type: none"> Product quality Availability Pricing Customer service Marketing Digital presence 	<ul style="list-style-type: none"> 14,648,670 SQM of tiles Grouts 1,308 MT Mortar 52,093 MT 251,000 pieces of sanitaryware 251,776 pieces of bathware accessories 6,726 MT of aluminium products 27,277 MT of corrugated cartons 3,278 MT of paper sacks 2,469 MT of tea 611 MT of rubber 29,125 MT of feldspar 7,277 MT of kaolin
Business Partners  <ul style="list-style-type: none"> Distributors Dealers Sub dealers Franchises Suppliers 	<ul style="list-style-type: none"> Direct Meetings Telephone/email communication Dedicated service teams Annual events 	<ul style="list-style-type: none"> Commissions Logistics Support for growth Rewards and benefits 	<ul style="list-style-type: none"> We partnered with various market intermediaries and helped them earn commissions income Tiler Training
Capital Providers  <ul style="list-style-type: none"> Investors Debt Providers 	<ul style="list-style-type: none"> Quarterly and annual reports Press releases Annual General Meeting 	<ul style="list-style-type: none"> Share price Performance Financial stability Returns Growth prospects 	<ul style="list-style-type: none"> Dividend of Rs. 3.75 per share Share price growth of 58%
Employees 	<ul style="list-style-type: none"> Performance appraisals Welfare events Direct meetings 	<ul style="list-style-type: none"> Remuneration Other benefits Fair and ethical work place Health and safety 	<ul style="list-style-type: none"> Employee remuneration of Rs. 7,256 Mn Providing all health and safety facilities during the pandemic
Regulators 	<ul style="list-style-type: none"> Periodic filings Visits Tax filings 	<ul style="list-style-type: none"> Compliance Timely tax payments 	<ul style="list-style-type: none"> Tax payments of Rs. 7,693 Mn
Community 	<ul style="list-style-type: none"> Employment Community projects 	<ul style="list-style-type: none"> Direct Employment opportunities Indirect Employment opportunities CSR Projects 	<ul style="list-style-type: none"> CSR Spend of Rs. 39 Mn

Material Matters

GRI - 102 - 47

We have identified the material topics that have a significant impact on our ability to create value, which, in turn can affect our business, economy, community and the environment. The challenging economic conditions and prolonged pandemic has driven us to adopt a more agile approach while we continue to be resilient.

We carry out the process of determining material topics by analysing matters of concern for different type of stakeholders and by identifying potential changes in our operating environment that can impact our operations.



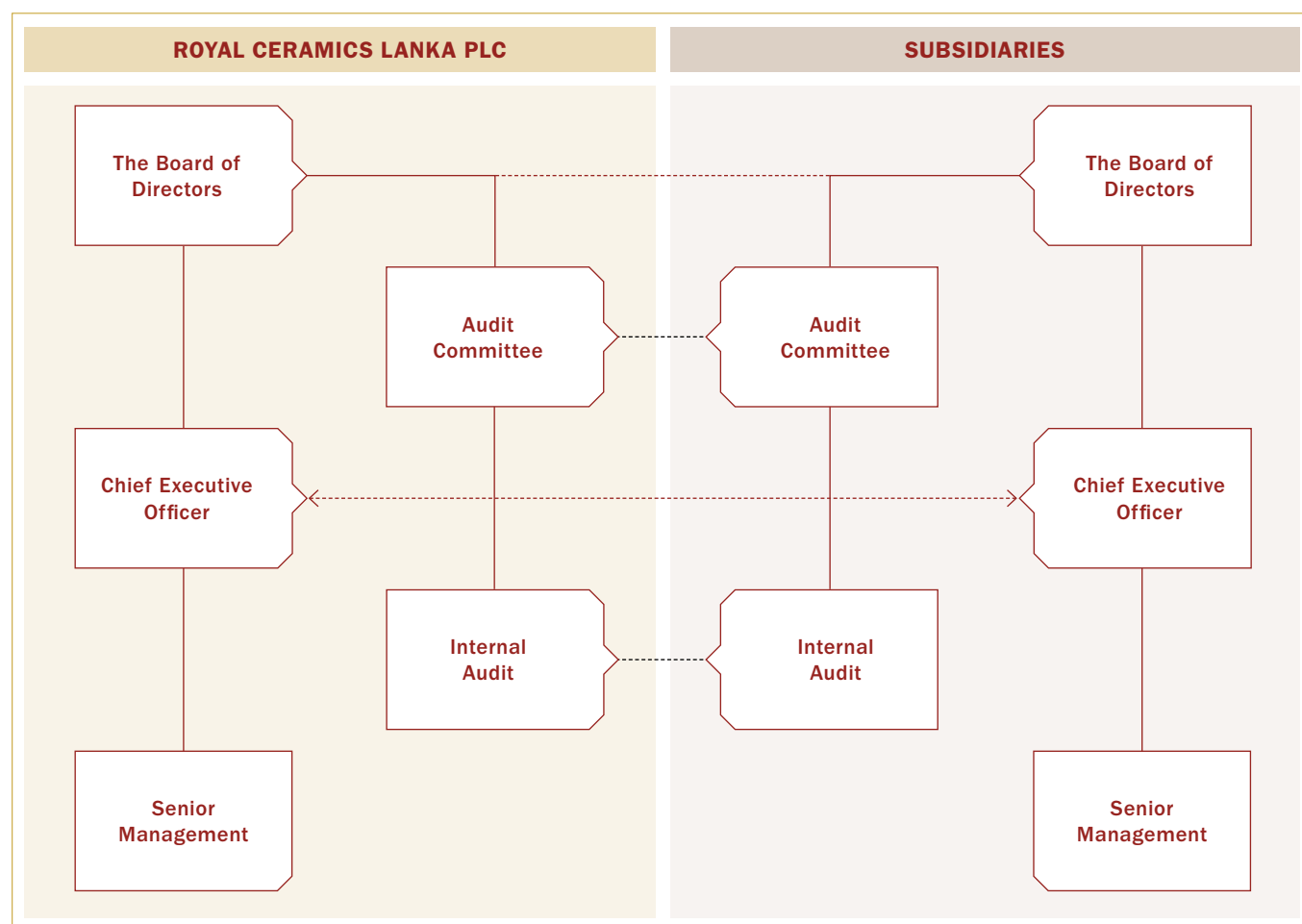
Managing Risks

Risk management is pivotal to the growth of our businesses in a volatile and uncertain business landscape. A regular item on the Board agenda, its relevance and importance continues to grow with the need to ensure the continuity of business operations and resilience of the Group to potential shocks.

RISK GOVERNANCE

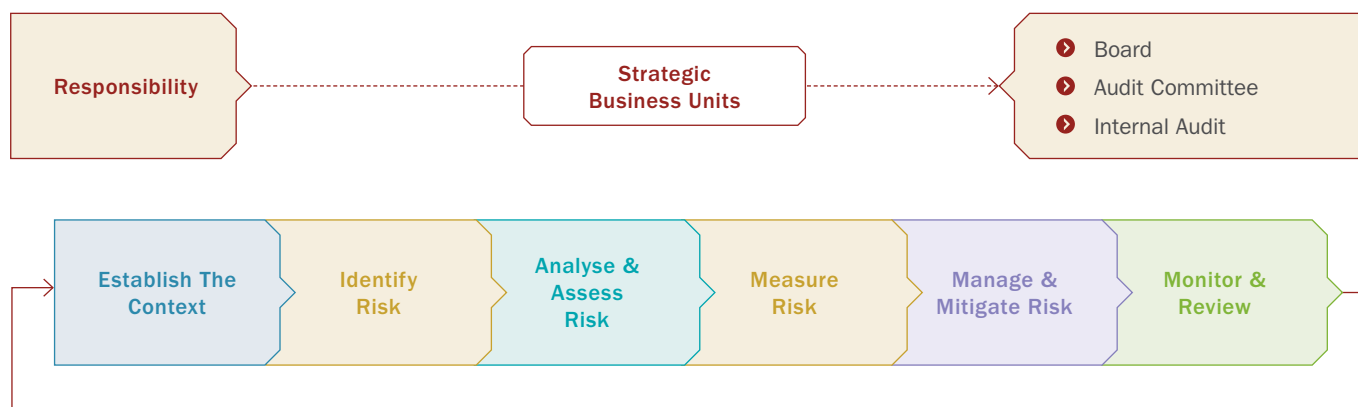
The Board is responsible for setting in place a framework, structures and processes for managing risks for the Group as a whole and across its diverse sectors. The Board is assisted in this by the Audit Committee who has oversight responsibility for risk management. They are supported by the Boards of subsidiaries and their audit committees who have responsibility for doing the same in the relevant sectors. Corporate Management of the Group and each strategic business unit are responsible for the effective functioning of the risk management processes in line with the framework and structures set in place. The risk management processes encompass the identification, measurement, monitoring, management and mitigation of risks as well as reporting risks facilitating identification of early warnings, allocation of resources and informed decision making at all levels. Risk management is also a key input for the Group's strategic planning processes as the process also serves to identify opportunities as well as risks.

Group Internal Audit is responsible for review of the risk assessments provided by the strategic business units and constructively challenging the same. The department is also responsible for reporting risks to the respective senior management, Board Audit Committees and the Board.



PROCESS FOR MANAGING RISK

The process for managing risk within each sector is summarised below. The Rocell Audit Committee reviews the risk summaries of all sectors.



INCREASING VOLATILITY AND UNCERTAINTY

The prolonged pandemic accelerated the escalation of key risks that exposed the vulnerability of Sri Lanka's economy brought on by reduced inflows of foreign exchange, sovereign debt repayments and the effect of tax cuts two years ago. The year under review commenced with low interest rates, moderate inflation, and a ban on fertilizer and agrochemicals. A widening trade and balance of payments deficit and forecast debt repayments exerted pressure on the rupee and resulted in downgrading of country risk ratings by rating agencies. Wide ranging import restrictions and other measures were implemented to manage exchange rate volatility which remained at 0.6% for the first three quarters of the financial year, spiking sharply in March 2022 to a record 50% and a further 20% in April 2022. The country's foreign currency reserves declined to an all-time low by end March 2022 leaving little head room for necessary imports of food, fuel and medicines. The ensuing economic turmoil gave way to social unrest and political instability, threatening the smooth operation of businesses due to islandwide power cuts and fuel shortages. Inflation soared to 29.8% as measured by the CCPI in April 2022 moving up from 18.7% in March 2022 reflecting the pressures on cost of living, disposable incomes and wages. Policy interest rates were increased by 7% on the 8th of April and the country announced its decision to default repayment of selected categories of foreign debt on 12 April 2022. At present a new Prime Minister has been appointed with a reduced cabinet of ministers to restore normalcy and discussions are progressing with the IMF to obtain assistance.

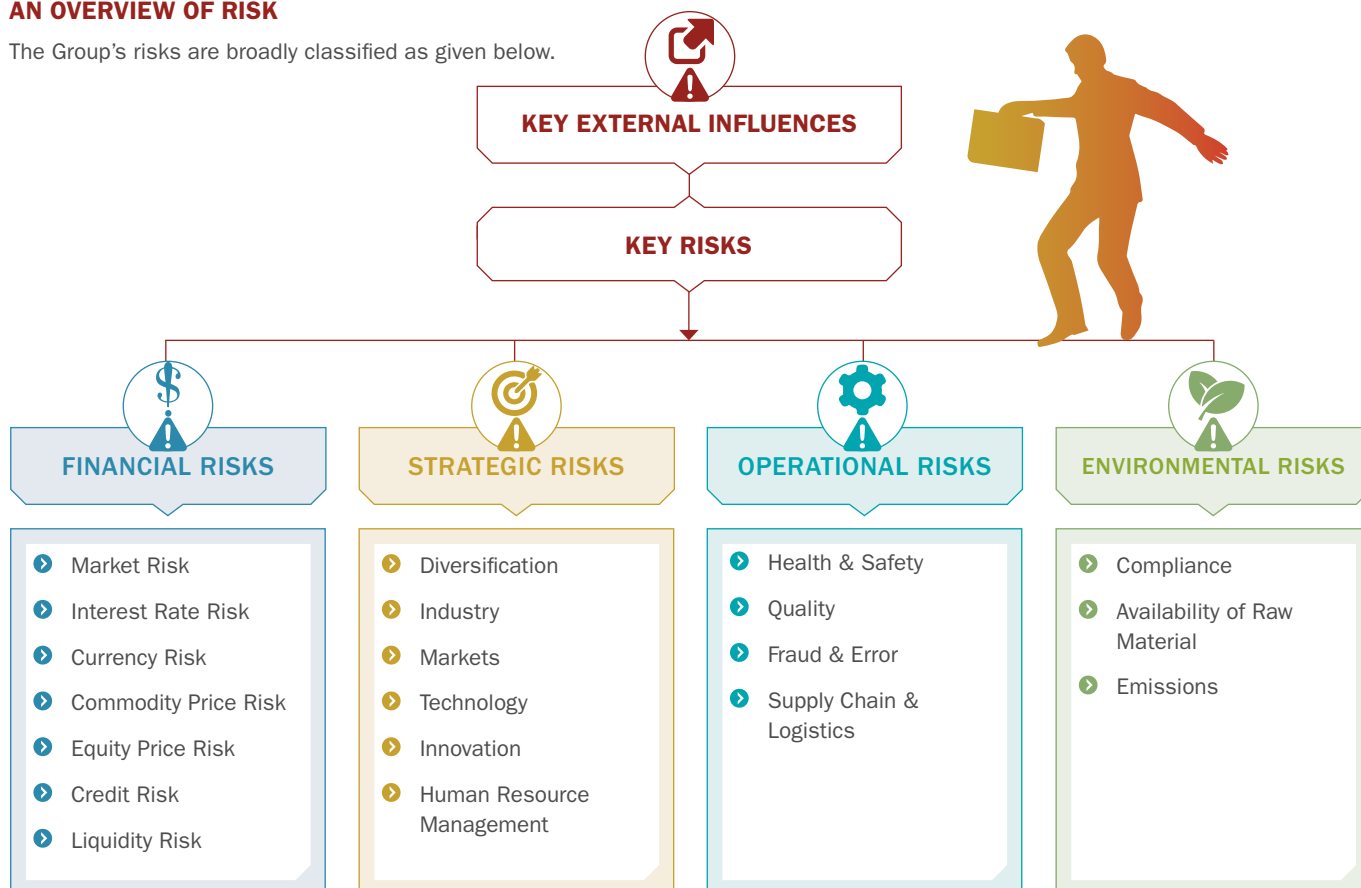
These shocks had a varying impact on the Group. All sectors were affected by the foreign exchange liquidity crisis with resultant delays in opening letters of credit to procure necessary raw materials and plant and machinery for the minimal expansions undertaken during the year. The Tiles and Associated Products sector continued to benefit from the import restrictions on tiles but held the prices for most of the year to ease the impact on costs of housing and construction which soared due to increased cost of cement and steel. The construction sector, which drives demand for Tiles, Sanitaryware and Aluminium sectors recorded strong growth in 2021 with 1.9% growth, contributing 6.1% to GDP. The Packaging and Aluminium sectors were impacted by rising global prices of raw materials as global supply shortages continued. The Plantations sector was adversely impacted by the ban on fertilizer and agrochemicals which impacted yields and operating costs. Globally cyber risks remained elevated and significant resources were allocated to mitigate the threats.

Environmental risks continue to gain prominence as temperatures soar and the evidence of global warming and ecological overshoot becomes indisputable and more disturbing. It is clear that mere compliance with regulatory requirements is inadequate and that strategies for reversing the effects must be developed and implemented without delay.

Managing Risks

AN OVERVIEW OF RISK

The Group's risks are broadly classified as given below.



KEY EXTERNAL INFLUENCERS

Typically, the Group has very little or no influence over these trends and changes and needs to align strategy to seize opportunities and mitigate threats.

Government Policy & Pandemic

Government policy has a significant impact on the operations of the Group, particularly in the context of weakened economic conditions. Key policies or actions that impacted the businesses of the Group have been discussed above in the Increasing Volatility and Uncertainty on page 44. Sri Lanka is experiencing its worst economic crisis in living memory and has defaulted on sovereign debt for the first time indicating the level of stress in the country. Central Bank has also announced that this year will be a set back for the economy. The current fuel, energy, political, and economic crises will take time to resolve and will necessitate an increase in taxation and other structural reforms that will no doubt be unpalatable to individuals and corporates as the government seeks to aggressively increase its revenues and withdraw fuel and energy subsidies.

Consumer Behaviour

Consumer demand was strong supported by increased activity of the construction sector and supply shortages in the market due to import restrictions. Consumers also sought increased value for money, were discerning about trends and aesthetic aspects and showed a preference contemporary designs in large format and mosaic tiles. These trends were supported with an increase in the number of factory outlet stores and the launch of new designs.

Digitalisation

Digitalisation is key to growth and a new norm in working and will play a key role in attracting and retaining talent. It will be critical in reaching customers in the future engaging them prior to we sit through the showroom and continuing the experience thereafter. Online shopping he's also becoming mainstream and we expect tiles and sanitaryware to follow suit.



FINANCIAL RISKS

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 the risks which are analysed below.

Interest Rate Risk

Interest rates edged upwards during the second quarter but remained in single digits until the year end. Interest rates were increased by 7% in April 2022 targeting the inflation which was an expected, even required to drive the necessary contraction in the economy. The impact of the Financial Services sector is multifaceted. It will have a favourable impact with the prospect of improved margins. However, it increases credit risk of the existing portfolio as customers who are already stressed may not be able to absorb the shock, driving impairments and this needs to be assessed and managed carefully. It will have a negative impact on demand in the Tiles, Sanitaryware and Aluminium sectors as housing loans become more expensive. Group's borrowings have reduced significantly over the past two years as strong cashflows reduced the borrowings on account of working capital, enabling all sectors to absorb the shock. However, proactive management of working capital cycles and financing will be a priority to maintain optimal funding structures and maintain overall resilience of the Group during a stressed economic era.

Interest rate sensitivities

	Change in basis points	Company	Group	Mitigating activities
2021	100 (1%)	Rs. 37.8 Mn	Rs. 74.1 Mn	<ul style="list-style-type: none"> 23% of the Group loan outstanding obtained on fixed interest rates
2022	100 (1%)	Rs. 0.9 Mn	Rs. 95 Mn	
2022	700 (7%)	Rs. 6.1 Mn	Rs. 664 Mn	<ul style="list-style-type: none"> Leverage of Group at a comfortable 0.27 time

Currency Risk

The Sri Lankan rupee depreciated by 70% in the first four months of 2022 which was a shock as the rate was maintained below equilibrium for 11 months during which period devaluation of the rupee was a mere 0.92% and is widely expected to depreciate further in the year ahead. Packaging, Aluminium and Sanitaryware sectors are significantly exposed to currency risk as a significant proportion of the raw materials are imported. The hedge from exports is around 3% from revenue.

	Further depreciation of Rupee vs USD	Company change in profit before tax	Group change in profit before tax	Mitigating activities
2022	20%	Rs. 64.2 Mn	Rs. 343.6 Mn	<ul style="list-style-type: none"> Increased stocks of imported raw materials Maintaining foreign currency deposits with banks Growth of exports
	15%	Rs. 48.2 Mn	Rs. 257.7 Mn	
	10%	Rs. 32.1 Mn	Rs. 171.8 Mn	
	-10%	Rs. -32.1 Mn	Rs. -171.8 Mn	
	-15%	Rs. -48.2 Mn	Rs. -257.7 Mn	
	-20%	Rs. -64.2 Mn	Rs. -343.6 Mn	

Commodity Price Risk

The Packaging sector is directly exposed to commodity risk as its primary input is paper pulp which increased by nearly 100% and is forecast to increase significantly again. This is compounded by the currency risk as well as increased freight costs which have increased nearly 10 fold during the year. The main mitigating activity will be to communicate with customers and share the increase in costs with customers which will impact profitability.

The Plantation sector is expected to be a beneficiary as Tea, rubber and oil palm prices are increasing. Geopolitics will play a critical role in the movement of these prices. The main mitigating activity for this risk is the agricultural and non-agricultural diversification of revenue streams in the plantation sector.

Managing Risks



FINANCIAL RISKS (CONTD.)

Market Risk Equity Price Risk (Contd.)

The value exposed to equity price risk is Rs. 42.7Mn which is 0.22% and 0.08% of the net assets of the company and Group respectively. The outlook remains uncertain 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. 5,038 Mn which relates to trade receivables of the Group which amounts to 9.8% of Net Assets of the Group. Overall receivables have declined significantly as tiles were mainly a cash business due to the volatile cost environment. Strong credit control systems have been established across all sectors supporting recovery.

Liquidity Risk A comfortable leverage ratio of 0.27 provides sufficient headroom for securing further funding at need. This is supported by a quick assets ratio of 0.93 times in 2021/22 and a strong liquidity position with sufficient cash and cash equivalents for the business needs of the Group.

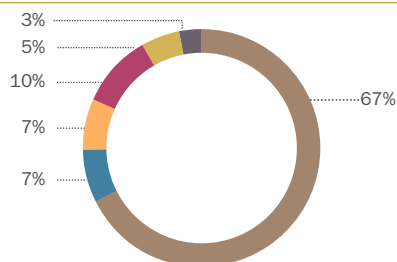


STRATEGIC RISKS

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

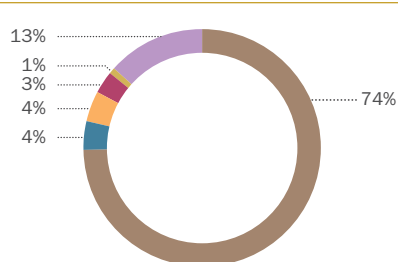
Diversification The diversification of the Group's assets and the contribution of each sector to the profit before tax are given below. Assets and Profits are heavily weighted to the Tiles sector which accounts for 67% of assets and contributes 74% to Profit before tax.

Assets



■ Tiles and Associated Products ■ Sanitaryware
■ Packaging ■ Aluminium ■ Plantations
■ Other

Profit Before Tax



■ Tiles and Associated Products ■ Sanitaryware
■ Packaging ■ Aluminium ■ Plantations
■ Financial ■ Other

Geographic diversification in terms of revenue is 97% from local and 3% from export. The Group is actively pursuing developing export market to further diversify revenues.

Technology

The Group has continued 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 80 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.



OPERATIONAL RISKS

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 with the onset of the pandemic. All factories have implemented health and safety protocols in line with WHO and local health authority requirements. Transport arrangements and even residential arrangements have been made where deemed necessary to facilitate continuity in operations. PPE have been provided to all staff at factories, supporting safety at work.
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, efficient production and minimisation of waste.
Fraud & Error	A comprehensive system of internal controls have been established and is subject to internal audit according to an agreed programme. Work from home arrangements have been regularised with adequate 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 relatively fluid work arrangements and high levels of stress prevalent today due to the stressed economic conditions in the country. The decision by the Group to pay salaries in full throughout the year has been a positive factor in mitigating this threat.
Supply Chain & Logistics	Supply chain and logistics continue to be a drag on smooth operations exacerbating the impact of financial risks, diminishing the capacity to implement optimal solutions and also their effectiveness. Additionally, as mentioned above, freight costs have escalated and it is difficult for exporters to find containers and space for shipping at present. Supply of raw materials were well managed with careful planning allowing for extended lead times. Managing the combination of supply chain risks and foreign exchange liquidity risk will be key to performance in the year ahead.



ENVIRONMENTAL RISKS

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.
Availability of Raw Materials	<p>The Tiles sector uses ball clay which is mined from lands after securing a license for the purpose from the Department of Geology and Mining. 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.</p> <p>The Aluminium sector uses recycled aluminium as a raw material input minimising imports driving productivity efficiencies.</p>
Energy & Emissions	As the country moves through the energy crisis, innovative solutions are being deployed for companies to expand 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. The Group is reviewing these solutions for deployment to secure energy for our business needs and sustain the business which support livelihoods of over 8,859 employees. This shift to renewable energy will also serve to reduce emissions and the Group's environmental footprint.

Management Discussion and Analysis





The diversity of our business functions and capabilities has enabled us to be resilient during uncertainty and aided us in achieving our aspirations even in the harshest environments.

This section outlines the strategies implemented by each business segment to seize the opportunities and navigate through the challenges while we move towards our strategic objectives.



Operating Environment	44
Business Line Reviews	48
Capital Reports	
Financial Capital	64
Human Capital	70
Manufactured Capital	80
Social and Relationship Capital	87
Natural Capital	92
Intellectual Capital	98
Corporate Governance	104
Annual Report of the Board of Directors	
on the Affairs of the Company	117
Statement of Directors Responsibilities	123
Report of the Audit Committee	124
Report of the Remuneration Committee	126
Report of the Related Party	
Transactions Review Committee	127

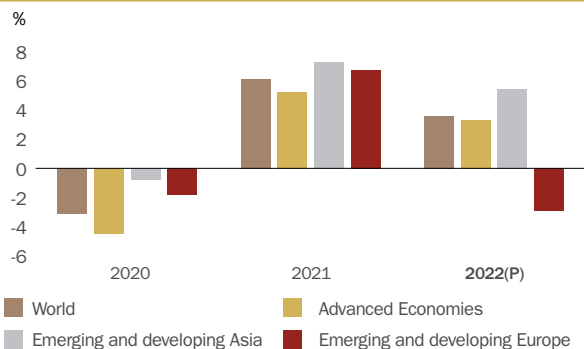
Operating Environment

WORLD ECONOMY

The global economy began its recovery in the latter part of 2020 and continued in 2021 at a more moderate pace amidst the re-emerging pandemic. The strong policy support and adjustment of economic activities to the new norm resulted in a stronger recovery during the first quarter. However, the momentum of the recovery weakened with the outbreak of highly transmittable Delta variant. Despite the resurging pandemic, rising inflation, food insecurity and climate change the global economy continued its recovery in 2021 to an estimated 6.1% (IMF Economic Outlook April 2022)

The prospects for 2022 are dimmed by the Russian invasion of Ukraine as Russia is a major supplier of oil, gas and metal while Ukraine is a major supplier of wheat. It is forecasted to exert pressure on commodity prices, hinder trade and financial linkages. Inflation which moved up in the latter half of 2021 is expected to remain high as a result with knock-on effects on more vulnerable economies with a high dependency on imports. Additionally, economic prospects across countries vary significantly due to disparities in vaccine access making policy support a major concern. Accordingly, the IMF projects the global economy to grow by a moderate 3.6% in 2022.

Global Economy



Source - IMF Economic Outlook April 2022

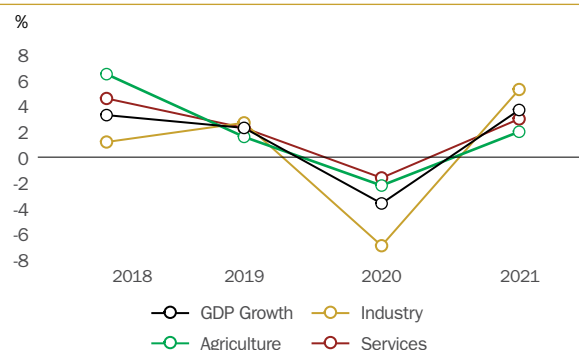
SRI LANKAN ECONOMY

In 2021, the Sri Lankan economy grew by 3.7% making a modest recovery after the pandemic induced contraction of 3.6% 2020. As tourism came to a halt and the country's fuel imports soared with climbing oil prices, the country's trade deficit widened exerting pressure on the country's exchange rate. Sri Lanka also lost the access to international sovereign bond market following substantial tax cuts which led to down grading of country's debt rating. Prompt broad-based policy actions at the onset of the pandemic mitigated the impact on the financial sector. However, external debt liabilities and widening current account deficit resulted in shortage in foreign reserves. Inflation reached double

digits in December 2021 and soared to 29.1% in April 2022 reflecting imported inflation, supply shocks, recovery in domestic demand and lack of policy direction.

Fitch Ratings downgraded the country's long term foreign currency issuer default rating to C following the suspension of normal debt servicing on several categories of external debt by the Ministry of Finance in April 2022.

Economic Performance - Sri Lanka



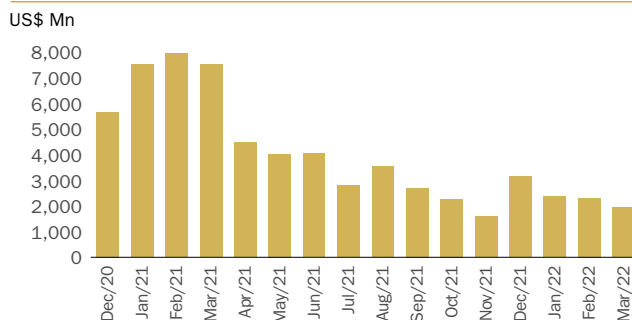
Source - Central Bank of Ceylon Annual Report 2021

EXTERNAL SECTOR AND EXCHANGE RATE

The external sector struggled as the pandemic hindered the forex inflows amidst substantial forex debt servicing obligations. Loss of access to international capital markets prompted a decline in foreign reserves while the widening trade deficit accelerated the deterioration.

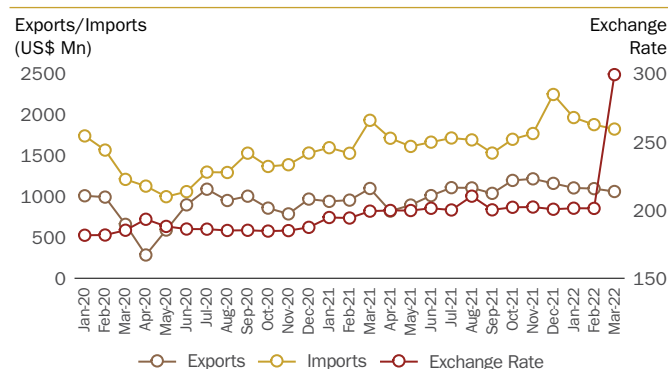
Sri Lanka opted for a pegged exchange rate in April 2021, but abandoned the pegged exchange rate in March 2022 as defending the Rupee with dwindling reserves became difficult. During 2021, the Rupee depreciated by 7% and by 41% during first four months of 2022 and remains under intense pressure.

Sri Lanka - Foreign Reserves



Source - www.cbsl.gov.lk

Exchange Rate



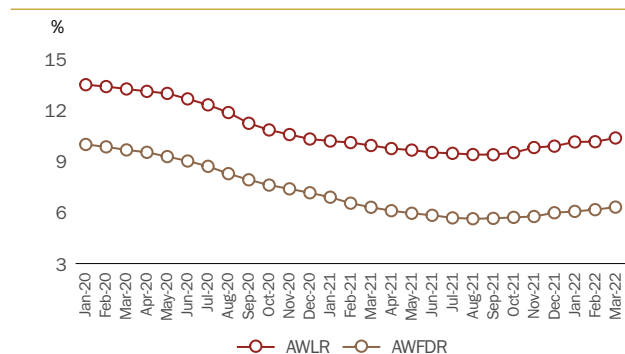
Source - www.cbsl.gov.lk

INTEREST RATES

The accommodative monetary stance adopted by the Central bank till August 2021 saw market interest rates decline to historically low levels. However, in August 2021 Central Bank reversed its stance by raising key policy rates, signaling the end of its quantitative easing policies to contain high inflation amidst the forex crisis. Average Weighted Lending rate (AWLR) was at 10.35% in March 2022 compared to 9.91% at the beginning of the financial year. Average Weighted Fixed Deposit Rate (AWFDR) was at 6.3% as at March 2022 compared to 6.29% in March 2021.

In April 2022, the Central bank raised the interest rates by an unprecedented 700 basis points to tame inflation in the wake of build-up aggregate demand and supply disruptions.

Interest Rate Movement

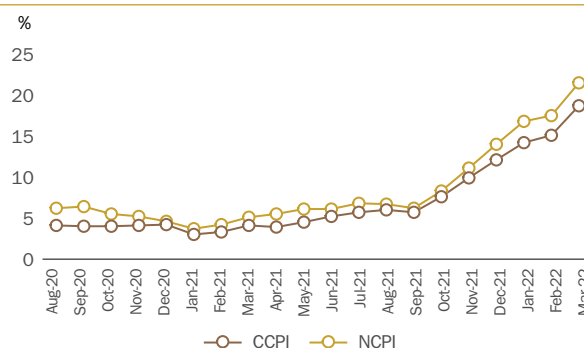


Source - www.cbsl.gov.lk

INFLATION

Inflation which remained somewhat restrained during the early part of 2021 accelerated thereafter mainly due to increasing food prices with food inflation recorded at 16.9% for the year. Prices of several commodities including fuel and gas were revised upwards and price controls of several imported commodities were removed. Accordingly, headline inflation measured by CCPI reached 12.1% y-o-y by the end of 2021. By March 2022, inflation rose to 18.7%, the highest since November 2008.

Inflation



Source - www.cbsl.gov.lk

TILES AND SANITARYWARE SECTOR

The construction sector witnessed a recovery following the contraction in 2020, supported by the easing of mobility restrictions and swift adjustments to new ways of working. However, the shortage of raw materials hindered the recovery due to the growing foreign exchange liquidity concerns. The sector reported a growth of 3% in 2021, supported by the low interest rates that prevailed during the year resulting in a growth of 18.3% in credit for housing loans. Housing approvals in the Greater Colombo area increased by 60% and 50% in Q1 and Q2 of 2021 respectively.

Supply of tiles to the domestic market

Domestic tile market is dominated by four large manufacturing companies namely, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC and Mactiles Lanka (Pvt) Ltd.

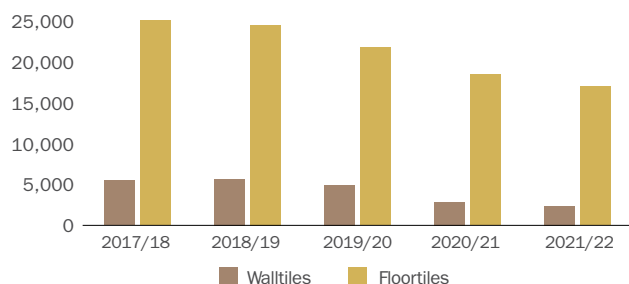
Local tile manufacturers continue to benefit from import ban imposed on tiles by the Government resulting in long waiting times for specific design and strong order pipelines. However, the industry struggled due to the difficulties in sourcing raw materials from foreign suppliers. Profitability margins were under intense strain due to the current inflationary pressures including the increasing costs of fuel.

Operating Environment

At present 100% of local demand for tiles and 60% to 70% of local demand for sanitaryware are met by local manufacturers. There are five bathware manufacturers in Sri Lanka with annual combined production capacity of approximately 1.1 Mn bathware pieces. During the year significant capital investments were made to boost the domestic bathware production capacity in order to fulfill the short supply created by the import ban. During 2021, export earnings from ceramic products increased to US\$37 Mn compared to export earnings of US\$24 Mn in 2020. Major export destinations for sanitaryware are United Kingdom, India, Mexico, United States, China and Hungary.

Domestic Tile Demand

(000 SQM)



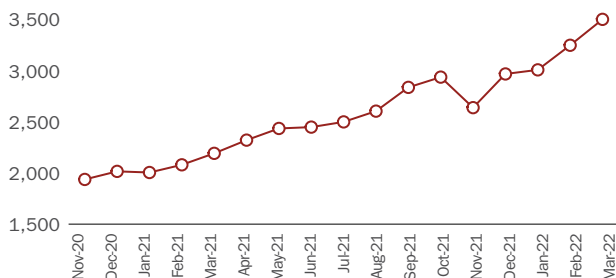
ALUMINIUM

The Sri Lankan Aluminium industry demand is driven by the local construction sector as exports are minimal. Accordingly, the sector benefited from the recovery of the construction industry as large-scale construction projects resumed activities and housing approvals soared due to low interest rates. Further, the local aluminium extrusion industry also continues to reap benefits from the absence of imported aluminium products as the import ban continues to be in place.

Most major markets witnessed increased demand as global demand increased by 7.6%. China continued its dominance by contributing to more than 54% of world's total aluminium production.

Aluminium Prices

\$/MT



Source - www.worldbank.org

PLANTATION SECTOR

The plantation sector, which includes mainly tea, rubber, and coconut, plays a very important role in the economy of the country. However, the sector continues to be plagued by inconsistent government policies, the rising cost of production and the wage hike mandated by the Government, dampening long-term growth prospects and investment appetite of the industry. Uncertain macro-economic conditions resulted in fluctuations of demand and supply, currency depreciation and inflationary pressures on costs which also negatively affected the industry.

Key industry developments during the year are highlighted below:

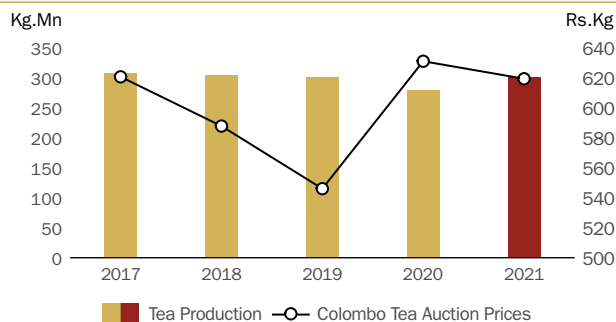
Tea

Domestic tea production recorded an increase of 7.4% in 2021, driven by a significant expansion during the first half of the year, compared to the lower base in the corresponding period of 2020. Production of high, medium, and low grown teas expanded by 5%, 9.1% and 7.8% respectively during the year.

Tea prices remained buoyant, with an average price of Rs. 619.15 per kg during the year, compared to Rs.633.85 the previous year. Demand for Sri Lankan tea was favourable during the year, reflecting an increased propensity towards healthy beverages and supply shortfalls in other tea-producing nations. Prices remained high in the first quarter of 2022 as well, reaching Rs. 763. 83 by end-March.

Sri Lanka's tea export volumes increased by 8% to 286 million Kg during the year with export earnings reaching Rs. 1.3 billion, an increase of 7% compared to last year. Middle East continues to be Sri Lanka's major market for tea exports, with exports to the country increasing by 11% during the year.

Tea



Source - www.cbsl.gov.lk

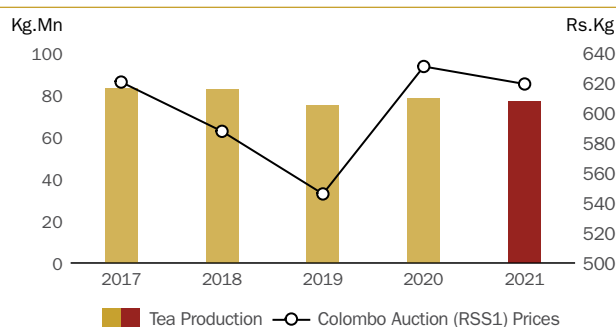
Rubber

The rubber industry continued to be hindered by the high cost of production, adverse weather conditions and the prevalence of fungal diseases with production declining by 1.75% to 76.9 million KG in 2021. Export volumes too declined marginally, reflecting low production.

Meanwhile, rubber prices at the Colombo Rubber Auction witnessed a surge in line with the increase in global prices on the back of supply disruptions. Accordingly, the average price of RSS1 increased by 31% to Rs.460.78 while prices of latex crepe witnessed a significant increase of 74.4 per cent to Rs. 626.32 per kg.

The Rubber Development Department (RDD) and the Rubber Research Institute (RRI) continued to implement several strategies aimed at improving sectoral productivity as well as raising the value addition in the rubber industry.

Rubber



Source - www.cbsl.gov.lk

Oil Palm

Oil palm cultivation rapidly grew over the years, fueled by the global demand for palm oil which is approximately around 70 million tonnes per year. However, inconsistent government policy has hindered the sustainable growth of oil palm in Sri Lanka with harvest quantities limited to existing plantations. Despite government approval in 2014, oil palm cultivation was subsequently banned, and companies were required to uproot 10% of oil palm cultivation through a directive in April 2021.

The sector remains a lucrative business having the potential to transform the country's plantation sector while generating export earnings and preserving foreign exchange through import substitution on edible oil. Prices increased significantly during the year, in line with the rise in global commodity prices.

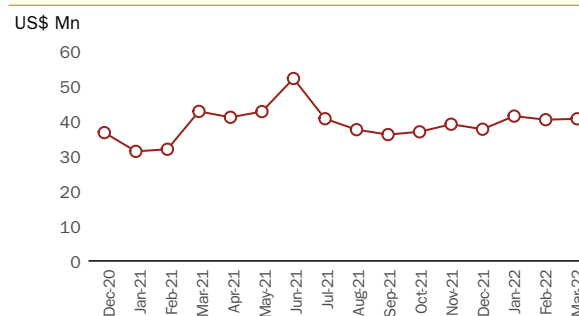
Packaging

The packaging industry in Sri Lanka is largely dependent on the FMCG, garments, cement, tea, rubber and tile sector. The industry is highly competitive, consisting of over 40 manufacturers who control over 70% of the market.

The escalating price of pulp and other chemicals used in paper production led to a significant increase in the global price of paper during the first half of the year 2021. Although the global prices have started declining towards the latter part of 2021, the profit margin of the local packaging industry is under severe pressure due to the drastic devaluation of the Rupee, as over 70% of the raw materials are sourced from overseas.

Value of paper imports which accounted for 2.3% of Sri Lanka's total imports increased by 22% to reach US\$ 469 Mn in 2021.

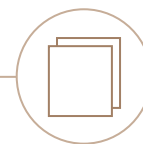
Sri Lanka Paper Imports



Source - www.cbsl.gov.lk

Business Line Reviews

Tiles and Associated Products



ROCELL, TOGETHER WITH TWO FLAGSHIP BRANDS 'ROCELL' AND 'LANKA TILES' HAS DOMINATED THE PORCELAIN AND CERAMIC TILES MARKET FOR OVER THREE DECADES. OUR CONTINUOUS EFFORTS IN INNOVATION, TECHNOLOGY AND WORLD-CLASS MANUFACTURING FACILITIES HAVE EARNED US A MARKET SHARE OF 90% IN WALL TILES AND 69% IN FLOOR TILES.

CAPITAL VALUE CREATION					
FINANCIAL RESOURCES		SOCIAL AND RELATIONSHIP CAPITAL		NATURAL CAPITAL	
Revenue	Rs. 38,438 Mn	Own Showrooms	58	Materials consumed	315,448 MT
Profit after tax	Rs. 9,668 Mn	Hybrid and factory outlets	37	Water recycled	61 Mn.Litres
Total assets	Rs. 50,186 Mn	Franchise showrooms	50	Water discharged	129 Mn.Litres
		Dealers and distributors	190	Energy consumed	66 Mn.Kwh
		Suppliers	2,045		
		Tiler club members	5,100		
MANUFACTURED CAPITAL		INTELLECTUAL CAPITAL		HUMAN CAPITAL	
Capacity utilisation	99.5 %	Certified in ▶ ISO 9001 ▶ CE Marking ▶ ISO 14001 ▶ Green SL ▶ SLS 1181 Labelling System ▶ SLS ISO 18001		Employees	3,220
Capital investments	Rs. 2,377 Mn			Payments to employees	Rs. 4,529 Mn
				Harmonial industrial relations	
67% of Group Revenue	71% of Group Profit After Tax	36% of Group Employees	77% of Group Material Consumption	79% of Group Energy Consumption	58% of Group Assets

OUR STRATEGIC PRIORITIES

- Capability expansion to meet the demand
- Rationalisation of product portfolio to minimise downtime.
- Expanding showroom network to enhance customer reach
- Ensuring continuous supply of raw materials
- Shifting to more viable energy options.

IMPACTS FROM THE OPERATING ENVIRONMENT

- Difficulty in sourcing imported materials due to disruptions to global shipping and logistical issues
- Increasing cost and shortage of energy
- Difficulty in purchasing imported materials from overseas due to lack of foreign currency reserves in the country
- Delays in settling foreign creditors due to foreign currency unavailability within the country

PERFORMANCE REVIEW

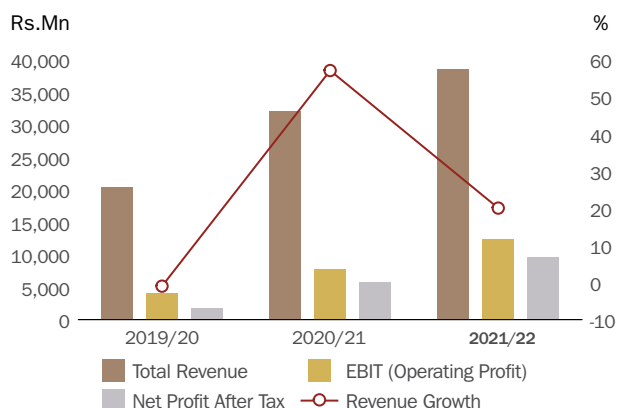
The sector performance was commendable despite the challenging economic landscape. The Group continued to benefit from the short supply created by the ban on import of tiles during the year. Continuous focus on product quality enhanced the aesthetic appeal of the products as demand outstripped production resulting in delays in order fulfilment. Prices were maintained at the same level as at the beginning of the year until March 2022 although the Group experienced considerable increases in raw materials and energy prices. Profit margins were sustained by focusing on deriving economies of scale with larger production runs and process innovation to drive efficiencies in inputs.

Production of larger tile sizes was increased and smaller sizes were discontinued to align with customer preferences. This resulted in a decrease of production capacity as larger sizes

required longer firing cycles. Timely sourcing of imported materials became a challenge during the year due to low levels of foreign currency reserves in the country. The paucity of foreign exchange also led to the energy crisis which has wide ranging implications throughout the supply chain. Although the Group is managing these challenges to a certain extent by maintaining higher stock levels and by opting for more viable energy sources, they remain as challenges at present.

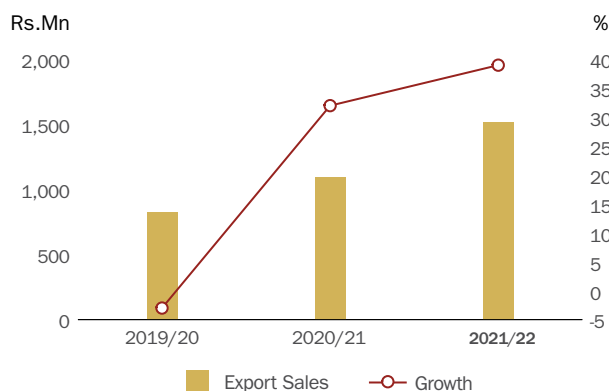
Several of our tile manufacturing plants undertook expansions in previous years was a blessing to address the short supply of the domestic market (Please see Manufactured Capital in page 81). Further, the production processes were modified using technology and innovation to increase productivity while ensuring optimum usage of resources available.

Sector Performance



- The sector reported a revenue of Rs. 38,438 Mn, recording a growth of 20%. Export sales made a contribution of Rs. 1,517 Mn compared to Rs. 1,093 Mn recorded in the previous year. Despite the cost pressures of both locally and foreign sourced raw materials the gross profit margin improved to 47% from previous year's 43% due to successful rationalization of product and design portfolio. Gross profit improved by 34% to reach Rs. 18,195Mn.

Export Sales

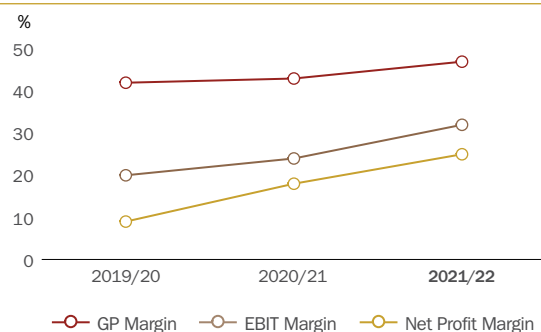


- Operating profits (EBIT) increased by 58% to Rs. 12,348 Mn while Operating margin increased to 32% from 24% last year.
- Profit before tax increased by 80% to Rs. 12,342 Mn on the back of 53% decline in finance costs, 522% improvement in finance income and 74% decline in other operating expenses.
- Total assets base grew by 27% to reach Rs. 50,186 Mn with capital expenditure amounting to Rs. 2,377 Mn, compared to Rs. 1,166 Mn in the previous year.

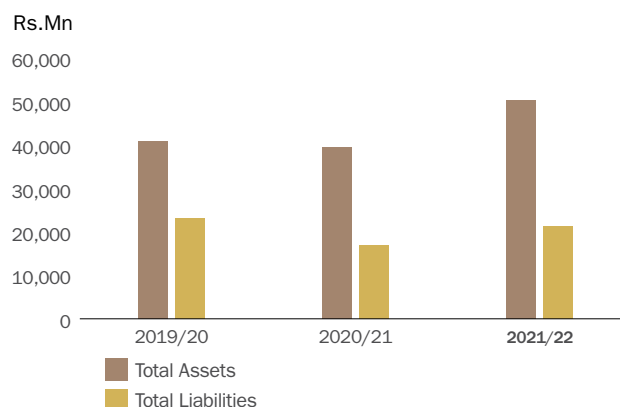
Business Line Reviews

Tiles and Associated Products

Profit Margin



Sector Financial Position



WAY FORWARD

We remain cautiously optimistic about the coming year despite the unstable economic and political landscape of the country. The sector will focus on expanding production capacity where possible to seize the opportunity on the short supply of tiles in the domestic market. We will also continue to exploit opportunities to expand export sales by enhancing product range and venturing into new export destinations as a proactive measure to meet the foreign currency payments obligation to sustain the production operation of the company.

We are fully aware of the challenges faced in sourcing imported materials and the strain on our supply chain. We have already taken initiatives to explore more supplier options from different geographical locations and strengthening relationship with the long standing suppliers to negotiate extended credit periods.

OPPORTUNITIES



- Short supply of tiles in the domestic market.
- Enhanced production capacity
- Entering into new export markets

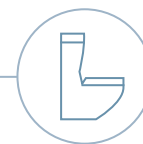
RISKS



- Low foreign reserves in the country
- Shortages and increasing costs of raw materials
- Energy crisis
- Political instability in the country
- Government policy uncertainties and volatility in key economic indicators
- Increase in cost due to rupee depreciation
- Difficulties in sourcing imported materials due to foreign exchange shortage in the country.
- Rising inflation that led to an increase in costs

Business Line Reviews

Sanitaryware



ROCELL BATHWARE IS A LEADING SANITARYWARE MANUFACTURER IN SRI LANKA MANUFACTURING WORLD CLASS BATHWARE PRODUCTS IN COLLABORATION WITH ITALIAN INSPIRED DESIGN AND CRAFTSMANSHIP. ROCELL BATHWARE HOLDS 39% OF DOMESTIC MARKET SHARE AND ALSO EXPORTS ITS PRODUCTS TO NINE DESTINATIONS.

CAPITAL VALUE CREATION					
FINANCIAL RESOURCES		SOCIAL AND RELATIONSHIP CAPITAL		NATURAL CAPITAL	
Revenue	Rs. 3,625 Mn	Own Showrooms	56	Materials consumed	4,468 MT
Profit after tax	Rs. 543 Mn	Hybrid and factory outlets	17	Water recycled	18 Mn.Litres
Total assets	Rs. 5,460 Mn	Dealers and distributors	77	Energy consumed	4.2 Mn.Kwh
		Suppliers	260		
MANUFACTURED CAPITAL		INTELLECTUAL CAPITAL		HUMAN CAPITAL	
Capacity utilization	89%	Certified in	WELS	Employees	456
		ISO 9001	Green SL	Payments to employees	Rs. 234 Mn
		ISO 14001	Labelling System		
Capital investments	Rs. 233 Mn	SLS 1181	Watermark		
		CE Marking	Certification		
				Harmonial industrial relations	
6%	4%	5%	1%	5%	6%
of Group Revenue	of Group Profit After Tax	of Group Employees	of Group Material Consumption	of Group Energy Consumption	of Group Assets

Business Line Reviews

Sanitaryware

OUR STRATEGIC PRIORITIES

- Expanding showroom network to enhance our presence
- Ensuring continuous supply of raw materials
- Expanding energy storage facilities
- Capacity expansion to meet the demand

IMPACTS FROM THE OPERATING ENVIRONMENT

- Difficulty in sourcing imported materials due to disruptions to global shipping and logistical issues
- Increasing cost and shortage of energy
- Difficulty in purchasing imported materials from overseas due to lack of foreign currency reserves in the country
- Delays in settling foreign creditors due to foreign currency unavailability within the country

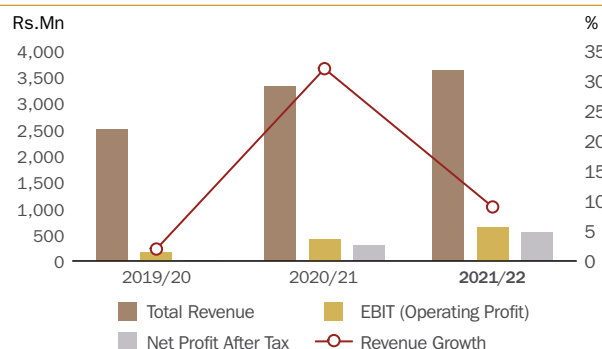


PERFORMANCE REVIEW

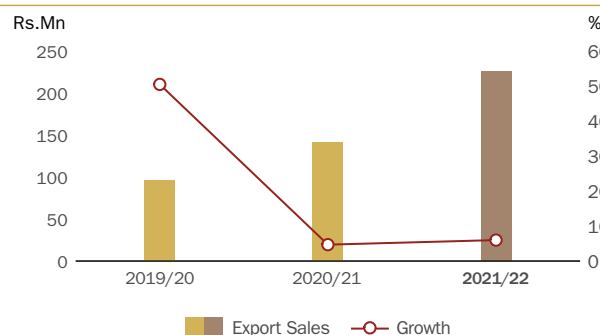
Despite the difficult economic conditions, the sanitaryware sector performance improved during the year. We commenced the expansion project in Panagoda manufacturing plant by increasing the monthly capacity from 22,000 pieces to 28,000 pieces.

The shortage of foreign reserves in the country and the short supply of energy sources resulted in difficulties in sourcing raw materials on time. Accordingly, we maintained higher stock levels by increasing storage facilities to manage these challenges. Further, we continued our efforts in enhancing productivity and efficiency through TPM (Total Productive maintenance) by implementing several initiatives that resulted in total cost saving of Rs. 49Mn.

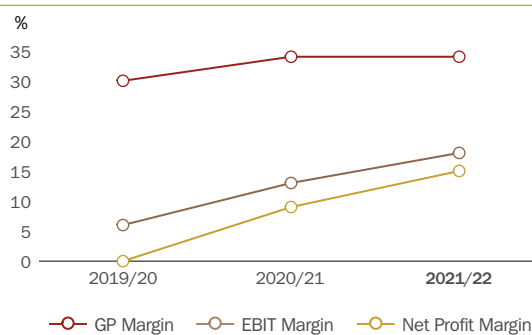
Sector Performance



Export Sales

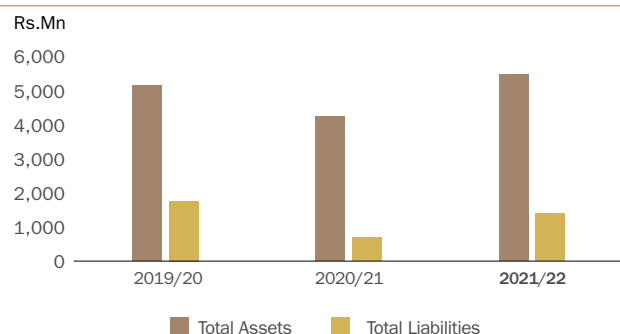


Profit Margin

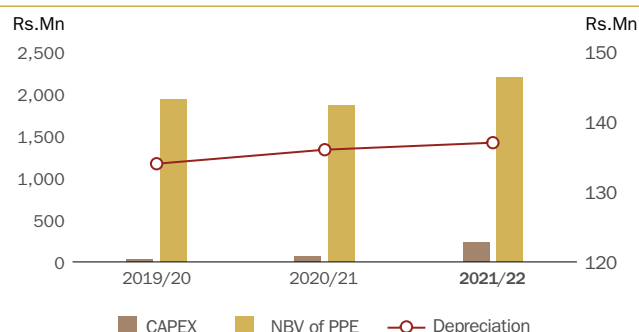




Sector Financial Position



Capital Expenditure



- ▶ The sector turnover increased by 9% to reach Rs. 3,625Mn. This growth was supported by a 60% increase in export sales which amounted to Rs.225 Mn. Despite the inflationary pressures the gross profit margin maintained at last year level of 34% due to productivity and efficiency improvements. Gross profit increased by 9% to reach Rs. 1,248Mn.
- ▶ Operating profit (EBIT) margin improved to 18% from previous 13% resulting in a growth of 53% operating profit amounting to Rs. 638Mn.
- ▶ Profit before tax increased by 71% to Rs. 643 Mn on the back of 80% decline in finance costs.
- ▶ Total assets base grew by 29% reach Rs. 5,460Mn with capital expenditure amounting to Rs. 233Mn, compared to Rs. 60Mn in the previous year.



WAY FORWARD

Despite the unstable economic and political conditions, we remain confident about the coming year. Rocell Bathware will continue its expansion plans to increase capacity while enhancing productivity and efficiency through TPM initiatives. Expanding export sales by exploiting more destinations with an improved product portfolio remains key in our future growth prospects.

While being ware of the pressure on our supply chain we remain vigilant and have taken initiatives to explore more supplier options.

OPPORTUNITIES



- ▶ Increased demand from the domestic market
- ▶ Enhanced production capacity
- ▶ Potential growth in export market

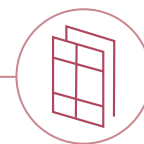
RISKS



- ▶ Low foreign reserves in the country and exchange rate fluctuations
- ▶ Government policy uncertainties and volatility in key economic indicators
- ▶ Shortages and increasing costs of raw material
- ▶ Energy crisis
- ▶ Political instability in the country

Business Line Reviews

Aluminium



SWISSTEK ALUMINIUM LTD IS ONE OF SRI LANKA'S LEADING AND MOST INNOVATIVE ALUMINIUM EXTRUSION COMPANIES. WE HAVE DEVELOPED AND EXPANDED OUR PRODUCT PORTFOLIO TO SUIT THE DIVERSE AND EVOLVING CUSTOMER BASE. OUR VALUE ADDED PRODUCT PORTFOLIO IS SOUGHT AFTER BY MANY HIGH RISE CONSTRUCTION PROJECTS DUE TO ITS QUALITY UNDERPINNED BY STRINGENT QUALITY ASSURANCE PROCESSES.

CAPITAL VALUE CREATION					
FINANCIAL RESOURCES		SOCIAL AND RELATIONSHIP CAPITAL		NATURAL CAPITAL	
Revenue	Rs. 7,315 Mn	Own Showrooms	1	Materials consumed	8,990 MT
Profit after tax	Rs. 454 Mn	Franchise showrooms	17	Water discharged	19.5 Mn.Litres
Total assets	Rs. 7,522 Mn	Dealers and consignment agent	400	Energy consumed	7.4 Mn.Kwh
MANUFACTURED CAPITAL		INTELLECTUAL CAPITAL		HUMAN CAPITAL	
Capacity utilization	82%	Certified in		Employees	408
Capital investments	Rs. 184 Mn	<ul style="list-style-type: none"> SLS ISO 9001 SLS 1410 SLS ISO 1410 Qualicoat Certification 		Payments to employees	Rs. 459 Mn
12%	3%	5%	2%	9%	9%
of Group Revenue	of Group Profit After Tax	of Group Employees	of Group Material Consumption	of Group Energy Consumption	of Group Assets

OUR STRATEGIC PRIORITIES

- Market penetration through new product development and value added products
- Focus on pricing strategy to keep up with the intense competitive in the industry
- Ensuring continuous supply of raw materials



IMPACTS FROM THE OPERATING ENVIRONMENT

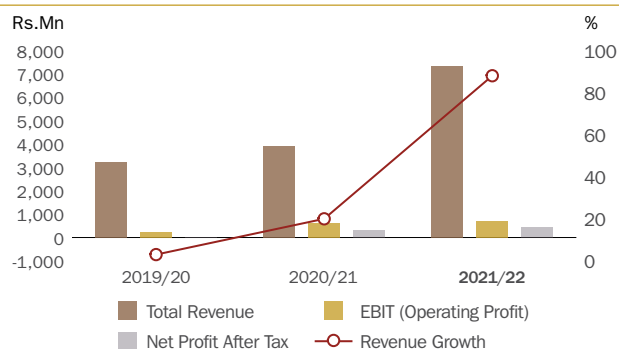
- Difficulty in sourcing imported materials due to disruptions to global shipping and logistical issues
- Increasing cost and shortage of energy
- Difficulty in purchasing imported materials from overseas due to lack of foreign currency reserves in the country
- Delays in settling foreign creditors due to foreign currency unavailability within the country
- Erosion of profits due to exchange rate devaluation



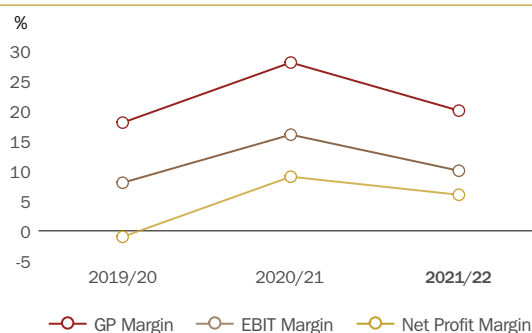
PERFORMANCE REVIEW

In spite of the challenging economic landscape, the aluminium sector reported a commendable performance as demand increased significantly due to the paucity of aluminium products in the market and the increased activity in housing and construction. Swisstek continued to expand its product portfolio and its distribution channels which supported growth. Online sales through e-commerce sites gained traction, particularly for products such as ladders. These tailwinds combined with the import restrictions on aluminium products strengthened demand, enabling growth in revenue and profits despite the increased cost of inputs. Prices were maintained at the same level as at the beginning of the year until March 2022 as disposable incomes came under pressure. Profits margins were sustained to a greater extent by rationalizing the discount structure, amidst the cost pressure.

Sector Performance



Profit Margin



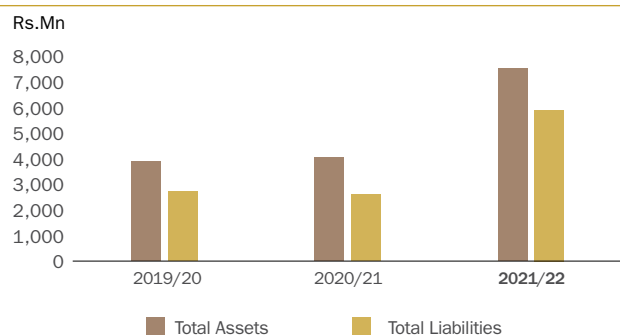
- Sector reported a revenue of Rs.7,315Mn recording a growth of 88% as we continued to benefit from the short supply in the market. Due to the cost pressures mainly from rupee devaluation, the gross profit margin came down to 20% from previous year's 28%. Gross profit reported for the period amounted to Rs. 1,457Mn, compared to Rs. 1,075Mn of previous year.
- Operating profits (EBIT) increased by 17% to Rs. 696Mn while Operating margin contracted to 10% from 15% last year.

- Net profit for the year amounted to Rs. 454 Mn, a 33% increase compared to Rs. 342 Mn reported in the previous year.
- Total assets base grew by 86% to reach Rs.7,522 with capital expenditure amounting of Rs. 184Mn.

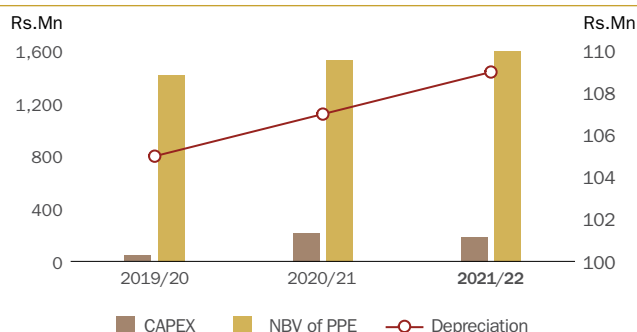
Business Line Reviews

Aluminium

Sector Financial Position



Capital Expenditure



WAY FORWARD

We remain hopeful about the coming year despite the current economic and political instability as housing is a basic need and our products are relevant across all customer segments. We will focus on enhancing productivity to capitalize on the absence of imported products in the market. Enhancing our product portfolio to reach a wider customer base through product innovation will also be another focus area.

OPPORTUNITIES



- Increased demand from the domestic market
- Short supply created by the import ban on Aluminium products
- Enhanced production capacity
- Potential growth in export market

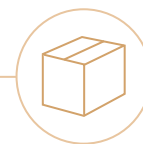
RISKS



- Scarcities and increasing costs of raw material
- Low foreign reserves in the country and exchange rate fluctuations
- Government policy uncertainties and volatility in key economic indicators
- Energy crisis
- Political instability in the country

Business Line Reviews

Packaging



UNIDIL WHICH WAS ESTABLISHED IN 1994 IS SRI LANKA'S LEADING CORRUGATED CARTON AND PAPER SACKS MANUFACTURER. THE COMPANY OFFERS A VARIETY OF PACKAGING SOLUTIONS AND IS RENOWNED FOR SUPERIOR QUALITY AND EXCELLENT CUSTOMER SERVICE, WITH A SUBSTANTIAL MARKET SHARE OF 18% FOR CORRUGATED CARTONS AND 25% FOR PAPER SACKS.

CAPITAL VALUE CREATION



FINANCIAL RESOURCES

Revenue **Rs. 6,578 Mn**

Profit after tax **Rs. 596 Mn**

Total assets **Rs. 5,038 Mn**



SOCIAL AND RELATIONSHIP CAPITAL

789

Suppliers of paper and other raw materials



NATURAL CAPITAL

Assessment of carbon footprint

Increased reliance on renewable energy

Materials consumed **31,234 MT**

Water discharged **13 Mn.Litres**

Energy consumed **2.2 Mn.Kwh**



MANUFACTURED CAPITAL

Manufacturing capacity of
37,200 MT
corrugated cartons and
paper sacks per Annum



INTELLECTUAL CAPITAL

Certified in

- ISO 9001
- ISO 14001
- HACCP
- ISO 22000

- WRAP Certification
- SMETA Certification



HUMAN CAPITAL

Employees **521**

Payments to employees **Rs. 536 Mn**

Harmonial industrial relations

10%

of Group
Revenue

4%

of Group
Profit After Tax

6%

of Group
Employees

8%

of Group Material
Consumption

3%

of Group Energy
Consumption

6%

of Group
Assets

Business Line Reviews

Packaging

OUR STRATEGIC PRIORITIES

- Ensuring the health and safety of our team
- Enhancing productivity through process improvements
- Capacity expansion through new Capital expenditure
- Ensuring continuous supply of raw materials

IMPACTS FROM THE OPERATING ENVIRONMENT

- Difficulty in sourcing raw materials due to disruptions to global shipping and logistical issues
- Increase in raw material prices due to the impact of the rupee devaluation
- Rising of inflation leads to increase in costs
- Difficulties in sourcing imported raw materials due to shortage in foreign exchange in the country.



PERFORMANCE REVIEW

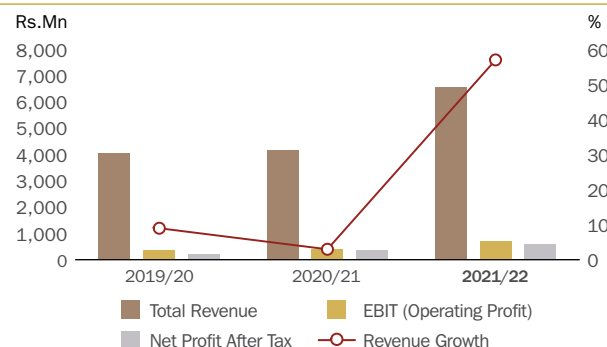
The sector recorded revenue and profit growth of 57% and 73% respectively during the year, despite deteriorating economic conditions and supply chain challenges. Close monitoring of the external environment enabled us to navigate the challenges with foresight and exceed production targets in 2021/22.

Our cost of Sales increased by 58%, reflecting the drastic increase in the price of raw materials which were impacted by the increase in cost of paper pulp, freight charges and the devaluation of the Rupee. Consequently, we focused on improving productivity levels and enhancing efficiencies through responsible consumption practices, to support profit margins. We also continued to

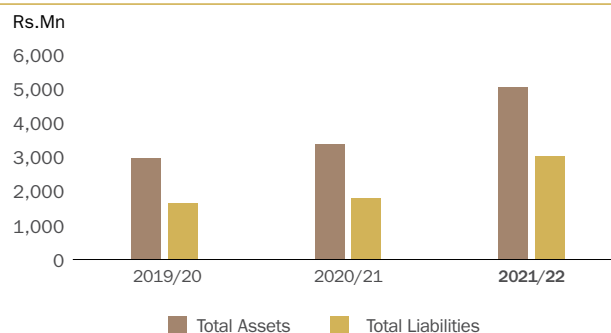
streamline processes through automation and digitalization. Accordingly, we initiated quality circles complementing our Total Productive Maintenance programmes and other quality focused initiatives within the company to drive operational excellence.

We further strengthened our manufacturing capabilities during the year through investments in printing machinery and infrastructure. Rs 185 Mn was invested as CAPEX which enhanced our production capacity by 15%, with capacity utilization levels maintained at an optimal level of 70-75% throughout the year.

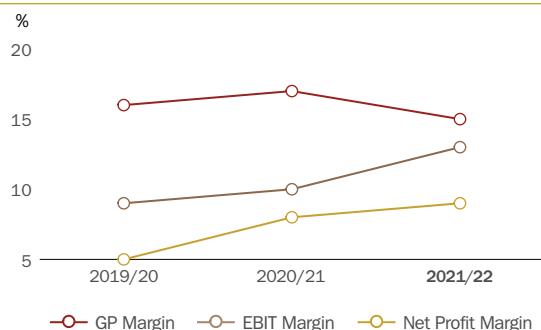
Sector Performance



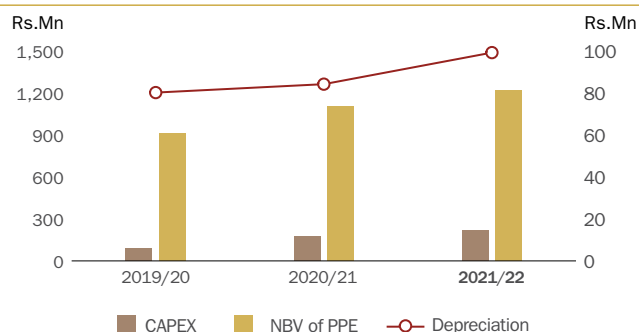
Sector Financial Position



Profit Margin



Capital Expenditure



During the year revenue growth was mainly supported by our existing pool of customers. We have built a loyal customer base across diverse sectors including FMCG, Garments, Cement, Tea, Rubber and Tiles sectors who are satisfied with the quality of products offered and our attention to detail.



WAY FORWARD

The year ahead is expected to bring in a fresh set of challenges as the country's economic prospects have dimmed significantly affecting the entire value chain. Supply chain issues and the shortage of foreign exchange is expected to exert pressure on margins and threaten business continuity. However, we remain optimistic that critical issues will be resolved supporting business continuity. This will enable us to leverage our increased capacity, inventory levels and liquidity to sustain business volumes and explore opportunities for expansion.

OPPORTUNITIES

- Driving cost efficiencies
- Opportunities for business growth through entering into new markets

RISKS

- Low foreign reserves in the country
- Shortages and increasing costs of raw materials
- Energy crisis
- Political instability in the country
- Government policy uncertainties and volatility in key economic indicators
- Increase in cost due to rupee depreciation
- Difficulties in sourcing imported materials due to foreign exchange shortage in the country.
- Rising inflation that led to an increase in costs









Business Line Reviews

Plantations



HORANA PLANTATIONS PLC, ONE OF SRI LANKA'S LARGEST PLANTATION COMPANIES, OWNS AND MANAGES 14 ESTATES SPANNING OVER 6500 HECTARES IN THE LOW, AND HIGH ELEVATIONS. THE COMPANY CULTIVATES AND PRODUCES TEA, RUBBER, OIL PALM AND OTHER PERENNIAL CROPS. OVER THE YEARS, THE COMPANY HAS BUILT A STRONG REPUTATION FOR SUPERIOR QUALITY WITH A SIGNIFICANT PROPORTION OF THE COMPANY'S ESTATES INTERNATIONALLY CERTIFIED WITH QUALITY STANDARDS.

CAPITAL VALUE CREATION						
 FINANCIAL RESOURCES		 SOCIAL AND RELATIONSHIP CAPITAL		 NATURAL CAPITAL		
Revenue	Rs. 2,564 Mn	Suppliers	1,173	Materials consumed	13,679 MT	
Profit after tax	Rs. 28 Mn	Tea/rubber brokers	7	Water discharged	42 Mn.Litres	
Total assets	Rs. 3,990 Mn	Investment in CSR	Rs. 29 Mn	Energy consumed	2.8 Mn.Kwh	
 MANUFACTURED CAPITAL		 INTELLECTUAL CAPITAL		 HUMAN CAPITAL		
9 tea estates with a capacity of 4,505 MT per annum		Certified in <ul style="list-style-type: none"> ➤ Ethical Tea Partnership ➤ Rainforest Alliance ➤ FSC Certification for Rubber and Oil Palm Estates 		Employees 4,186		
5 rubber estates with a capacity of 1,050 MT per annum				Payments to employees Rs. 1,435 Mn		
				Peaceful industrial relations were maintained		
5%	0.2%	47%	3%	3%	5%	
of Group Revenue	of Group Profit After Tax	of Group Employees	of Group Material Consumption	of Group Energy Consumption	of Group Assets	

OUR STRATEGIC PRIORITIES

- Diversifying revenue streams
- Automation of processes to facilitate improved performance management and manufacturing efficiencies while reducing dependency on human labour
- Proactive management of raw materials
- Finding alternative solutions for agro-chemicals including fertilizer
- Systematic expansion of the rainwater harvesting irrigation scheme to support dry spells on estates

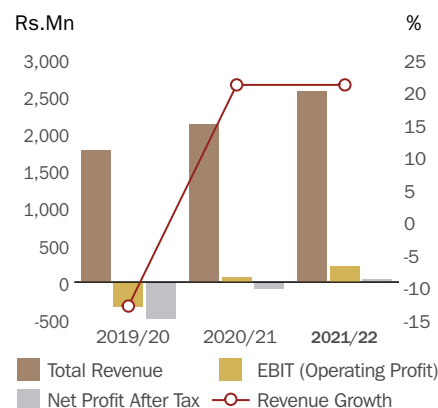
IMPACTS FROM THE OPERATING ENVIRONMENT

- Adverse policy developments including ban on import of fertilizer and oil palm cultivation
- Adverse weather conditions
- High inflation impacting operational costs

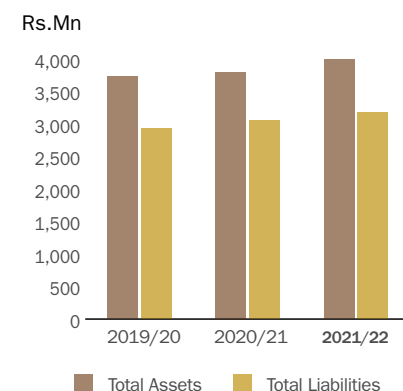
PERFORMANCE REVIEW

The Plantation Sector was resilient in the face of multiple challenges including adverse weather, the prolonged duration of the pandemic and the impact of the fertilizer ban. Despite these challenges the sector delivered revenue growth of 21% with a profit after tax of Rs. 28 Mn, reversing the loss of Rs. 94 Mn recorded last year.

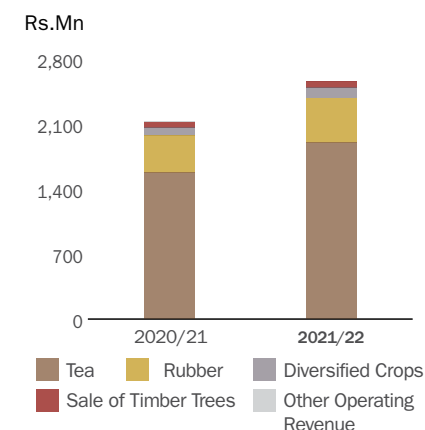
Sector Performance



Sector Financial Position



Revenue Contribution



	Tea		Rubber		Others		Total	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Segment Revenue (Rs Mn)	1,857	1,573	430	400	276	153	2,564	2,125
Cost of Sales (Rs Mn)	1,680	1,427	365	383	147	115	2,193	1,925
Gross Profit (Rs Mn)	177	146	65	17	129	38	371	200

Tea, rubber and other revenue streams all recorded healthy growth. Performance was driven mainly by the buoyant tea prices together with the sector's unwavering efforts to continue operations despite the challenges that prevailed. Horana Plantations PLC commands a premium price at tea auctions and records above average yields which is a strong testament to the quality of our produce. During the year, new tea packs were introduced with 6 different flavours of tea increasing the value addition by the company.

The entire rubber industry in the country is threatened due to the adverse weather conditions and the unavailability of chemicals to treat diseases affecting the rubber crops, thereby impacting supply. During the year, although there was a high global demand for rubber around 80% of our crop was sold within the country for value adding projects. In line with our diversification and value addition strategy, Horana plantations moved into production of sole crepe which is a higher value adding rubber segment. We were able to acquire several export customers through this product line.

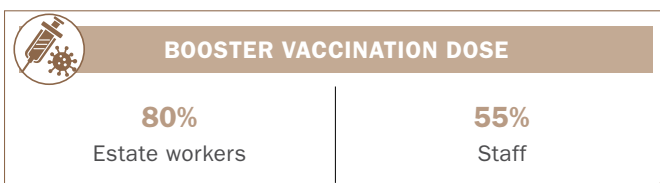
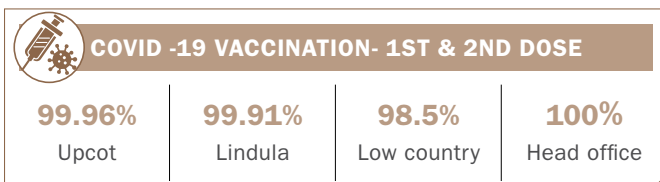
Business Line Reviews

Plantations

The oil palm sector continued to be a lucrative business, with increased prices supporting profitability. However, harvest quantities were limited to the existing plantations as the unfavourable government policy with regards to the expansion of oil palm cultivation remains. We have instead directed our efforts on improving yields, increased productivity and quality of the existing crop to get the maximum benefits.

We have made a strategic decision to pursue a crop diversification strategy by converting low yielding lands to more lucrative crops. Accordingly, around 130 hectares of coconut were planted in bare lands which were previously allocated for oil palms. Additionally, we have practiced intercropping on a small scale which is expected to bring in higher yields.

The health and safety of our workers continued to be a key concern in the early half of the year, and we reached over 98% in vaccinations by the second half of the year. This served to minimize the risks to our people, facilitating business continuity and improved productivity. We partnered with NGOs to enhance the health and safety of the residents of the estate, and these are set out in the Human Capital report on page 76.



As part of our environmental commitment the sector invested in renewable energy through solar power generation in 5 factories which is expected to replace about 35% of our Up country electricity consumption. The sector continuously strives to improve quality while moving up the value chain and expanding sales channels. Despite the tough operating conditions and the rising costs, we have continued to invest in improving the quality of life of the surrounding estate communities with a Rs. 29 Mn investment in CSR during the year.

ALTERNATIVE SOLUTIONS FOR AGRO-CHEMICALS

- Integrated Pest Management and Integrated Plant Nutrient System practiced in all plantations to manages pest and soil Nutrients.
- Compost Production from buying back weeds from employees to overcome the fertilizer shortage.
- Vermiwash and vermicast solutions are developed with help of Faculty of Agriculture, Wayamba University of Sri Lanka.



WAY FORWARD

Rising costs, adverse weather conditions and an uncertain economic environment are clear challenges for all businesses in the country. However, we are determined to rise through the challenges and are actively pursuing a crop diversification strategy in order to enhance the productivity of our land. We are also increasing focus on digitalization and automation to drive better efficiencies to create value for all stakeholders.

OPPORTUNITIES

- Opportunities through crop diversification

RISKS

- Inconsistent Government policy on agriculture
- Trade union activities
- Rising implications of climate change and inconsistent weather conditions



35%

of Up country electricity requirement are produced through the solar power.

Capitals Report

Optimum use of resources is key to successful value creation. Group strives to deliver sustainable value to our stakeholders by enhancing our pool of resources. This section of the report illustrates our effort in this regard.

Capital Management

FINANCIAL CAPITAL



Page 64

HUMAN CAPITAL



Page 70

MANUFACTURED CAPITAL



Page 80

SOCIAL & RELATIONSHIP CAPITAL



Page 87

NATURAL CAPITAL



Page 92







INTELLECTUAL CAPITAL



Page 98



Rocell Group recorded its highest post-tax profit of Rs.13.7 Bn for the year 2021/22, both as a company and as a Group, raising the bar set in the previous year. It reflects years of building our brands through commitment to quality, investing in our people and technology and building capacity of our manufacturing facilities. The tiles sector continues to be the main contributor to profits accounting for 71% of consolidated post tax profits and 58% of Group assets reflecting the breadth of its tile manufacturing operation as it owns the two top tile brands in the country. The tiles sector performance was buoyed by the restrictions on imported tiles giving rise to a back log of orders with a waiting time of several months.

 TILES AND ASSOCIATED PRODUCTS			 SANITARYWARE			 PLANTATIONS		
Revenue	Rs. 38.4 Bn	20% ↑	Revenue	Rs. 3.6 Bn	9% ↑	Revenue	Rs. 2.5 Bn	21% ↑
Profit after tax	Rs. 9.7 Bn	66% ↑	Profit after tax	Rs. 543 Mn	79% ↑	Profit after tax	Rs. 28 Mn	130% ↑
Assets	Rs. 50 Bn	27% ↑	Assets	Rs. 5.5 Bn	29% ↑	Assets	Rs. 3.9 Bn	5% ↑
Liabilities	Rs. 21.4 Bn	27% ↑	Liabilities	Rs. 1.4 Bn	103% ↑	Liabilities	Rs. 3.1 Bn	4% ↑
ROE	34%	8% ↑	ROE	13%	5% ↑	ROE	3%	16% ↑
 PACKAGING			 ALUMINIUM			 MINING		
Revenue	Rs. 6.6 Bn	57% ↑	Revenue	Rs. 7.3 Bn	88% ↑	Revenue	Rs. 0.43 Bn	251% ↑
Profit after tax	Rs. 596 Mn	73% ↑	Profit after tax	Rs. 454 Mn	33% ↑	Profit after tax	Rs. 0.08 Bn	28% ↑
Assets	Rs. 5 Bn	48% ↑	Assets	Rs. 7.5 Bn	86% ↑	Assets	Rs. 2.45 Bn	21% ↑
Liabilities	Rs. 3 Bn	68% ↑	Liabilities	Rs. 5.9 Bn	128% ↑	Liabilities	Rs. 0.81 Bn	27% ↑
ROE	30%	8% ↑	ROE	28%	4% ↑	ROE	5%	0.4% ↑

FOCUS ON PERFORMANCE

Revenue growth was driven by volume growth as well as movement to higher value added products across all sectors. Accordingly, Group revenue increased by 28% to Rs.57.5 Bn, reflecting the relevance of our products even during a challenging year and also the industry leadership across all sectors.

Tiles and Associated product accounted for 67% of Group revenue, increasing by 20% to Rs.38 Bn. Demand for Tiles, Sanitaryware and Aluminium picked up with the activity in the construction sector. This combined with import restrictions on tiles created unprecedented demand for our products which resulted in maximum capacity utilisation across these factories. Plantations also recorded increased revenue as tea prices reached record heights, particularly in March 2022 with the devaluation of the Rupee. Packaging revenue increased sharply as prices were increased to manage the exponential increase in paper pulp prices and freight costs. Capacity and value addition also contributed to revenue growth. The contribution to top line by the Packaging, Aluminium and Plantation sectors increased during the year compared the previous year.

Rs. 57.5Bn

REVENUE

GROSS PROFIT

Gross profit increased by 33% during the year boosted by improved margins in the Tiles and Plantation sectors. This cushioned the impact of reduced margins in Packaging, Sanitaryware and Aluminium as raw material prices climbed sharply during the year exerting pressure on margins. Sanitaryware segment was able to maintain the margins at previous year level due to enhanced production they could achieve.

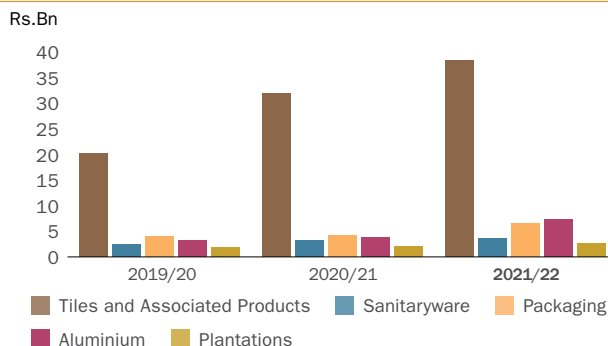
33%

GROSS PROFIT GROWTH

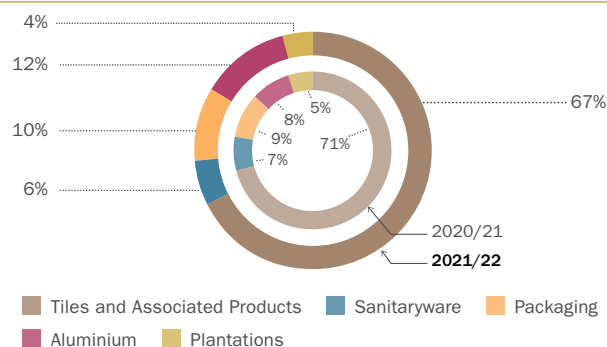
Rs. 22Bn

GROSS PROFIT

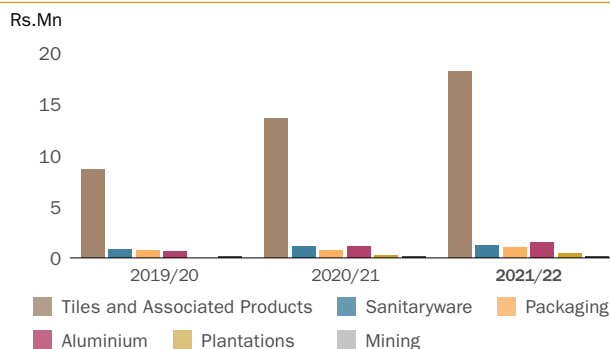
Revenue



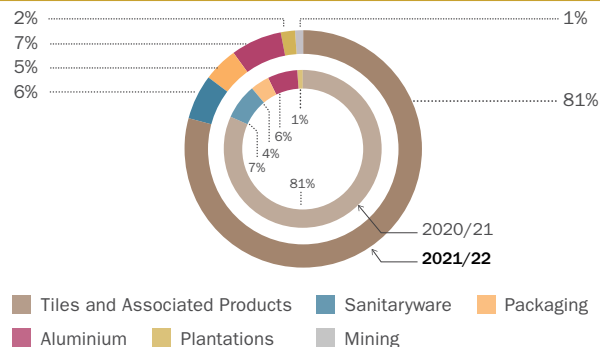
Revenue Contribution By Sector



Gross Profit



Gross Profit Contribution by Sector



Financial Capital

OPERATING PROFIT

Operating profit grew sharply in the past two years as all factories operated at maximum capacity due to the high demand which facilitated efficient absorption of all overheads. Process innovations from the TPM initiatives and vigilance over the operating costs also played a key role in reducing the costs. Distribution expenses continued to increase with sales soared. Tiles contributed 72% of the Group operating profit reflecting the size and scale of its operations as well as the margins.

54%

OPERATING PROFIT GROWTH

Rs. 17Bn

OPERATING PROFIT

FINANCE COSTS

Finance costs declined significantly during the year as the Tiles sector was able to reduce its borrowings due to the strong cashflows generated during the past two years, reducing interest bearing liabilities along with reduced interest rates. Cashflows were further strengthened by a three-fold increase in Contract Liabilities which are advances received for manufacture of tiles. Strong cashflows also supported an exponential increase in cash and cash equivalents which generated healthy levels of interest income as well.

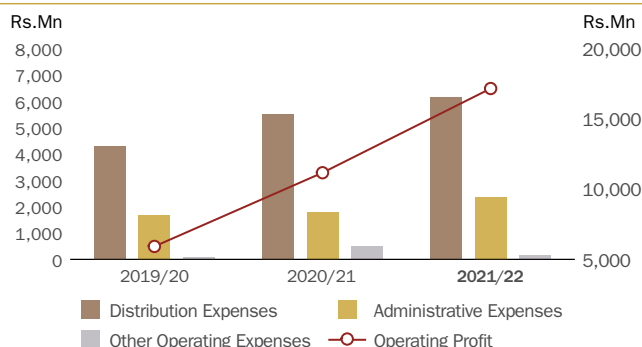
69%

REDUCTION IN NET FINANCE COST

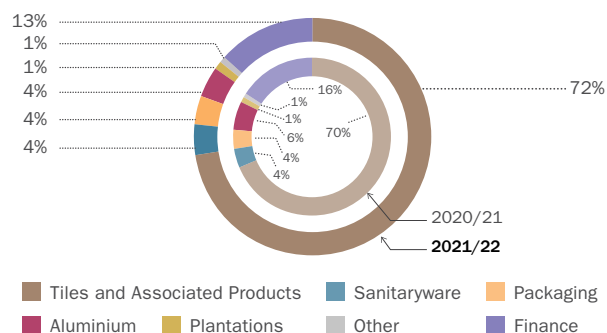
Rs. 410Mn

NET FINANCE COST

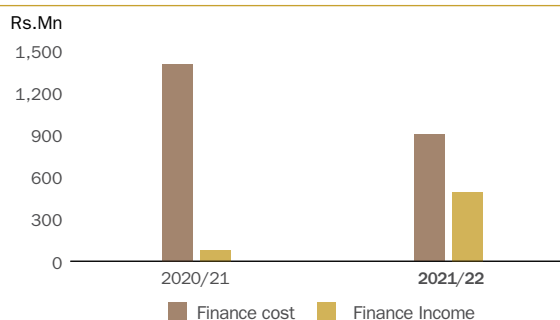
Operating Profit & Expenses



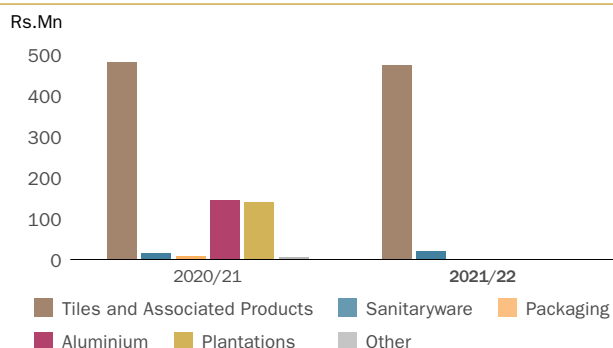
Sector analysis of Operating Profit



Finance Cost & Income



Net Finance Cost



PROFIT BEFORE & AFTER TAX

Group profits continued the growth momentum achieved last year as pre-tax and post tax profits increased by 70% and 63% respectively during the year, reaching Rs.16.8Bn and Rs. 13.7Bn. Taxation increased during the year with the increase in profits. The Tiles sector accounted for 71% of the Group's post tax earnings of Rs. 9.7Bn. The share of profits from the Group's associate company LB Finance contributed Rs.2.2 Bn during the year which amounted to 16% of the total. The Sanitaryware and Packaging sectors recorded profit growth rates of over 70% and the Aluminium sector recorded profit growth of 33% while the Plantation sector recovered from its losses. Strong demand dynamics, continuous investment in technology and a team that rose to the challenge of delighting customers were the key drivers of the strong performance of the Group.

63%

PROFIT AFTER TAX GROWTH

Rs. 13.7Bn

PROFIT AFTER TAX

CASH FLOWS

Cash flows generated from operating activities decreased by 16% to Rs. 15.4Bn largely due to increased inventories, receivables other non-financial assets and payment of taxes. Investing activities reflects the investments in capital expenditure which were largely offset by dividends received of Rs.1 Bn during the year. Cash used in financing activities reflects debt repayments during the year and the dividends paid to shareholders. These combined to a net increase in cash and cash equivalents during the year of Rs. 9Bn at the close of the year, strengthening the resilience of the company for the difficult year ahead as well as for growth.

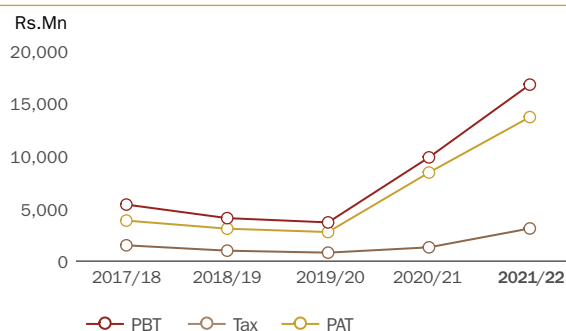
14%

NET INCREASE IN CASH DURING THE YEAR

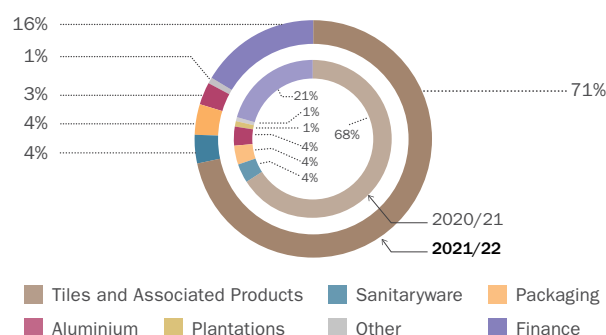
Rs. 14.8Bn

CASH GENERATED FROM OPERATING ACTIVITIES

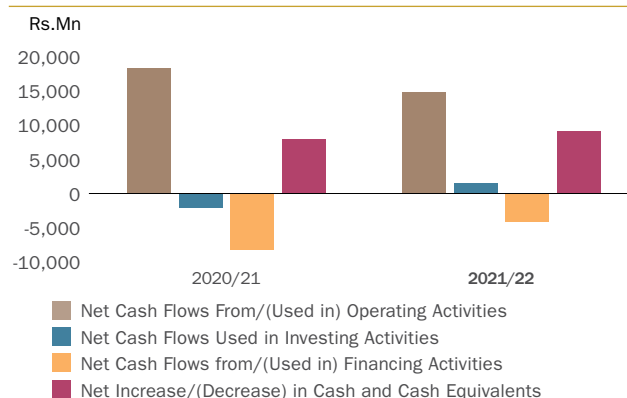
Profit Before and After Tax



Sector Analysis of Profit After Tax



Cashflows



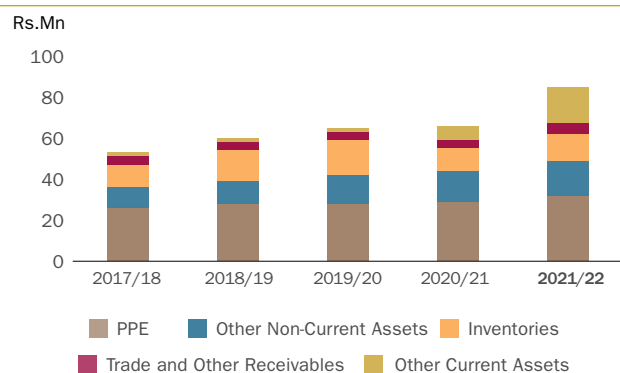
Financial Capital

GROWTH & RESILIENCE

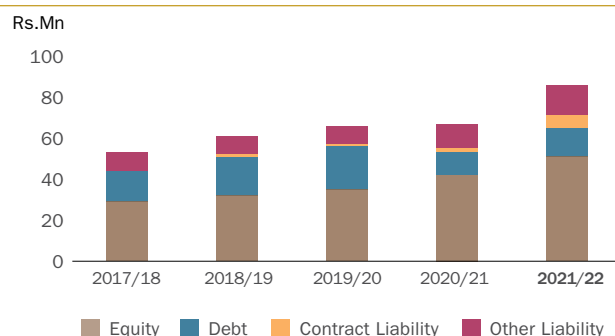
Group Total Assets increased by 30% to Rs. 86.2Bn due to increased cash balances, general inventories, investments in Property, Plant & Equipment (PPE), and an increase in the value of the investment in the Associate company. The Group invested Rs. 3.4Bn in acquisition of PPE across all sectors. Rs. 1.1 Bn of this was invested in acquisition of plant & machinery. Inventories increased in line with increased production as well as due to prudent increase in all stock levels to manage the volatility and uncertainty until shipping routes are restored. Cash balances increased as most of the business was done on cash sales.

Equity accounts for 59% of the funding of the Group's balance sheet while interest bearing liabilities account for 16%. Contract Liabilities increased significantly during the year as customer's placed orders ahead of time accounting for 7% at the close of 2021/22 compared to 3% in the previous year. The Group's financial position remains strong with a gearing ratio of 21.5%.

Composition of Assets



Composition of Equity & Liabilities



Property, Plant & Equipment	Rs. 32Bn	12% ↑
Investment in Associate	Rs. 12Bn	17% ↑
Inventories	Rs. 13Bn	21% ↑
Cash & Cash Equivalents	Rs. 15Bn	212% ↑
Other Current and Non-Current Assets	Rs. 14Bn	19% ↑

Equity	Rs. 51Bn	22% ↑
Interest Bearing Liabilities	Rs. 14Bn	31% ↑
Contract Liabilities	Rs. 6Bn	251% ↑
Other Non-Current Liabilities	Rs. 5Bn	10% ↑
Other Current Liabilities	Rs. 9.5Bn	39% ↑

30%

INCREASE IN ASSETS

22%

INCREASE IN EQUITY

45%

INCREASE IN LIABILITIES

Rs. 86Bn

TOTAL ASSETS

Rs. 51Bn

TOTAL EQUITY

Rs. 35Bn

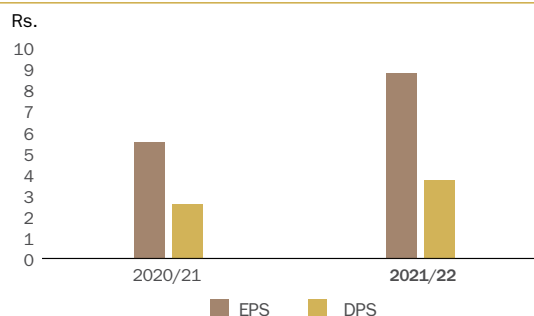
TOTAL LIABILITIES

VALUE TO SHAREHOLDERS

Value to shareholders increased during the year as the market capitalisation of Rocell increased by 58.4% to Rs.45 Bn. Liquidity of the shares increased during the year with a sub-division of each share into 10 shares in April 2021 which also boosted market capitalisation.

Earnings per share increased by 59.6% to Rs.8.84 while dividends per share increased by 44% to Rs. 3.75 Accordingly total value in the hands of shareholders comprising dividends and market value increased by Rs.151.60 of which Rs.150 is attributable to gains in the value of the 10 shares held at the end of the year for each share held at the beginning of the year.

Dividends & Earnings





The skills, experience and dedication of our team of 8,859 employees is key to driving sustainable growth of our business. Despite the numerous challenges that prevailed, our employees enabled the Group to be resilient ensuring the continuity of our operations during the year. In turn we remained steadfast in our commitment to nurturing our people through holistic value proposition.

HOW WE NURTURE OUR HUMAN CAPITAL



Training and
Development
Opportunities



Employee
Engagement



Diversity
and Inclusion



Remuneration,
recognition and
Rewards



Health and
Safety

EMPLOYEES BY SECTOR



3,220

Tiles and Associated Products
(2020/21 - 3,127)



456

Sanitaryware
(2020/21 - 444)



4,186

Plantations
(2020/21 - 4,895)



408

Aluminium
(2020/21 - 349)



521

Packaging
(2020/21 - 542)



68

Mining
(2020/21 - 67)

WAY FORWARD

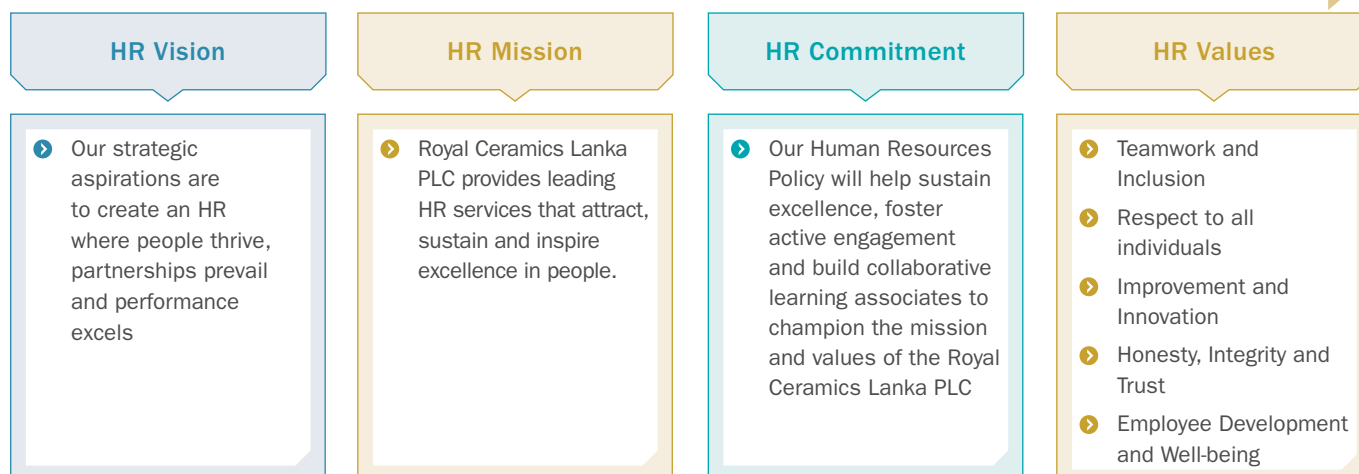
Our HR goals are aligned to the overall company strategy. We will continue to focus on building a team that is skilled and motivated in order to drive our growth plans. The key people-related pillars are recruitment, training & development, employee engagement, health and wellbeing, rewards and recognition and Industrial relations.

STRATEGIC PRIORITIES

- Ensuring the health and safety of the workforce
- Focus on training and development
- Managing performance of our teams
- Proactive engagement with our employees
- Maintaining good industrial relations



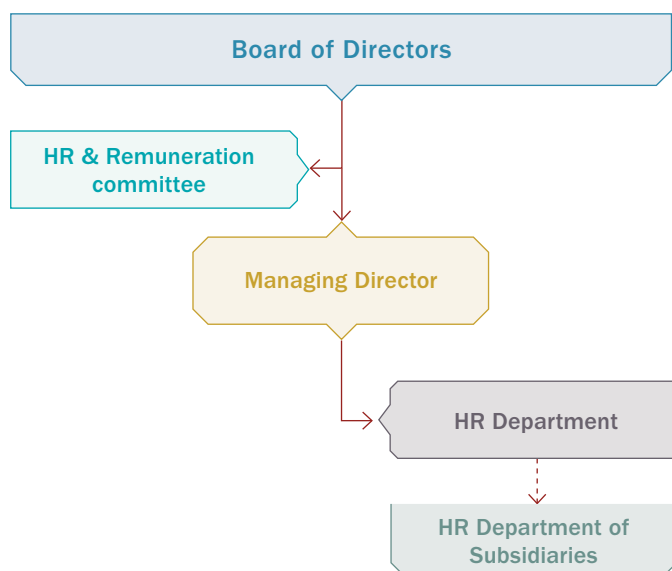
Our Group companies, Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium Limited obtained Great Place to Work Certification at the annual Great Place to Work Conference held on November 17, 2021



OUR MANAGEMENT APPROACH

At Rocell, we are committed to creating a conducive work environment for all our employees as they drive our performance. Our Human Resource (HR) policies and procedures are compliant with the relevant Sri Lankan labour laws and regulatory standards and aligned to industry best practices. The comprehensive policy framework in place ensures that a solid foundation is created for the equitable and consistent treatment of our people whilst motivating and inspiring them to align with the organization's strategic goals. These policies are approved by the Board with the assistance of the Board Remuneration Committee.

The HR policies are further supported by the strong governance structure in place which is a core part of Human Resource management. The Board has delegated oversight of the HR and Remuneration functions to the HR and Remuneration Committee. Rocell maintains a centralized human resource function which reports to the Human Resource and Remuneration Committee. The HR Department of each subsidiary is tasked with managing the activities of their respective sectors. Monthly meetings are held with HR head of subsidiaries to discuss any HR related matters.



RELEVANT HR POLICIES

- | | |
|--|--|
| <ul style="list-style-type: none"> Disciplinary Procedure Policy Providing opportunities for Internship and training Policy on Orientation & Induction Policy on Types of Employment Performance Management Policy Policy on Superannuation Occupational Safety and Health Policy | <ul style="list-style-type: none"> Recruitment policy Attendance and Leave Policy Training and Development Policy Policy on Maintenance of HR records Transfers, Secondment & Job Rotation Policy Policy on Exit Procedure Grievance Handling Policy Whistleblowing Policy |
|--|--|

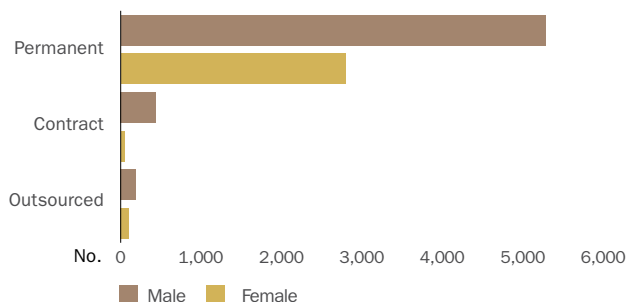
Human Capital

TEAM PROFILE

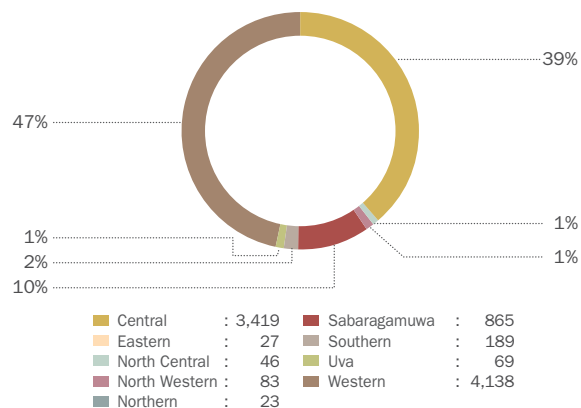
GRI - 102-8

The Rocell Group comprises of 8,859 employees across all sectors who are a key source of competitive strength. As an equal opportunity employer, we have a diverse team depending on our business needs. We do not discriminate employees based on gender, age, religion or race, enabling employees to build fulfilling careers within this fast-growing Group.

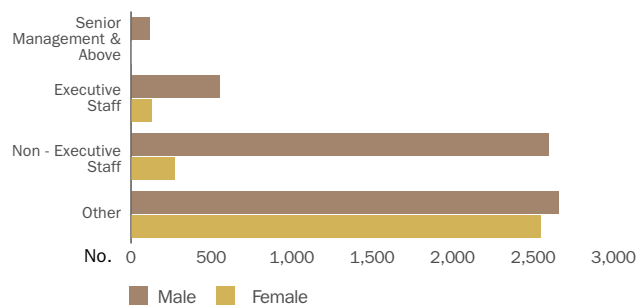
Employees by Contract & Gender



Employees by Region



Employees by Staff Category & Gender

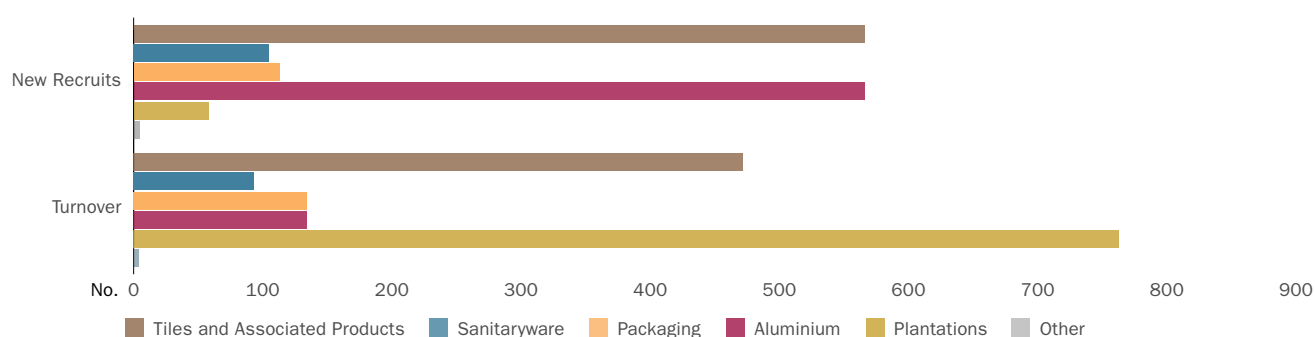


MOVEMENTS IN OUR TEAM

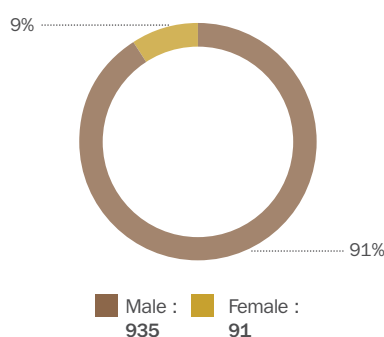
Our recruitment policy ensures that the right individuals are identified and selected through a comprehensive process that seeks to provide equal opportunity while facilitating career progression of employees. During the year there were 1,047 new recruits. All new recruits undergo a comprehensive orientation programme which includes a factory visit and they are briefed on the company code of conduct and health and safety procedures. Our Employee Code of Conduct reflects our culture and values, setting out the professional and ethical conduct expected from our employees.

We offer a holistic value proposition to our employees in an effort to nurture long term relationships. All employees were paid their full salaries, bonuses and increments and there were no redundancies during the year. Despite our efforts, retention of employees in the plantation sector continues to be a challenge. Movements in our team during the year are graphically presented below:

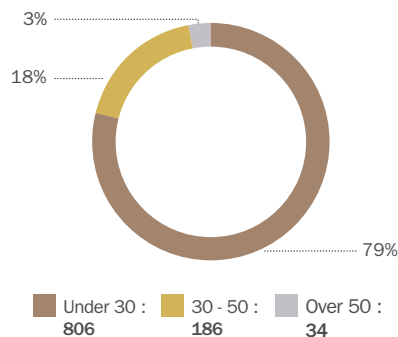
Recruitment & Turnover by Sector



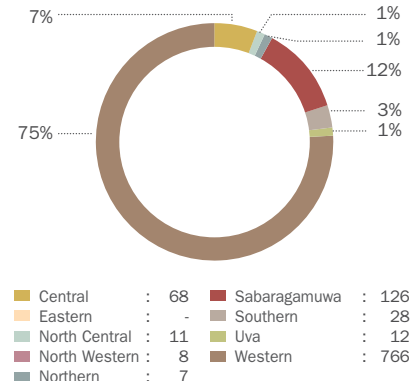
Recruitment by Gender



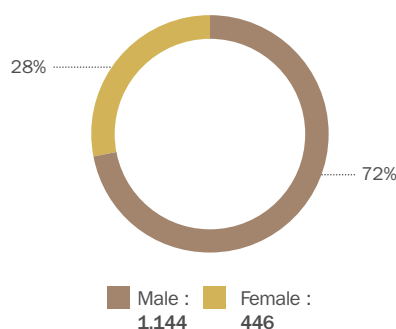
Recruitment by Age



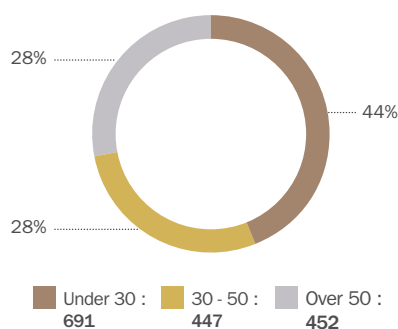
Recruitment by Region



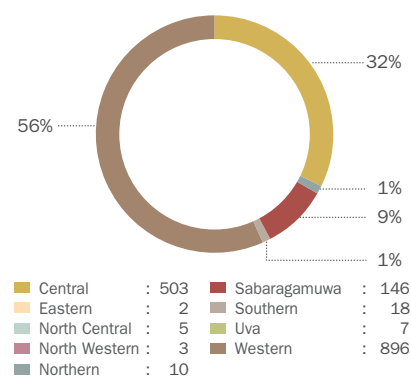
Turnover by Gender



Turnover by Age



Turnover by Region



Human Capital

NURTURING TALENT

The HR division nurtures talent through a holistic value proposition which aligns individual and organizational goals. Several initiatives were carried out during the year, helping us to build our talent and retain our competitive edge.



REMUNERATION, RECOGNITION AND REWARDS

GRI - 401-2 | 401-3 | 402-1 | 404-3

We aim to attract, reward and retain high performing individuals in order to nurture a performance-driven culture. All employees of the Group undergo performance appraisals based on predetermined key performance indicators. Individuals who meet targets are recognized and rewarded through salary increments, annual bonuses and promotions, thereby boosting employee morale. This serves to align personal career goals with organizational strategy.

As part of our employee value proposition, we offer all employees across the Group a competitive compensation package which meets regulatory standards. We do not discriminate based on gender when it comes to determining the remuneration of our employees. Our package comprises both fixed and variable elements, and the latter includes both monetary and non-monetary benefits.

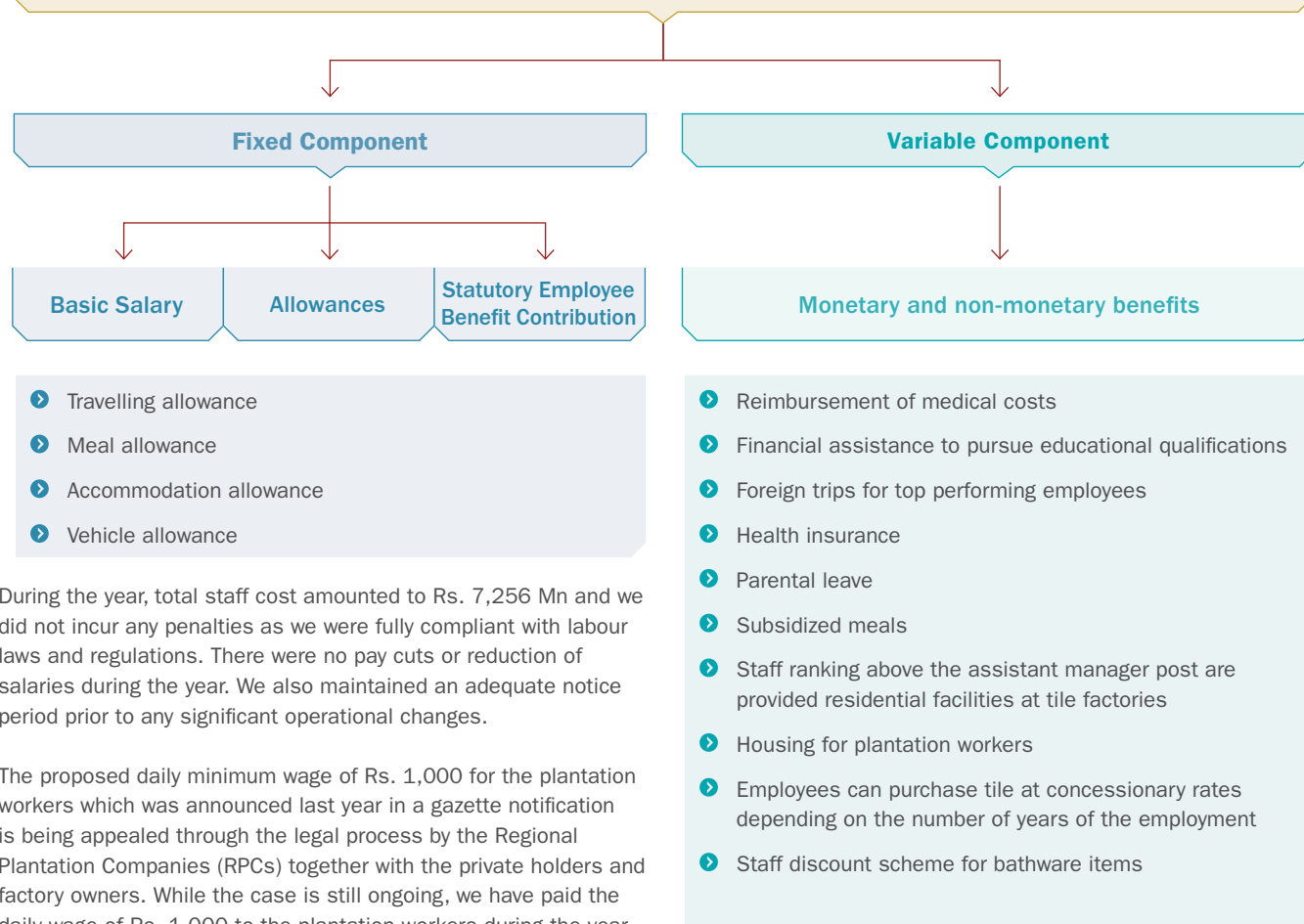
COVID-19 related benefits

- Staff accommodation
- Facilities to work from home
- Reimbursement of PCR/Antigen testing costs
- Transportation was provided to minimize the risk of exposure through public transportation
- Provided Intermediary care facilities for employees who contracted COVID
- Employees who tested positive received Rs. 10,000 worth of dry rations
- Special incentive of Rs. 500 per day was given to employees who report to work during lock-down periods





BENEFITS TO EMPLOYEES



During the year, total staff cost amounted to Rs. 7,256 Mn and we did not incur any penalties as we were fully compliant with labour laws and regulations. There were no pay cuts or reduction of salaries during the year. We also maintained an adequate notice period prior to any significant operational changes.

The proposed daily minimum wage of Rs. 1,000 for the plantation workers which was announced last year in a gazette notification is being appealed through the legal process by the Regional Plantation Companies (RPCs) together with the private holders and factory owners. While the case is still ongoing, we have paid the daily wage of Rs. 1,000 to the plantation workers during the year.

Human Capital

HEALTH AND SAFETY

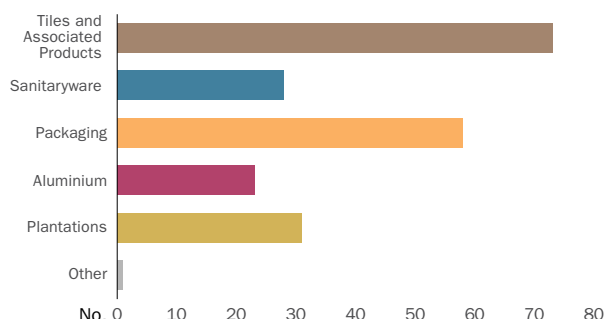
GRI - 403-2

As a manufacturing organization, ensuring the health and safety of our employees is of paramount importance to us. The prolonged pandemic necessitated strategic emphasis on the monitoring of health and safety practices implemented last year to ensure the safety of our employees at the workplace. We have adopted stringent measures going beyond the Government stipulated health and safety practices, enabling us to continue operations despite the pandemic. In the plantation sector, we have also partnered with NGO's to enhance the health and safety of the residents of the estates during the peak of the COVID-19 pandemic. Some of the COVID-19 related safety measures are set out below:



In addition to the measures adopted to prevent the spread of COVID-19, we maintain stringent safety controls and standards that are on par with international best practices across all manufacturing plants. Given our extensive manufacturing operations during the year we spent Rs. 110 Mn to ensure the health and safety of our employees. Despite the high levels of production only minor injuries were reported during the year.

Incidences of Occupational Injuries by Sector



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

KEY INITIATIVES TAKEN TO MANAGE SAFETY STANDARDS



- ▶ Periodic Safety Audits
- ▶ Provision of necessary safety gear
- ▶ Ensuring safety of machinery and equipment
- ▶ Safety committee



- ▶ Factory level employees are subjected to monthly health checks
- ▶ Regular monitoring of physical and mental health of employees
- ▶ Maintaining health records
- ▶ Staff medical scheme



- ▶ Creating awareness on safety standards across the Group to nurture a culture of safety
- ▶ Compulsory safety workshops and staff training programmes



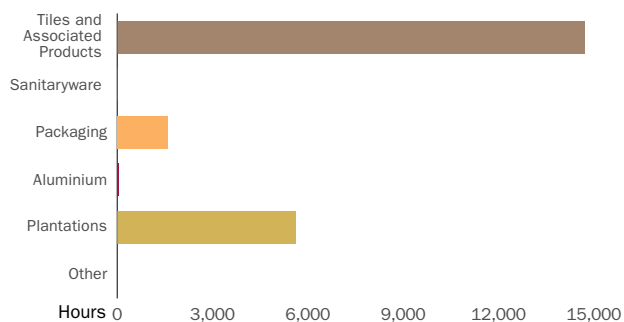
- ▶ Monitoring of injuries and accidents in the workplace
- ▶ Hazard analysis programme

TRAINING AND DEVELOPMENT OPPORTUNITIES

GRI - 404-1

Opportunities for training and development is a key value proposition offered by the Group, equipping our employees with the right skills and knowledge to drive the organization towards success. Training needs are identified through the performance appraisal and fulfilled through various internal and external resources. During the year, some of the training programmes were held virtually due to the need for social distancing. The total investment in training amounted to Rs. 8 Mn in 2021/22, while a total of 4,138 employees underwent 21,963 hours of training. A summary of training and development programmes are provided below:

Training Hours by Sector



NVQ level certified programme for technicians was launched in 2021/22. Tilers who are registered with Rocell will be trained to obtain the NVQ Level 3 & 4 Certification. Upon completion of the programme these tilers will be able to register themselves and avail their services to customers through our dedicated website. A total of 1000 tilers are planned to be certified while a pilot batch of 10 tilers have already been certified with the NVQ Level 3 certificate during the year.

Human Capital



Category	Tiles and Associated products	Packaging	Aluminium	Plantations	Total
Training hours by gender					
Male	11,467	1,420	46	4,593	17,526
Female	3,227	178	6	1,026	4,437
Total	14,694	1,598	52	5,619	21,963
Training hours by employee category					
Senior Management and above	87	125	-	-	212
Executive	5,627	230	17	4,090	9,964
Non-executive	2,675	-	-	-	2,675
Other	6,305	1,243	35	1,529	9,112
Total	14,694	1,598	52	5,619	21,963

EMPLOYEE ENGAGEMENT

Numerous engagement mechanisms are in place to build strong employee relationships within our team. Our open-door policy encourages employees to present their grievances at any time while also facilitating collaboration. Regular staff meetings ensure effective communication takes place. We are committed to creating an environment where employees feel valued, respected and heard. Our employee magazine, ROCELL Digest provides a platform for employees to share their personal/career developments.

Employees can report grievances to their Line Managers while also having direct access to the HR department or the Managing Director



Our annual welfare events promote work life balance and create a sense of satisfaction amongst the employees. These are presented below:

➤ Staff annual trip

➤ Staff get together

➤ Paduru party



DIVERSITY AND INCLUSION

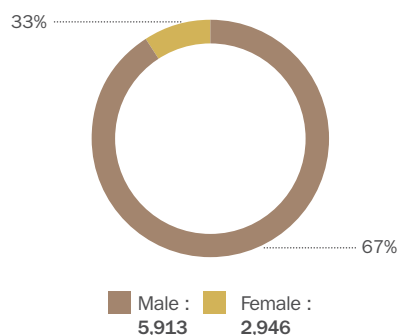
GRI - 405 - 1

As a responsible employer, we have taken measures to create a conducive work environment free from discrimination for all our employees. Our human resource policies and procedures ensure equal opportunity regardless of age, gender, race or religion. We also maintain a Zero tolerance Policy on racism that is reflected in the recruitment, talent development and career progression processes. Employees are encouraged to report instances of discrimination through the Grievance, Open door and Whistleblowing policies. During the year, there were no reported incidents of discrimination.

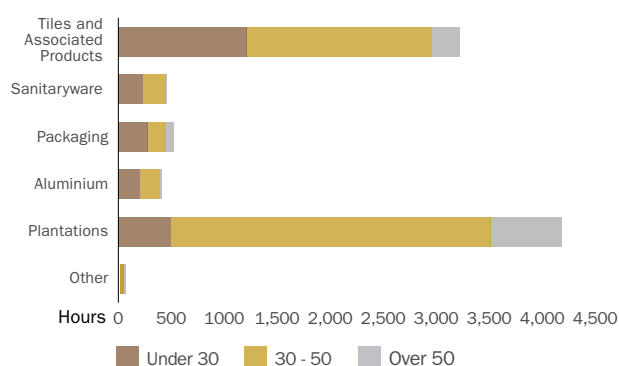
Trade Union Relationships

30% of our employees are represented by trade unions and covered by collective bargaining agreements. During the year, we maintained cordial relationships with these unions and there were no instances of disruptions to work due to industrial disputes. We have adopted an open-door policy with the unions which has enabled better decision making and improved working conditions. Bimonthly meetings are held with union representatives to address any concerns. We also collaborate with the trade unions in formulating work practices and ensuring health and safety of the workers.

Diversity & Inclusion by Gender



Diversity & Inclusion by Age





Manufactured capital plays an integral role in our value creation process and consists of Buildings, Plant & Machineries, Showroom fixtures & fittings and etc.. The industries in which we operate require a substantial investment of highly specialized assets which amount to 23% of Total Assets of the Group. Consequently, the Group invested Rs. 3,425 Mn during the year to enhance our manufactured capital.

HOW WE NURTURE OUR MANUFACTURED CAPITAL



Streamlining design portfolio to minimize down time



Drive innovation to enhance efficiency

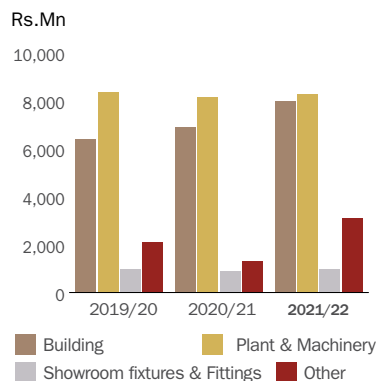


Expand manufacturing capacities to meet the customer demand

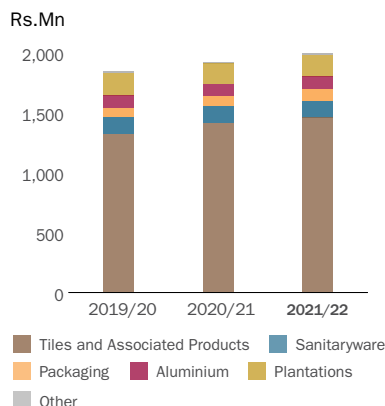


Expanding our reach by growing our branch network and upgrading our existing showroom network

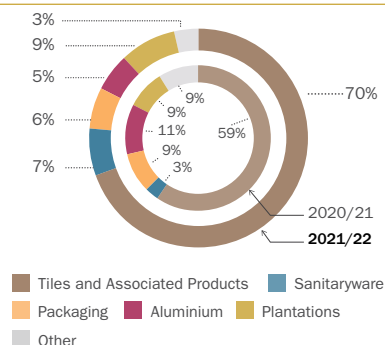
Movement in Manufactured Capital



Depreciation Charge by Sector



Capex by Sector



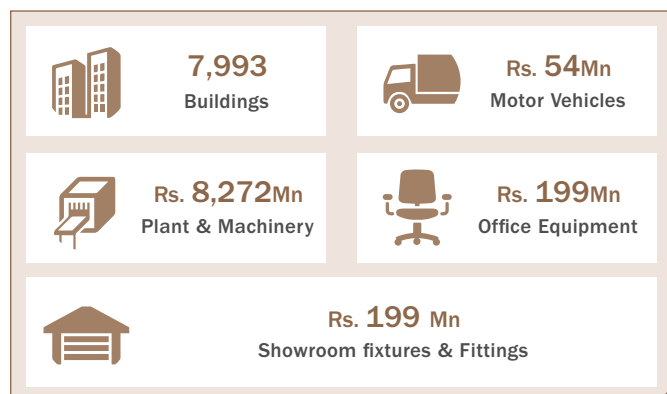
98%
Capacity Utilization



Rs. 3,425 Mn
Capital expenditure

GOALS FOR 2022/2023

- Proposed capacity expansion of 3,000 sqm per day at the Horana factory with an estimated cost of Rs. 2.5 Bn.
- Expansion of capacity in Lanka Tile factory by 500 sqm per day with an estimated investment of Rs. 244 Mn.
- Expansion of Lanka Walltiles factory by 6,000 sqm per day with the estimated investment of Rs. 5 Bn.
- Driving efficiency through digitisation and Robotic Process Automation.



FOSTERING OUR MANUFACTURED CAPITAL

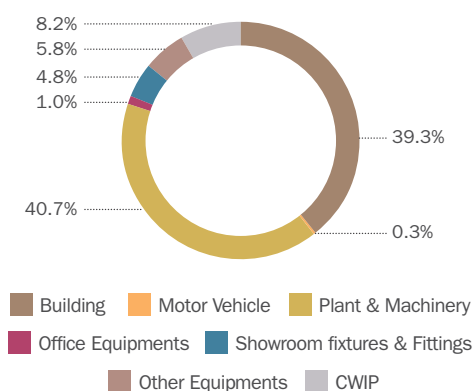
The Rocell Group continues to invest a significant portion of its monetised capital in enhancing our manufacturing capabilities to maintain our competitive edge. The Board provides direction to all expansion plans which consider the demand, design trends, technology and the return on investments amongst other factors.

Several of our manufacturing plants undertook expansion projects during the year as the import restrictions imposed on tiles continues to be in place, leading to higher demand for our products. Manufacturing of some of smaller sized tiles were discontinued while production of larger sizes was boosted as an increasing number of customers preferred larger sized tiles. This move resulted in a reduction of overall capacity in several of our manufacturing plants as larger sizes required a longer firing cycle.

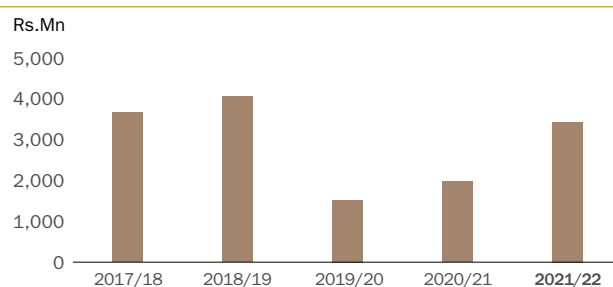
Sanitaryware manufacturing capacity was increased during the year by introducing double casting.

During the year the tile sector which accounts for 75% of our manufacturing capital achieved 98% (2020/21 - 97.5%) capacity utilization. This was achieved by minimizing disruptions while embarking on new innovations. Disruptions caused by design changeovers were minimized by rationalizing our design portfolio. Modifications carried out in some of the warehouses resulted in improved functioning of the facilities. These modifications included additional loading bays and alternate routes to warehouse entrances.

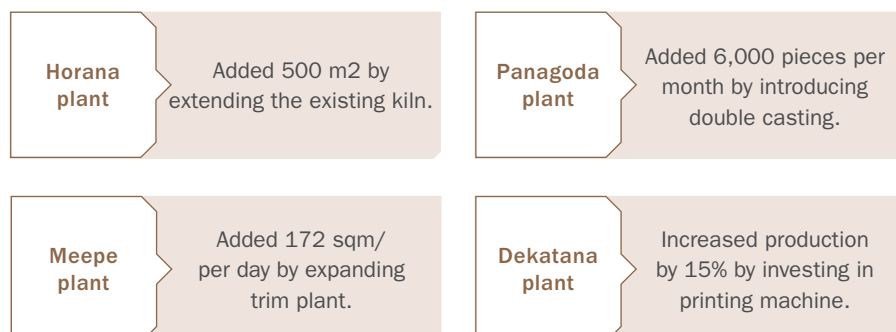
Composition of Manufacturing Capital



Capital Expenditure



Capacity expansion projects undertaken during the year



Manufactured Capital

MANUFACTURING FACILITIES

TILE 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	100%	98%

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	336,000 pieces/annum	700 MT/month
Capacity Utilisation	89%	82%



Ranala – Lanka Tiles PLC



The single largest tile manufacturing facility in Sri Lanka, produces glazed, vitrified wall and floor tiles with double firing technology.

16,500 m² /day

96%

Meepe – Lanka Walltiles PLC



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.

8,000 m² /day

100%

Ballummahara – Swisstek (Ceylon) PLC



Produce tile grouts, tile mortar and decorative pebbles.

60,000 MT/annum

92%

PACKAGING



Dekatana – Unidil Packing



Produces corrugated packaging and paper sacks for various industry requirements.

33,000 MT corrugated packaging and 3,600 MT paper sacks per annum

87% of corrugated cartons and 41% of paper sacks

PLANTATIONS



Horana Plantations



8 estates in Nuwara Eliya & 1 estate in Kalutara District producing tea and 5 estates in Kalutara District producing rubber.

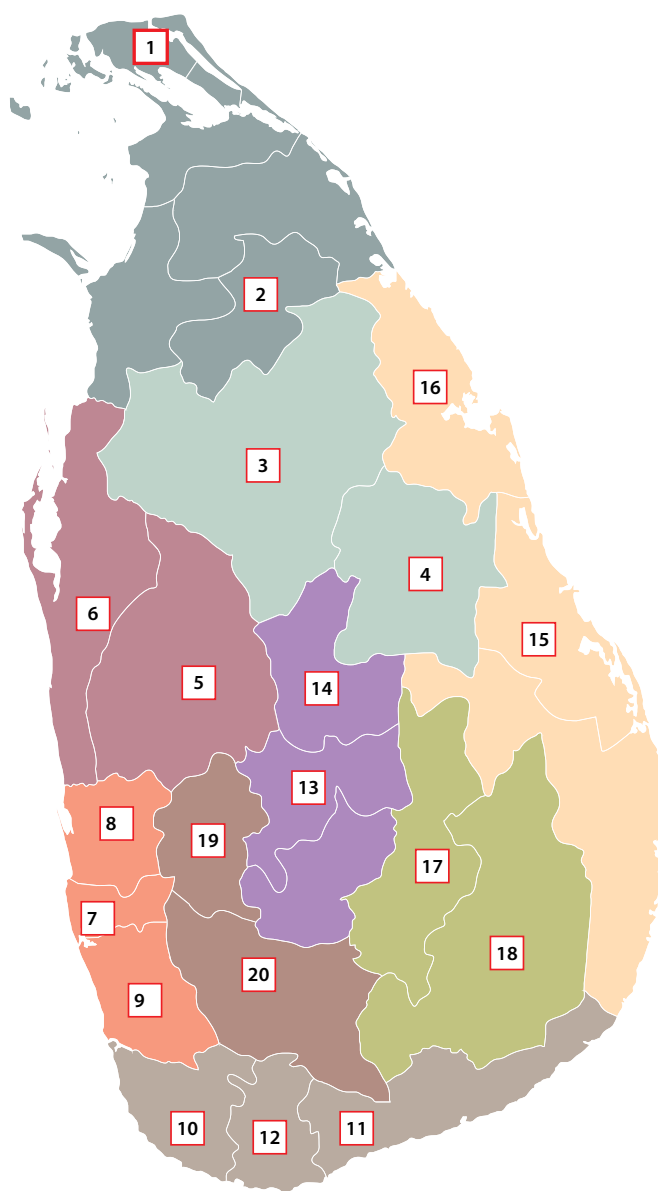
Tea - 4,505 MT/annum, Rubber – 1,050 MT/annum

Manufactured Capital

OUR BRANCH NETWORK

Despite the prolonged pandemic and challenging economic conditions, Rocell expanded its reach by opening one new factory outlet in Galle. Further, several relocations and upgrades were carried out while the necessary maintenance work was done with minimal disruptions to operations. A total of Rs.93Mn was spent on expanding and upgrading the showroom network during 2021/22.

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	2
15. Batticaloa District	1
16. Trincomalee District	1
Uva Province	3
17. Badulla District	2
18. Monaragala District	1
Sabaragamuwa Province	5
19. Kegalle District	1
20. Ratnapura District	4



59

Showrooms

	Showroom	Address	Telephone
1	Ambalangoda	745, Galle Road, Randobe, Ambalangoda	091-4944731/091-2253263
2	Ambalantota	76 A, Tangalle Road, Thavaluwila, Ambalantota.	047-4932446
3	Anuradhapura	521/5, 2nd Stage, Maithreepala Senanayaka Mawatha, Anuradhapura.	025-4581221
4	Athurugiriya	39, Godagama Road, Athurugiriya.	011-4443641
5	Badulla	70, Bank Road, Badulla.	055-4499780
6	Balangoda	52, Barnes Ratwatta Mawatha, Balangoda.	045-4927365
7	Bandarawela	254, Badulla Road, Bandarawela.	057-4496014
8	Batticaloa	120, 124 Mahathma Gandhi Road, Batticaloa	065-4929450
9	Beruwala	278, Galle Road, Massala, Beruwala,	034-4288371/2
10	Chilaw	114, Colombo Road, Chilaw	032-4934126
11	Colpetty	440, R.A. de Mel Mawatha, Colombo 03	011-4209204/5/6
12	Dambulla	679, Anuradhapura Road, Dambulla	066-4935041/2
13	Dehiwala Concept Centre	106, Galle road, Dehiwala	011-7024729/30
14	Eheliyagoda	185 B, Ratnapura Road, Moragala, Eheliyagoda.	036-4922946
15	Galle	77, W.D.S. Abeygunawardena Mawatha, Pettigalawatte, Galle	091-4380033
16	Gampaha	174/A/2, Colombo Road, Gampaha.	033-4670937/755
17	Gampola	7, T.B. Panabokke Mawatha, Gampola.	081-4951436
18	Horana	173, Panadura Road, Horana.	034-4283403
19	Ja-Ela	203, Colombo Road, Ja-Ela	011-4334173
20	Jaffna	218, Stanley Road, Jaffna	021-4927003/4
21	Kadawatha	320, Kandy Road, Kadawatha	011-4322994
22	Kaduwela	384/B, Malabe Road, Kaduwela	011-4948182
23	Kaduruwela	602E, Main Road, Kaduruwela	027-7634402
24	Kalutara	443, Galle Road, Kalutara North, Kalutara.	034-4280469
25	Kalutara	574, Galle Road, Kalutara South, Kalutara	034-4280933/4
26	Kandy	562, Peradeniya Road, Mulgampola, Kandy.	081-4471581
27	Kandy	37, A.A. Dharmasena Mawatha, Mahaiyawa, Kandy.	081-4475825
28	Kandy	279, Katugastota Road, Kandy.	081-4481759/60
29	Kegalle	504/1, Kandy Road, Meepitiya, Kegalle	035-2230980
30	Kiribathgoda	218, Kandy Road, Kiribathgoda.	011-4817231
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	136A, Colombo Road, Kurunegala.	037-4690467
35	Maharagama	143, Highlevel Road, Maharagama.	011-4319514
36	Malabe	780/1, New Kandy Road, Thalanga North, Malabe	011-4411775
37	Matale	160, Kings Street, Matale	066-4460928
38	Matara	139, Gunawardena Mawatha, Kotuwegoda, Matara.	041-4933629
39	Minuwangoda	173, Colombo Road, Minuwangoda.	011-4969060
40	Monaragala	"Kandaland" Wellaway Road, Monaragala	055-4936169
41	Moratuwa	477/1, Galle Road, Rawathawatte, Moratuwa.	011-4210726
42	Nawala	101, Nawala Road, Nugegoda.	011-4311311
43	Nawala	30, Narahenpita Road, Nawala.	011-4651000
44	Nawala	Design Hub, 100, Nawala road, Narahenpita	011-4691705/06
45	Nawala	98, Nawala Road, Nugegoda.	011-4405160
46	Negombo	206, Chilaw Road, Negombo.	031-4922192
47	Nittambuwa	52, Kandy Road, Nittambuwa.	033-4929681

Manufactured Capital

	Showroom	Address	Telephone
48	Panadura	504, Galle Road, Panadura.	038-4281898
49	Pelmadulla	232. Rathnapura Road, Pelmadulla	045-4935060, 045-4935065
50	Piliyandala	114, Colombo Road, Piliyandala	011-4210675
51	Ratnapura	225, Colombo Road, Ratnapura.	045-4360318
52	Seeduwa	587, Negombo Road, Liayanagemulla, Seeduwa	011-4831987
53	Trincomalee	2/1, Kandy Road, Trincomalee.	026-2225008
54	Vavuniya	Sri Bodhi Dakshinaramaya, Kandy Road, Vavuniya.	024-4928331/2
55	Wattala	158, Negombo Road, Wattala	011-4818563
56	Wennappuwa	338, Chilaw Road, Wennappuwa	031-4874656/57
57	Nawala-Lanka Tile	215, Nawala Road, Narahenpita	011-4526700
58	Perceptions Tile Gallery-Lanka Tile	133, Jawatta Road, Colombo 5	011-3883510
59	Swisstek Aluminium Ltd	23, Narahenpita Road, Nawala	011-7807120

OUTLOOK

The Group is conscious of the environmental impact our operations have and remain committed to responsible consumption of resources with the help of technology and innovation. We will continue our efforts in increasing capacity to meet the demand in domestic market while exploring opportunities to grow export sales. Product expansion by introducing new and innovative designs will also remain a priority while enhancing productivity and driving efficiency.





Sustained market leadership is largely determined by our relationships with stakeholders such as customers, suppliers, regulators and the community. We strive to maintain mutually beneficial relationships through a structured relationship management process.

HOW WE NURTURE OUR SOCIAL & RELATIONSHIP CAPITAL



Improve our reach by expanding our showroom network and upgrade our exciting showroom network.

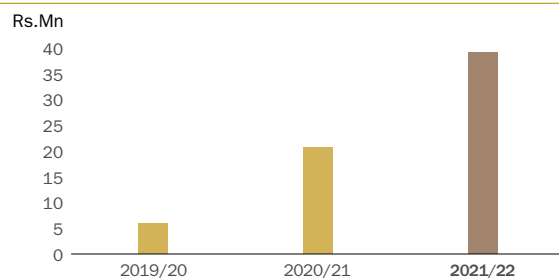


Expanding the portfolio of export products

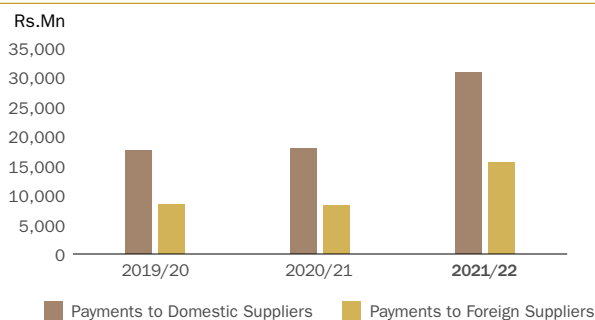


Maintaining positive relationships with suppliers to ensure continuous supply of raw material

CSR Spend



Payments made to Suppliers



Over 200
New designs introduced



One
New Factory Outlet

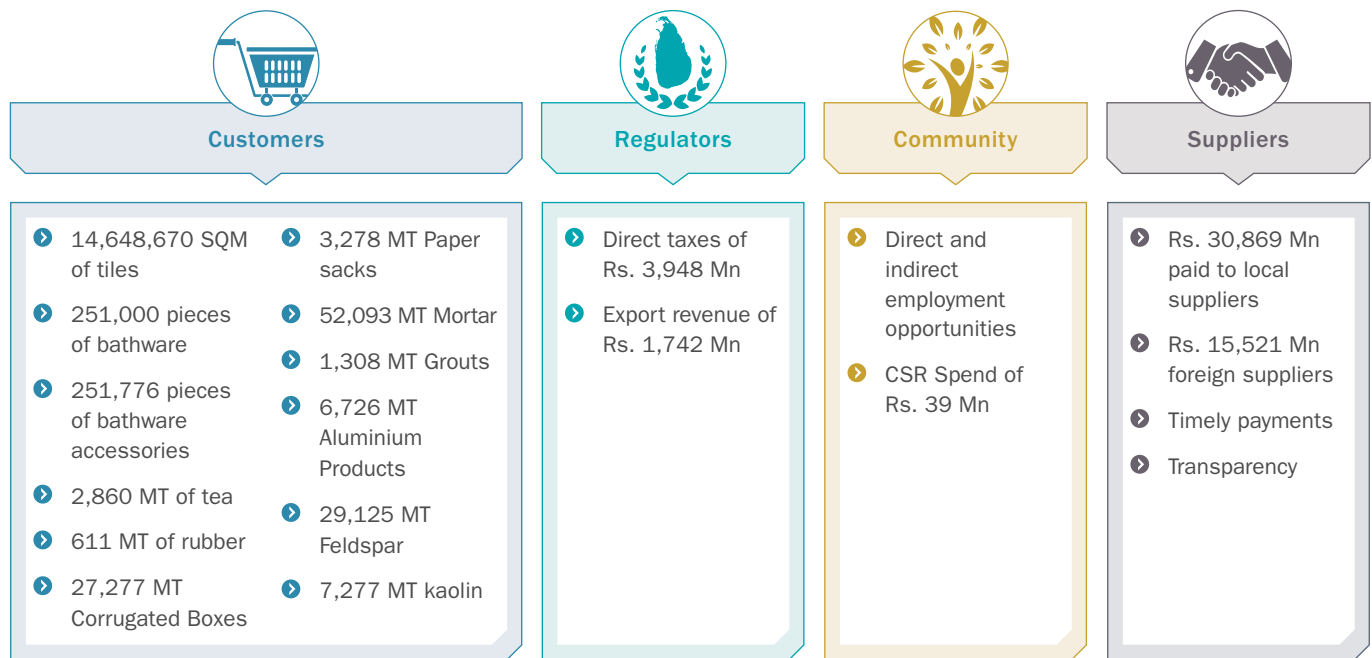


Rs. 39 Mn
CSR Spent

GOALS FOR 2022/2023

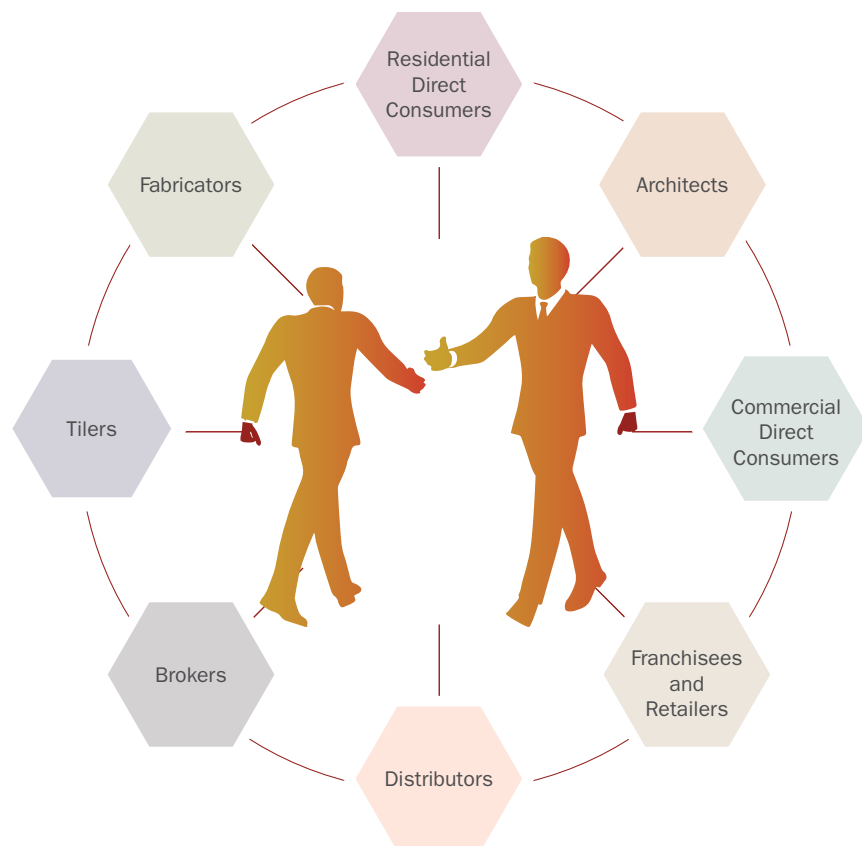
- Explore avenues to expand export sales
- Expansion of product portfolio
- Expanding the supplier base by moving to different geographical locations

Social and Relationship Capital

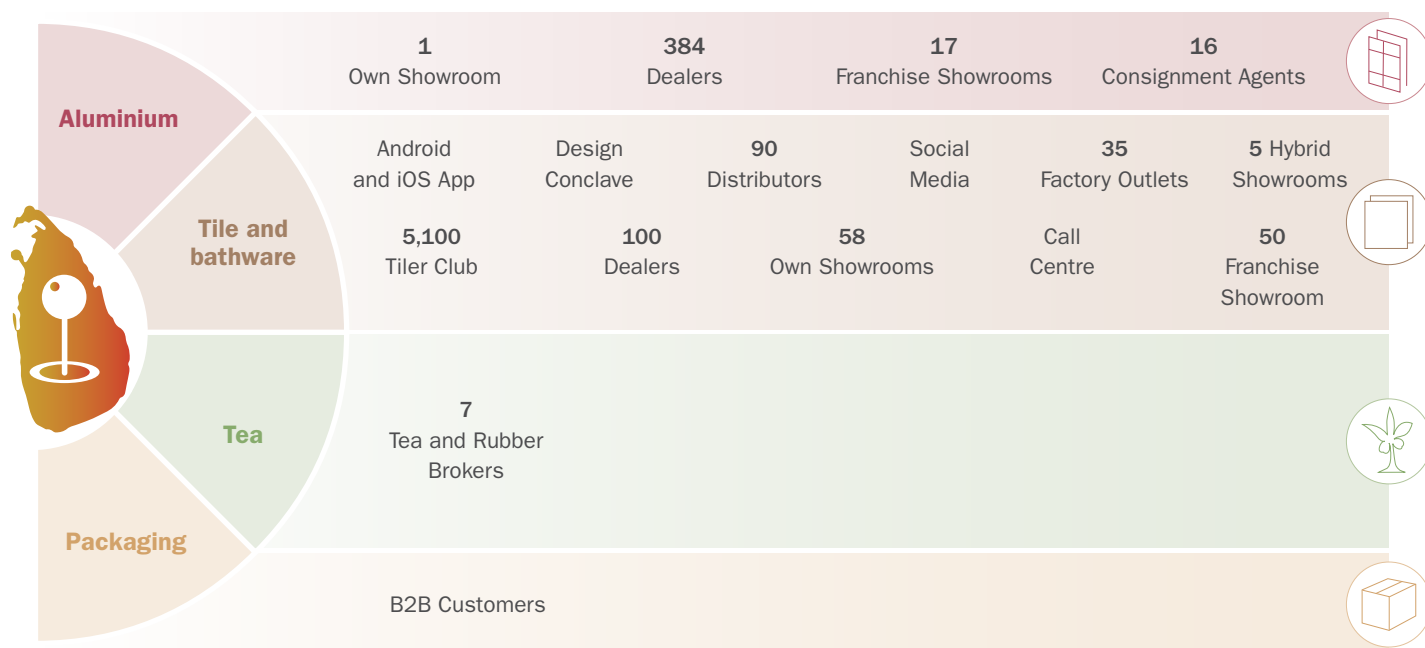


MANAGING OUR CUSTOMER RELATIONSHIPS

Due to the diversity of our customer base understanding their unique requirements and preferences remains an integral part of maintaining our competitive advantage. Consequently, we engage with them via multiple channels in order to understand the demand patterns and design our product portfolio accordingly.



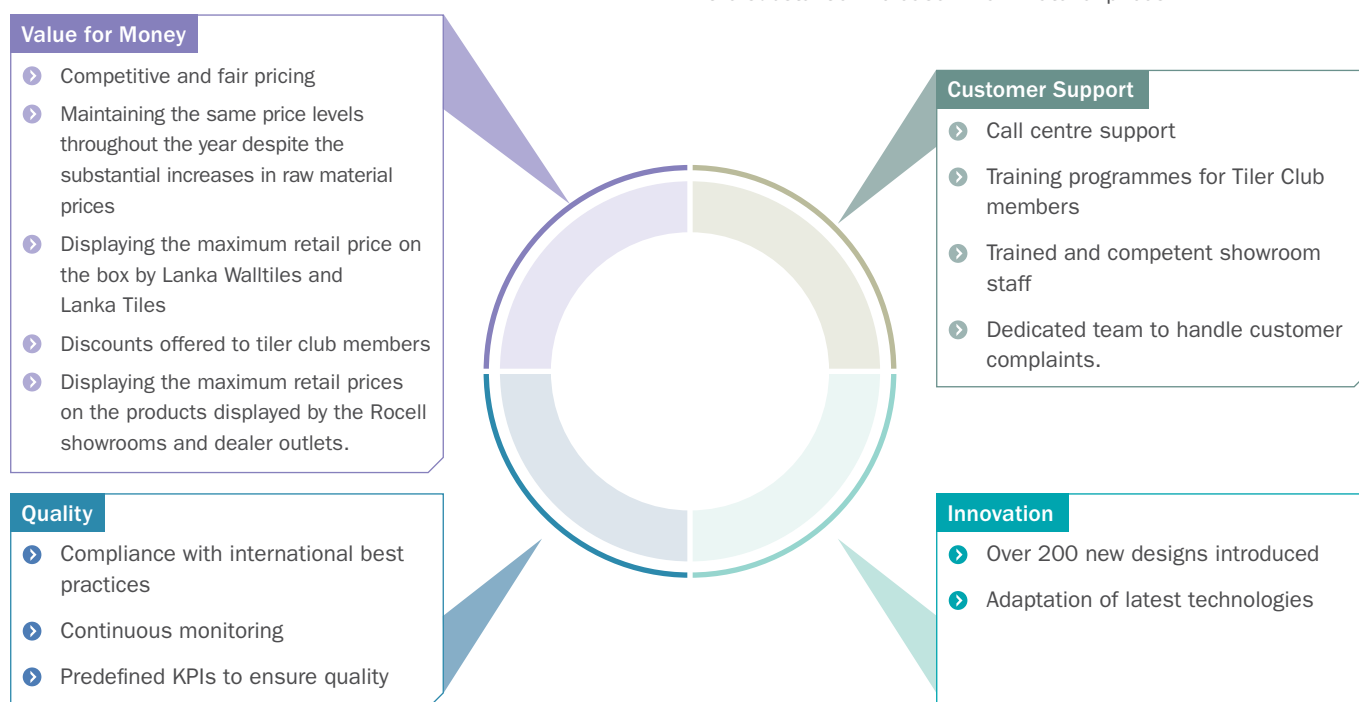
CUSTOMER TOUCH POINTS,



Show room staff have direct access to consumers while Tilers club provides the opportunity to engage with market intermediaries. The Colombo Design Conclave was initiated by Rocell to encourage collaboration with the architects and the design fraternity. Social media has become an effective marketing tool where customers are informed of the new product launches and various other promotions.

Meeting customer expectations is essential for our sustainability and to maintain for market leadership. Our production process is subjected to stringent quality control measures and adopts the latest technologies to ensure superior quality products. Further, we maintain competitive pricing for all our products without compromising on the quality while offering a comprehensive range of products to suit the needs of our diverse customer base. Rocell maintained the consistent price levels throughout the year despite the substantial increase in raw material prices.

VALUE DELIVERED TO CUSTOMERS



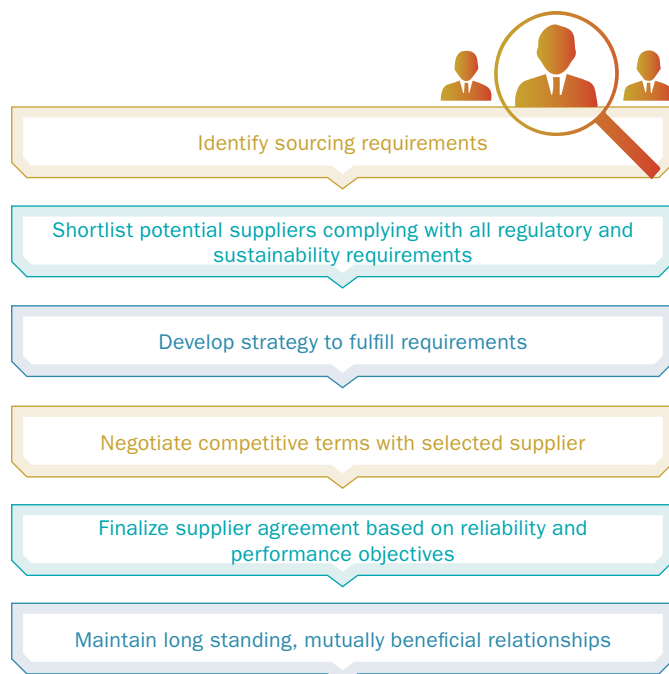
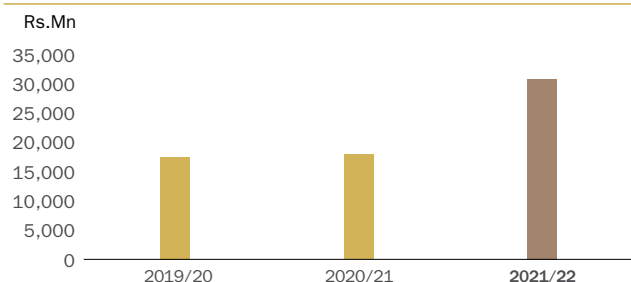
Social and Relationship Capital

ENGAGING WITH OUR SUPPLIERS

We strive to maintain mutually beneficial relationships with our supplier base and build long standing partnerships to ensure stability and uninterrupted operations. Having a stable supplier base with positive relationships benefited Rocell during the challenging economic conditions as we were able to source adequate raw materials to ensure uninterrupted production during the year.

Our supplier base consists of both local and foreign suppliers. Sourcing from foreign suppliers became increasingly challenging during the year due to country's diminishing foreign reserves and increasing freight and shipping charges. Due to this, the Group was compelled to look at domestic sourcing alternatives where possible. We also initiative to increase stock levels which allowed us to continue uninterrupted operations. Positive relationships with our suppliers with good payment history helped us to negotiate extended credit periods which facilitate opening of letter of credit with banks during this difficult time.

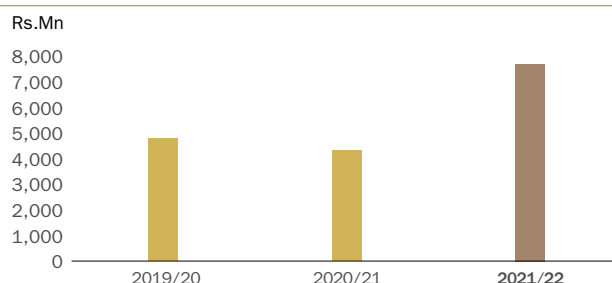
Payments to Local Suppliers



RELATIONSHIPS WITH REGULATORS

Rocell has been a strong advocate in the development of the industry and work closely with the regulators to work towards these objectives. The Group contributes to Government revenue by paying direct and indirect taxes that are stipulated by law. All required tax payments are made on a timely manner and during the year Group's tax expenses amounted to Rs. 7,693 Mn

Tax Paid to Government



STRATEGIC PARTNERSHIPS

Partnerships with industry experts and world-renowned brands has paved the way for knowledge sharing. These strategic partnerships have also reinforced our brand presence while improving our business process to achieve continuous improvement. Further we have been successful in entering export market destinations due to the credibility of these alliances.

INDUSTRY COLLABORATIONS

GRI - 102 - 13

We collaborate with the several professional bodies and encourage employees to participate in forums to enhance their knowledge and skill levels while contributing to the growth of the industry.

- The Institute of Chartered Accountants of Sri Lanka
- The Ceylon Chamber of Commerce
- The International Chamber of Commerce
- The National Chamber of Commerce
- Chamber of Construction Industry of Sri Lanka
- Sri Lanka Ceramic and Glass Council
- Sri Lanka - Italy Business Council

COMMUNITY ENGAGEMENT

GRI - 413 - 1

We strive to fulfill our social responsibility by contributing to the development of the community we operate in the Group undertook several projects during the year to proactively support the community. These initiatives include the following;

- Provision of school stationery for neighboring village children
- Donation of dry rations to selected needy families
- Tile donations for hospitals, temples and schools
- Road development in Dimple village
- Maintenance of Child development centre by Horana Plantation
- Donation for staff workers family funerals
- Provision of free feeding for children in estates
- Donation of coffins to Gampaha hospital to support cremation of COVID19 deaths
- Donation of ventilator system to the Gampaha General Hospital





As an organization which relies heavily on natural inputs, such as ball clay, feldspar, silica sand, aluminium and paper we are increasingly aware of our impact on the environment. Consequently, environmental sustainability has gained centre stage in our strategy as we constantly explore avenues to minimize any negative consequences resulting from our operations.

HOW WE NURTURE OUR NATURAL CAPITAL



Energy Consumed **82,695,872 kWh**

Energy savings of LPG through ongoing energy saving initiatives



Water Consumption **527,563,529 Litres**

All effluents are treated prior to being discharged

ENERGY INTENSITY

Sector		2021/22	2020/21
Tiles and associated products	Kwh per SQM	4	6
Sanitaryware	Kwh per PCs	11	18
Plantations	Kwh per MT	72	83
Aluminium	Kwh per MT	766	1,619
Packaging	Kwh per MT	671	817
Other	Kwh per MT	2	3

WATER INTENSITY

Sector		2021/22	2020/21
Tiles and associated products	Litres per SQM	20	19
Sanitaryware	Litres per PCs	189	205
Plantations	Litres per MT	704	1,083
Aluminium	Litres per MT	6,146	5,600
Packaging	Litres per MT	36,106	32,835
Other	Litres per MT	16	37



Waste discharged during the year
227,397,417 Litres



Raw Material Consumption
410,216 MT

Reused materials during the year
12,196 MT



Committed to climate action

Solar power energy generation
1,180 MW

WAY FORWARD

We will continue to seek ways to become more responsible in our consumption of raw materials, energy and water while minimizing the impact on the environment through reusing, recycling and safe disposal of waste and effluent discharge.

STRATEGIC PRIORITIES

- Reducing energy consumption and enhancing efficiencies
- Managing our carbon footprint
- Encouraging responsible waste management through re-use and recycle
- Implementing solar energy projects

Consumable biological assets amounted to 1.22% of Group assets

OUR MANAGEMENT APPROACH

The Rocell Group is committed to reducing the environmental footprint of its operations and its environmental management processes embody the precautionary principle.

MONETIZED NATURAL CAPITAL

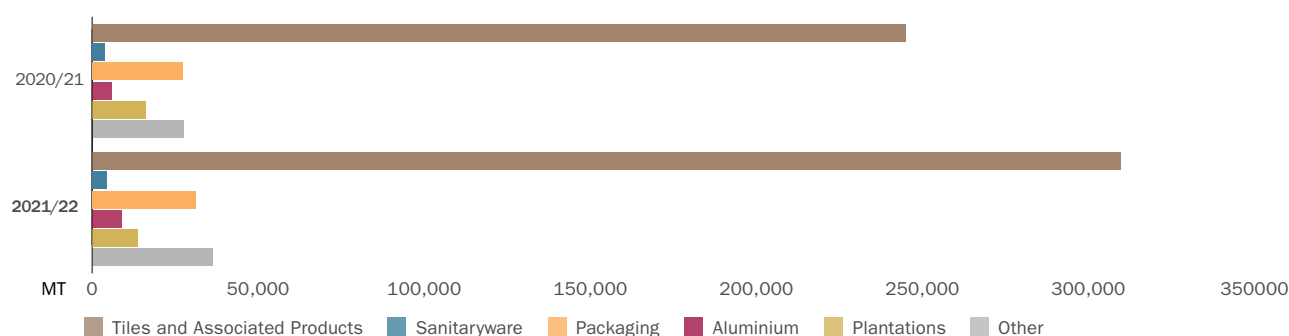
The Rocell Group has a considerable land bank consisting of agricultural land, clay mining land and other freehold property used for various commercial purposes such as warehouses, showrooms and manufacturing plants. The land bank represents a valuable natural resource for the Group. Bearer biological assets consisting of investments on tea, rubber, oil palm and other diverse crops were valued at Rs. 2,173 Mn while consumable biological assets were valued at Rs. 596 Mn. Access to mining lands is vital for ensuring business sustainability and Rocell holds over 220 acres of these lands which cater to our in-house clay requirements.

MATERIALS

GRI - 301 - 1, 301 - 2

We require finite resources including ball clay, feldspar, silica sand and kaolin for the production of tiles. As most of these materials are non-renewable in nature, we strive to minimize wastage and reuse materials where possible through the effective implementation of TPM and other productivity initiatives. During the year, 354,742 MT of non-renewable material was consumed. Most of the minerals used in the manufacturing of tiles is recycled and reused, while the rest is used to refill clay mines. As such 12,196 MT of materials were reused by the Group in 2021/22.

Material Consumed by Segment



Material Consumption by Type (MT)

Renewable

Type	2021/22	2020/21
Billet	8,302	5,522
Chemicals	2,101	1,720
Field latex rubber	747	3,925
Green leaf	12,932	12,319
Ink	125	357
Paper	30,540	26,796
Powder	131	94
Other	596	485
Total	55,474	51,218

Non-renewable

Type	2021/22	2020/21
Ball clay	90,197	76,512
Feldspar	169,805	127,641
Grey/white cement	21,858	16,503
Kaolin	27,049	18,279
Silica sand	40,219	27,565
Other	5,614	8,110
Total	354,742	274,610

Precautionary Principle

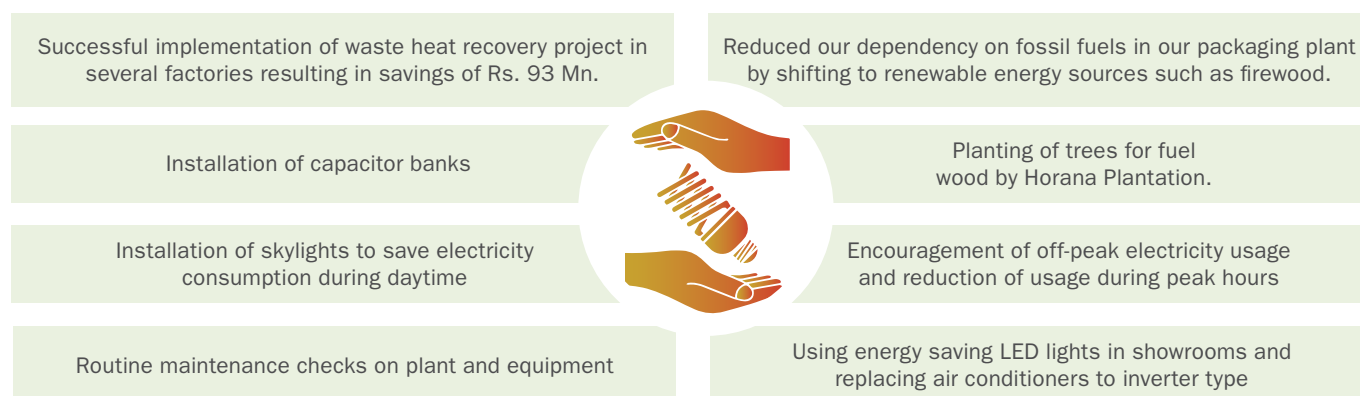
We are committed to taking cost effective measures to minimize the unfavourable impacts on the environment where there are threats of serious or irreversible damage, despite lack of full scientific certainty in compliance with Principle 15 of The Rio Declaration on Environment and Development.

Natural Capital

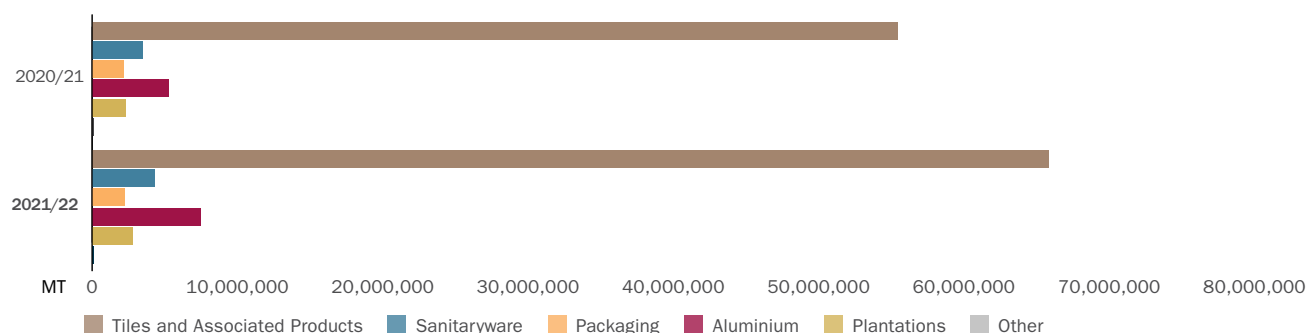
ENERGY

The Group has continued to drive concerted efforts towards reducing consumption of energy from non-renewable sources. Furthermore, given the energy-intensive nature of some of our businesses we have invested in green energy sources such as solar power to generate renewable energy.

82,695,872 Kwh of energy was consumed during the year, compared to 68,777,062 Kwh last year. Energy consumption for the year under review increased by 20% due to increased production derived from capacity enhancements. However energy intensity reduced in all sectors reflecting our ongoing efforts to enhance energy efficiency through various initiatives that have been continued during the year. These initiatives include:



Energy Consumed by Segment



Energy Consumption by Type

Renewable

Type	Unit	2021/22	2020/21
Firewood/Biomass	'000 kg	11,041	9,485
Solar Power	'000 Kwh	1,180	-

Non-renewable

Type	Unit	2021/22	2020/21
Diesel	'000 litres	1,431	926
Furnace oil	'000 litres	573	256
LPG	'000 kg	27,472	22,912
Electricity	'000 Kwh	82,868	68,777
Kerosene	'000 litres	2,502	349

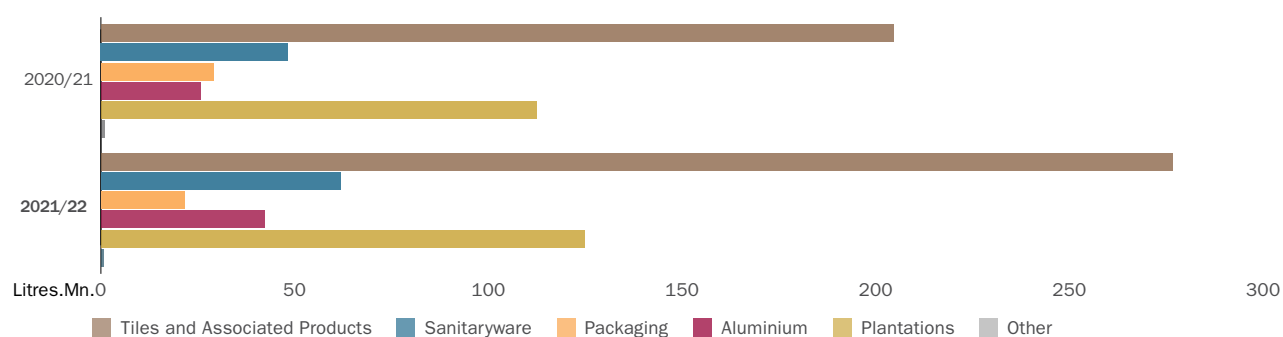
WATER AND EFFLUENTS

GRI - 303 - 4, 303 - 5

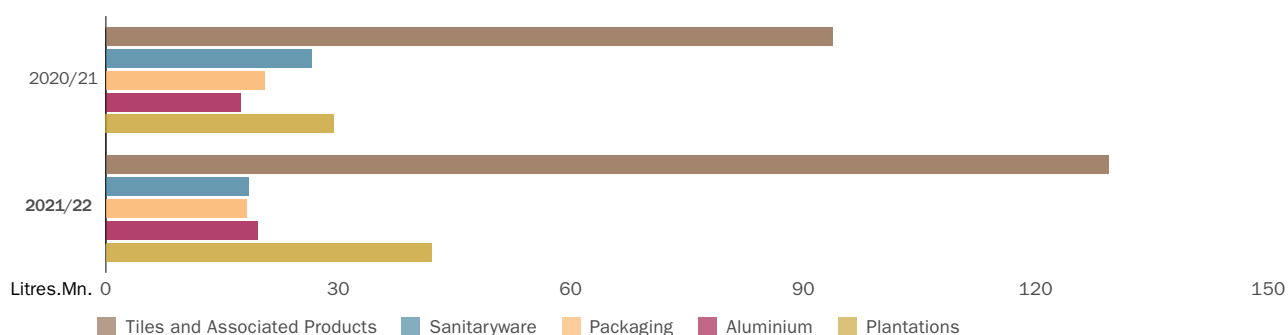
We are conscious of our water footprint and committed to reducing the water usage in our operations through stringent monitoring of water usage. The tiles and associated segment manufacturing segment accounts for 52% of the Group's water consumption, with the rest of the Group accounting for the remainder for various operational needs. 66% of the water consumed is sourced through ground water withdrawals.

Effluent treatment plants are installed at all factories and the quality of water is tested to ensure compliance with the prescribed limits prior to being discharged.

Water Consumed by Segment



Water Discharged by Segment



Water consumption by source (Mn Litres)

Type	2021/22	2020/21
Ground water	350	273
Municipal water	103	85
Rainwater harvested	2	2
Surface water	69	59
Third party supply	3	2
Total	527	421

Waste water (Mn Litres)

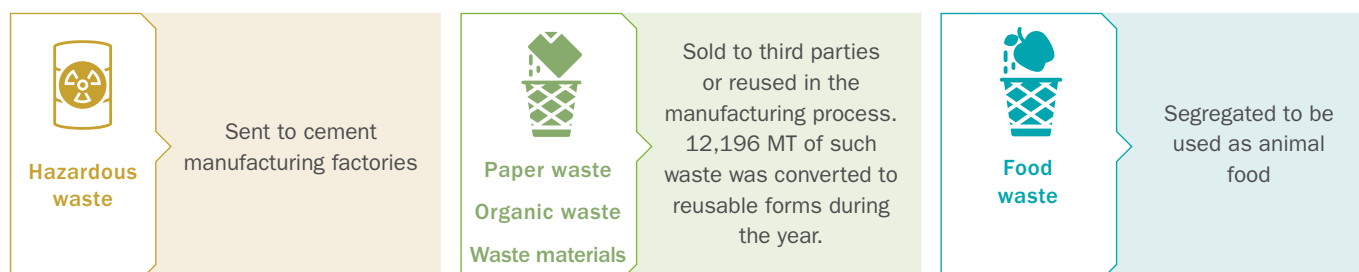
Type	2021/22	2020/21
Municipality sewerage	15	5
Recycled	120	129
Soakage pits	25	21
Rivers, lakes and wetlands	37	27
Other	30	5
Total	226	187

Natural Capital

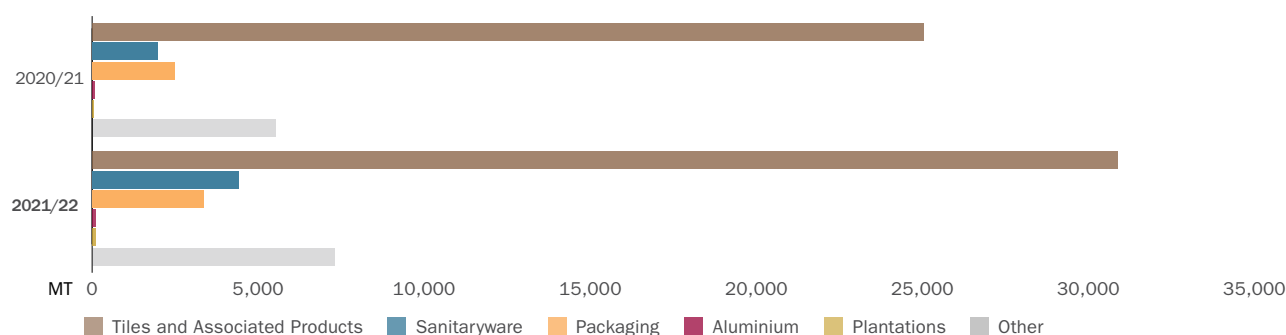
WASTE

GRI - 306 - 1, 306 - 2

We ensure the responsible disposal of solid waste after segregation, in compliance with regulatory requirements and industry best practice. Internal audits are performed to ensure conformity to guidelines stipulated by the Central Environmental Authority (CEA). During the year, the total volume of solid waste discharged by the Group amounted to 46,194 MT. Methods of waste disposal are presented below:



Waste Discharged by Segment



Disposal of solid waste (MT)

Type	2021/22	2020/21
Composting	84	24
Inclination	43	72
Landfill	13,701	9,447
Onsite storage	7,523	6,632
Other	36	22
Recycled	12,611	7,879
Reused	12,196	11,043
Total	46,194	35,119

CARBON FOOTPRINT

We are aware of the increasing risks associated with climate change and our impact on the environment. As a responsible corporate entity, we are determined to reduce our carbon footprint in a sustained manner through ongoing efforts to enhance energy efficiency and increased reliance on renewable energy through solar power generation. A few other initiatives in this regard include:



Implementation of waste heat recovery project



Using heat exhaust chimneys








New waste water treatment plant

ENVIRONMENTAL COMPLIANCE

GRI - 307-1

Given below is a list of environmental compliance related certifications we complied with during the year. There were no incidents of non-compliance to environmental law or regulations in 2021/22.

Certifications	Tiles & Associated Products	Sanitaryware	Plantations	Aluminium	Packaging	Others
Compliance with the requirements of the Central Environmental Authority	✓	✓	✓	✓	✓	✓
 ISO 14001	✓			✓	✓	
 Green SL Labelling System	✓					
Green Labelling Certification		✓				
 WELS Certification		✓				
 Ethical Tea Partnership			✓			
 Rainforest Alliance			✓			



Our intangible assets provide us the competitive advantage to sustain our market leadership. Our skills, expertise, capabilities together with systems and processes ensures high quality products that meet customer expectations. An island wide presence reinforces our brands, facilitating access to our products by customers. Our brands, 'Rocell' and 'Lanka Tiles' are recognised household brands that are trusted to enhance living spaces and lifestyles across the country.

HOW WE NURTURE OUR INTELLECTUAL CAPITAL



Driving automation to enhance productivity and efficiency.



Driving innovation to achieve optimum utilization of resources



Enhancing brand visibility through promotional campaigns



Training and development programmes to upskill our talent pool

ACCOLADES



Rocell Group of Companies won several awards at the 56th Annual report award ceremony conducted by CA Sri Lanka.

- ▶ Royal Ceramics Lanka PLC won Gold Award in the Manufacturing sector (Turnover above Rs. 5 Bn)
- ▶ Lanka Walltiles PLC won Silver award in Manufacturing sector (Turnover above Rs. 5 Bn)
- ▶ Horana Plantations PLC won Bronze award in Plantation sector

Royal Ceramics Lanka PLC ranked 14th place in Business Today Top 40 in 2020/21.

Lanka Walltiles PLC ranked 25th place in Business Today Top 40 in 2020/21.

Royal Ceramics Lanka PLC won Gold Award for the Best TV commercial at Sumathi Award 2021.

Royal Ceramics Lanka PLC won Gold Award in Industry Excellence - Medium and Large Category at the National Industry Excellence Awards 2022 conducted by Industrial Development Board.

Royal Ceramics Lanka PLC won two awards under large scale manufacturing category at the CNCI Achiever Awards for Industrial Excellence 2021.

- ▶ Gold award under Provisional level
- ▶ Merit award under National level



COMPONENTS OF OUR INTELLECTUAL CAPITAL

A WORLD-CLASS BRAND

Superior product quality and innovative designs are the have gained a strong brand presence not only in Sri Lanka but also across our export destinations. Designed by prominent architects in Italy, our flagship brand 'Rocell' have won us customers across the world. The combination of aesthetically appealing designs and functionality of Rocell Bathware with its superior quality has enabled them to become market leader in the domestic market. Rocell together with Lankatiles 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.

Both Swisstek and Unidil is ranked among the top contenders in their respective industries while Horana Plantations PLC has built a reputation for producing some of the finest high grown tea in the country.

TACIT KNOWLEDGE

An effective recruitment process and comprehensive employee value proposition has enabled us to attract and retain the skill set required to deliver customer expectations. The continued investments the Group make in training and development allowed our team to improve and enhance their skill sets which is reflected in the quality of Rocell products. Their experience and knowledge make a valuable contribution to our value creation process.



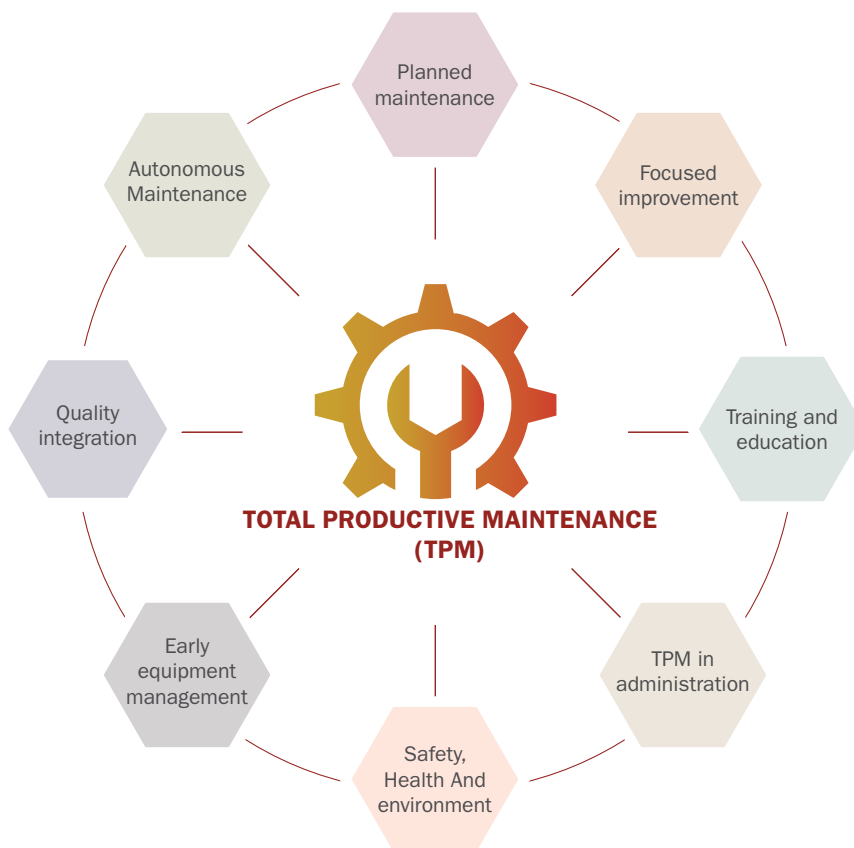
Intellectual Capital

SYSTEMS AND PROCESSES

The Group make continuous investments in technology and has a robust systems and processes in place to achieve our strategic objectives. These systems and processes are developed and fine-tuned over the years to achieve optimum productivity and efficiency levels.

Systems in place are,

- Employee Performance Management System that facilitates succession planning and career development. The system is also designed to identify gaps in skill levels and training programs are designed based on these findings.
- A production quality system implemented in all manufacturing plants where best practices for workflows, health and safety, environmental safety is applied.
- Total Productive Maintenance (TPM), a Group wide in-depth and wide-reaching productivity improving initiative, underlining the importance of proactive and preventive maintenance to reach optimum operational efficiency. During the year the Group achieved a total saving of Rs. 870 Mn by implementing TPM.



INNOVATION

Innovation is key in optimum utilization of resources, which is an important aspect of our sustainability strategy. Dedicated Research and Development personnel is in place in every production facility to work closely with suppliers in this regard.

During the year we expanded our product portfolio by adding
over 200 new designs







OPERATIONAL EXCELLENCE

Driving operational efficiency is key to maintaining our competitive edge and sustaining our market dominance. Automation of operations and processes continued to drive productivity and efficiency and to face challenges caused by the difficult economic conditions. During the year we minimized wastage significantly and achieved cost savings by driving automation. These initiatives include,








- Improvement of yield in Horana and Eheliyagoda factories by driving several defects reduction projects
- Improvement in ball mill grinding time in Horana factory
- Cost saving by using alternative materials in Horana factory
- High pressure casting yield improvement in bathware manufacturing
- Waste recovery project in bathware factory enabled the filter cake sludge being send to Horana Plant as an alternative material to be used in their production.

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.

Certification	Royal Ceramics Lanka PLC	Rocell Bathware Ltd.	Lanka Tiles PLC	Lanka Walltiles PLC	Swisstek Aluminium Limited	Unidil Packaging Limited	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	✓	✓	✓	✓	✓	✓	
SLS 1181 Certificate of Conformity issued by Sri Lanka Standard Institute for Rocell brand dry pressed ceramic tiles.	✓						
 CE Marking Certificate of Conformity to European standards issued by Euro Veritas Limited – Glazed Ceramic Tiles.	✓	✓					
 Green SL Labeling System Certificate for environmental performance issued by the Green Building Council of Sri Lanka	✓	✓	✓	✓			
 Watermark Certification Watermark certification of conformity level 1 and 2		✓					
 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					✓		
SLS ISO 18001 Occupational health and safety assessment series			✓	✓			
HACCP Certification by SGS Lanka for food safety.						✓	

Intellectual Capital

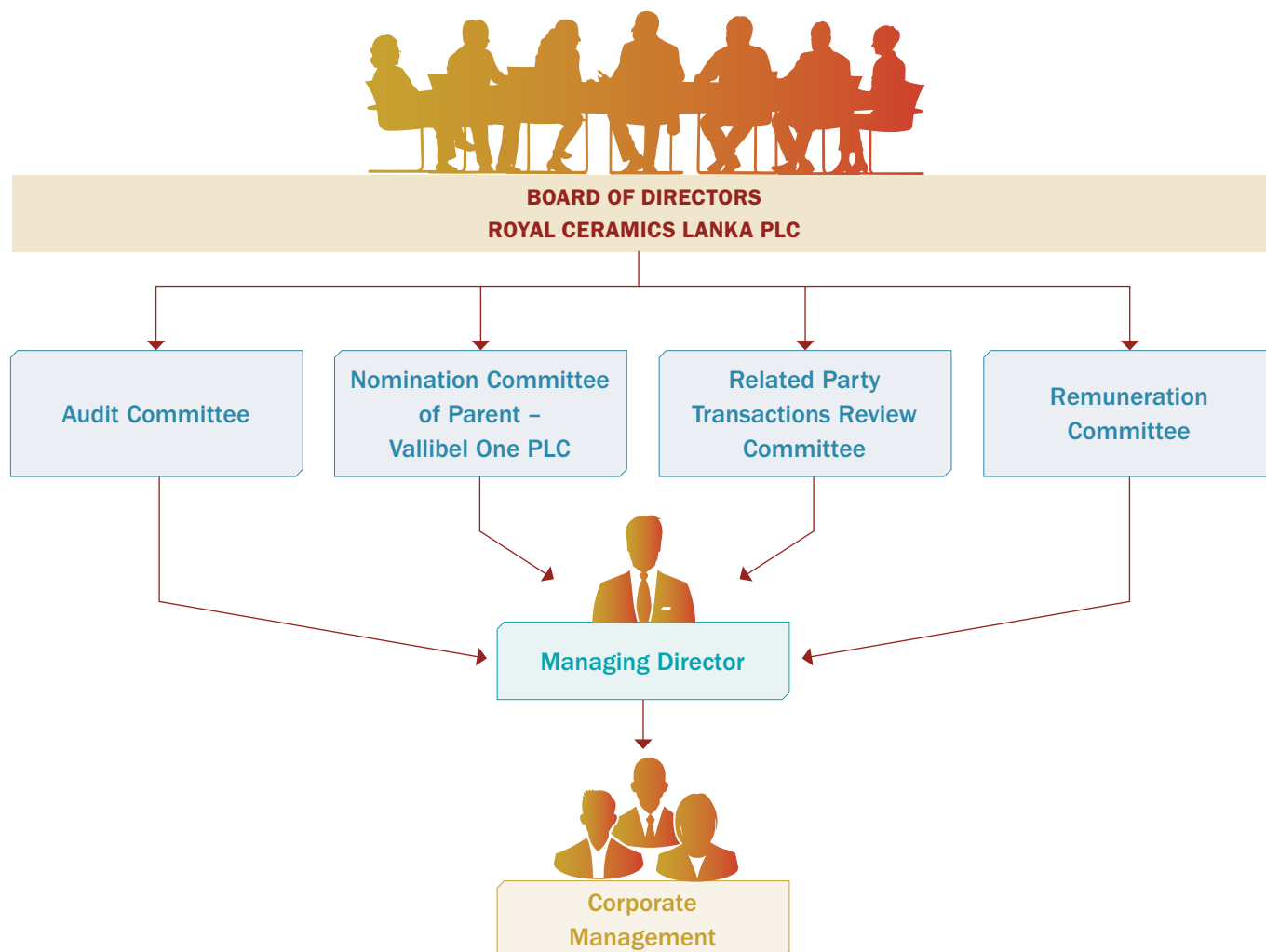
Certification		Royal Ceramics Lanka PLC	Rocell Bathware Ltd.	Lanka Tiles PLC	Lanka Walltiles PLC	Swisstek Aluminium Limited	Unidil Packaging Limited	Horana Plantations PLC
ISO 22000								
Certification of Quality Management System for food safety.							✓	
 ISO 14001							✓	
Certification of quality management system for environmental management							✓	
 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.								✓



TEN ACI OUS

We are steadfastly ethical, responsible and
accountable for all that we do.

GOVERNANCE

Corporate Governance



Board Composition																										
Independent Non-Executive Directors								Non-Independent Non-Executive Directors			Executive Directors															
1	2	3	4	5	6	7	8	1	2	1	2	3														
Gender Composition																										
1 Female								12 Male																		
																										
Age Composition																										
1			2		3		1		2		3		4		5		6		7		8		1		1	
30 - 45						46 - 65										66-75				>76						
Skill Diversity																										
1		1		1		1			2		3		1		2		3		4		1		2		3	
Engineering		Law		Marketing		Entrepreneurship					Accounting					Other										



REMUNERATION, RECOGNITION AND REWARDS

Good governance, integrity and professionalism are important facets of our culture. Our Governance Framework is on par with international best practices and conforms to 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. Details of compliance are set out on pages 110 to 116.



GOVERNANCE IN 2021/22

The Board continued its effective oversight and leadership during the year as the medium to long term implications of the pandemic unfolded. The Board maintained its enhanced scrutiny amidst economic and political uncertainty while continuing to take advantage of the opportunities presented.

Effective dialog between Management and the Board reinforced the communication lines supporting an agile strategy. The Board was well supported by the Board sub-committees in facing challenges, managing risks and exploiting opportunities.



AN EFFECTIVE BOARD

The Board provides guidance and leadership to formulate the strategic direction of the Group. Consequently, the composition of the Board is vital and plays an important role in achieving the Group's strategic objectives. The Board is also responsible for setting up a sound governance structure and for the management of risks.



COMPLIANCE FRAMEWORK

Please refer page 4 About this Report for the list of mandatory and voluntary frameworks we comply with.

Internal Policies and Procedures

▶ Articles of Association Royal ceramics PLC

At the Extraordinary General Meeting held of 26th March 2021 adopted a special resolution for the adaptation of new Articles of Association. The new Articles of Association reflects the changes brought in with the introduction of the Companies Act No. 07 of 2007

- ▶ HR Policy
- ▶ Health and Safety Policy
- ▶ Whistle Blowing Policy



SHAREHOLDERS

As of 31st March 2022, shares of Royal Ceramics Lanka PLC were held among 21,029 shareholders with our parent Company, Vallibel One PLC holding 55.96%.

Corporate Governance

ROLE OF THE CHAIRMAN AND MANAGING DIRECTOR

The role of the Chairman and the role of the Managing Director has a clear division of responsibilities mandated in the Board Charter. This ensures a balance of power and no one person has unconstrained power in decision making and implementation.

APPOINTMENT OF DIRECTORS

Upon the appointment of a new Director to the Board, the Company informs the Colombo Stock Exchange with a brief resume of the Director, containing the nature of his/her expertise in relevant functional areas, other directorships held, memberships on Board Committees and the nature of the appointment.

RE-ELECTION OF DIRECTORS

Directors, except those who are over 70 years of age are appointed by the Board and are eligible for re-election at the next Annual General meeting by the shareholders.

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, Mr. N J Weerakoon, Mr. J R Gunaratne and Mr. S R Jayaweera 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.

COMMUNICATION WITH SHAREHOLDERS

The Company encourages effective communication with shareholders through multiple channels of communication such as,

- Annual General Meeting,
- Annual Report
- Interim Financial Statements
- A dedicated investors relations page on the Company website
- Press Releases and announcements to the Colombo Stock Exchange
- Social media platforms.

The Board recognises their responsibility to present a balanced and fair assessment of the Group's financial position, performance and prospects and is committed to fair disclosure, with emphasis on integrity, timeliness and relevance.

BOARD COMMITTEES

The Board has formed three Board Committees for assistance in discharging its duties more effectively and efficiently. Namely, Audit Committee, Related Party Transactions Review Committee, and Remuneration Committee. The Company Secretaries act as secretaries to the committees.

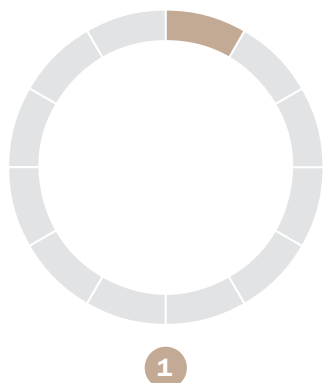
Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Composition		
Four Independent Directors, all of whom have experience and financial background.	Three Independent Directors	Three Independent Directors
➤ Mr. L N de S Wijeyeratne - Chairman	➤ Mr. S H Amarasekera - Chairman	➤ Mr. R N Asirwatham - Chairman
➤ Mr. R N Asirwatham	➤ Mr. R N Asirwatham	➤ Mr. N J Weerakoon
➤ Mr. N.J Weerakoon	➤ Mr. L N de S Wijeyeratne	➤ Mr. L N de S Wijeyeratne
➤ Mr. S R Jayaweera		
Mandate		
Monitor and supervise Management's financial reporting process in ensuring;	The Committee is responsible for ensuring that remuneration packages are competitive to attract top talent to benefit the Company. Remuneration of Executive Directors and Seniors Managers are designed based on the Committee's recommendations.	To ensure on behalf of the Board, that all Related Party Transactions of Royal Ceramics Lanka PLC and its subsidiaries are consistent with the Rules issued by the Colombo Stock Exchange.
1. The integrity of Financial Statements in accordance with Sri Lanka Financial Reporting Standards.		1. Ensure that the Company complies with the rules set out in the Listing Rules.
2. The compliance with legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements.		2. Subject to the exceptions given under Section 9.5 of the Listing Rules, review, in advance all proposed related party transactions.
3. The External Auditors' independence and performance.		3. Perform other activities related to the Charter as requested by the Board.
4. Review of the adequacy and effectiveness of the Company's Internal Control and Risk Management systems, over the financial reporting process.		4. Have meetings every fiscal quarter and report to the Board on the Committee's activities
5. To make recommendation to the Board relating to appointment, re-appointment and removal of external auditors and to approve the remuneration and term of the engagement of the external auditors		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 124 for Audit Committee Report	Refer page 126 for Remuneration Committee Report	Refer page 127 for Related Party Transactions Review Committee Report

Corporate Governance

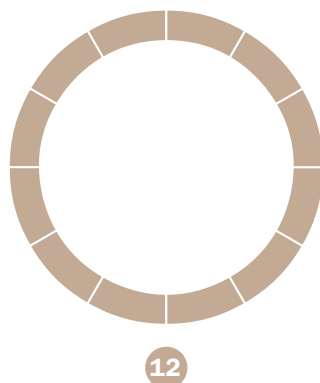
MEETINGS AND ATTENDANCE

Attendance at the Board and Board Committee meetings held during the year are given below,

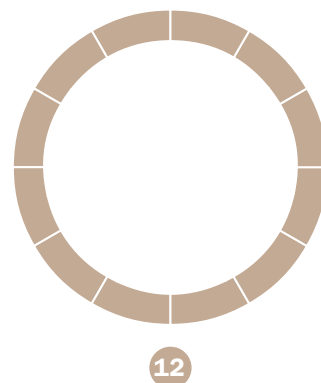
Dhammika Perera
Chairman



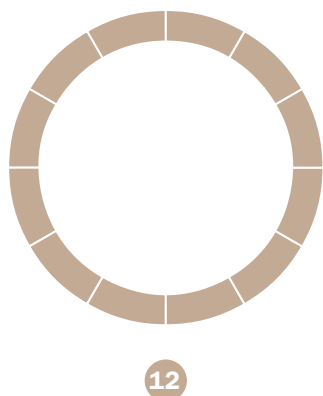
A M Weerasinghe
Deputy Chairman



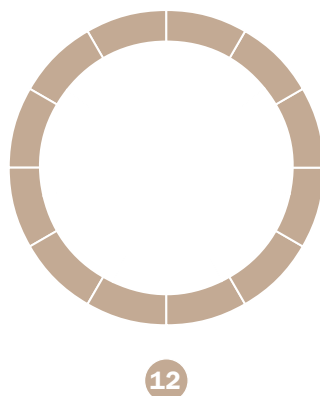
M Y A Perera
Managing Director



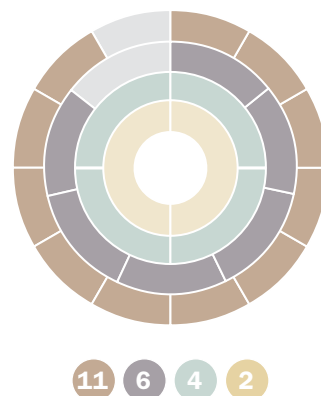
T G Thoradeniya
Executive Director



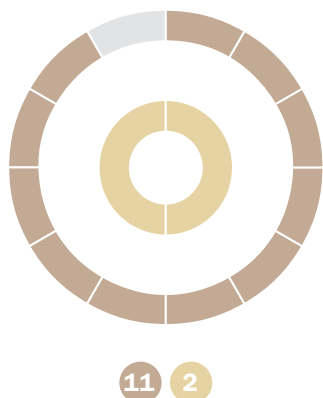
G A R D Prasanna
Independent Non-Executive Director



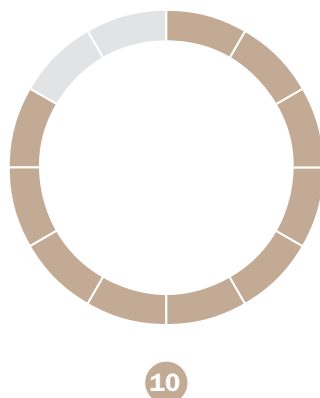
R N Asirwatham
Independent Non-Executive Director



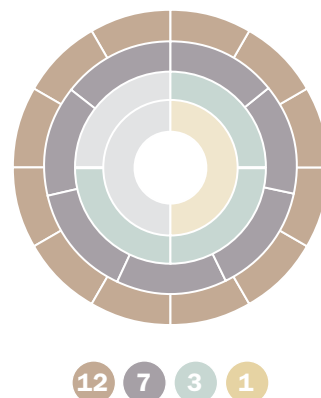
S H Amarasekera
Independent Non-Executive Director



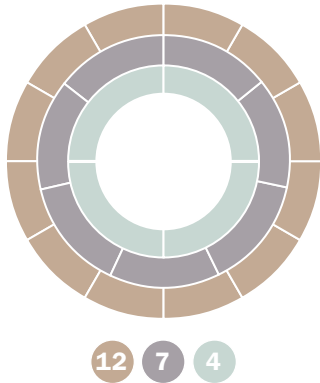
N R Thambiayah
Independent Non-Executive Director



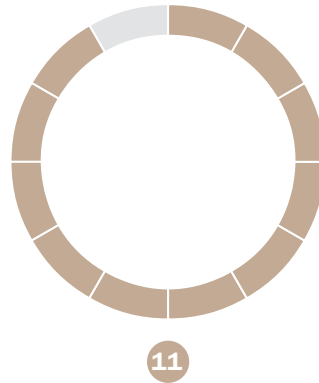
L N de S Wijeyeratne
Independent Non-Executive Director



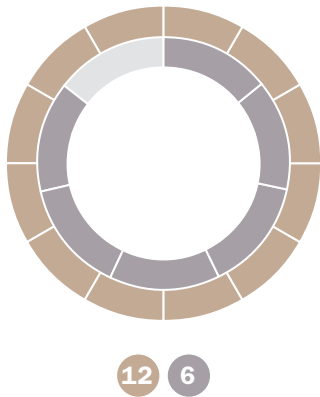
N J Weerakoon
Independent Non-Executive Director



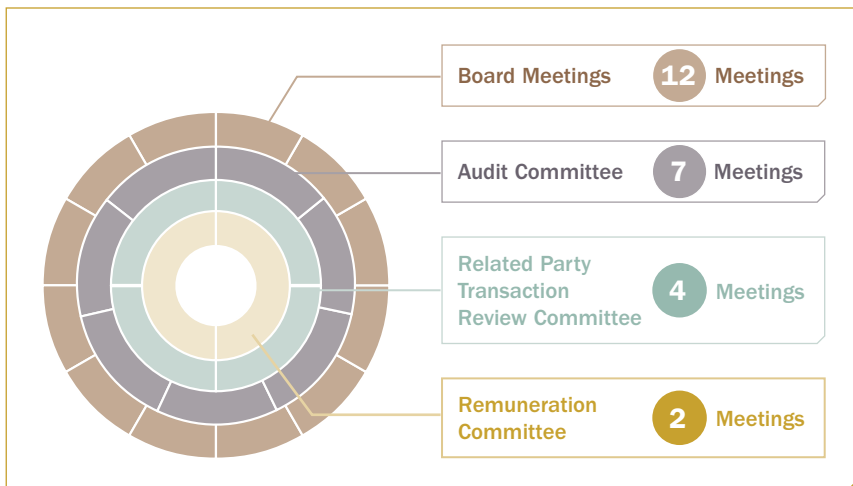
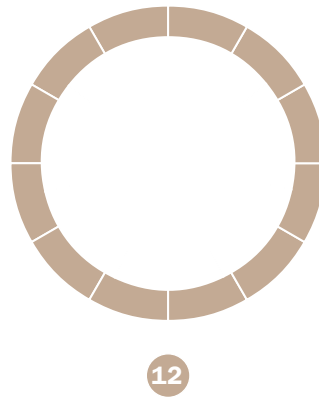
S M Liyanage
Non-Executive Director



S R Jayaweera
Independent Non-Executive Director



J R Gunaratne
Independent Non-Executive Director
















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	<ul style="list-style-type: none"> ➤ Focus 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 	✓
A. 1.3	Compliance with laws and access to independent professional advice	<p>The Board seeks independent professional advice when deemed necessary, particularly before making any decisions which could have a significant impact on the Company.</p> <p>Further the Board is always mindful of the new laws/regulations which are implemented and ensures compliance with same.</p>	✓
A. 1.4	Access to advice from the Company Secretary	All directors have access to the advice of the Company Secretaries.	✓
	Indemnifying the Board, Directors and key management personnel		
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	







Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
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.	
A. 2.0	Segregation of Roles of Chairman & CEO	Please refer Chairman and Managing Directors Message page 12 to 21	
A. 3.0	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 their views/ concerns on matters.	
A. 4.0	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 117	
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 secretaries 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 was appointed as the Senior Independent Director effective from 28 April 2022	
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.	

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
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 serves as the Nominations Committee of Royal Ceramics Lanka PLC.	✓
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 to 26.	✓
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 231. The Report of the Remuneration Committee on page 126 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.	✓













Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
B.1.3	List names of Remuneration Committee in Annual Report	Please refer page 126.	✓
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. 2.5 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 126.	✓
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 126. Notes 34.2.1 in the financial statements on page 231.	✓
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 15 working days prior to the meeting as required by the Articles of Association.	✓
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.	✓
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.	✓

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
C. 2 Communications with shareholders			
C. 2.1 to C. 2.7	Communications with Shareholders	<p>The AGM and EGM (if any) are used as the method for communicating with the shareholders.</p> <p>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.</p> <p>The Company Secretaries/Registrars are the main contact people for the shareholders.</p> <p>All major concerns of the shareholders are brought to the notice of the Board at the AGM and at Board/ Subcommittee meetings.</p> <p>All queries of shareholders are answered at the AGM and all shareholders are given the opportunity to express their views/concerns.</p>	
C. 3 Major & Material Transactions			
C. 3.1 & C. 3.2	Disclosure of Major Transactions	<p>There were no matters which were identified as Major Transactions during the year as such no disclosure has been made in this regard.</p> <p>In the event there are Major Transactions, relevant disclosures and relevant shareholder approvals are obtained.</p>	
D. Accountability & Audit			
D. 1.1	Annual Report	Refer Accountability & Audit on page 131 to 133.	
D. 1.2	Interim and price sensitive reports to public and regulators	<p>In preparing annual and quarterly Financial Statements, the Company complies with the requirements of the;</p> <ul style="list-style-type: none"> ➤ Companies Act No. 07 of 2007, ➤ Sri Lanka Accounting Standards and ➤ Listing Rules of the Colombo Stock Exchange. <p>The annual and interim Financial Statements were published within the time periods prescribed by the Listing Rules of the Colombo Stock Exchange.</p>	
D. 1.3	CEO/CFO Declaration	The Statement of Financial Position contains a declaration by the Chairman and Managing Director and the Director Finance.	
D. 1.4	Directors' Report declarations	Refer Annual Report of the Board of Directors on page 117.	

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: <ul style="list-style-type: none"> ➤ Statement of Board responsibility for preparation of financial statements – page 123 ➤ Statement from Auditors on their reporting responsibilities – page 133 ➤ Statement on Internal Control – page 132 	✓
D. 1.6	Management discussion & analysis	Refer annual report pages from 44 to 127 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: <ul style="list-style-type: none"> ➤ Relates Party Transactions Review Committee Report on page 127. ➤ Annual Report of the Board of Directors on page 118 to 119. ➤ Note 34 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: <ul style="list-style-type: none"> ➤ Risk Report on pages 36 to 41 	✓
D. 2.2	Confirm assessment of the principal risks of the company	<ul style="list-style-type: none"> ➤ Risk & Internal Control on pages 36 to 41 ➤ Directors' Statement on Internal Controls on page 123 	✓
D. 2.3	Internal Audit	<ul style="list-style-type: none"> ➤ Audit Committee Report on page 124 	✓
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 all independent Directors. Refer Audit Committee Report on page 124	✓
D. 3.2 7.10.6 (b)	Written Terms of Reference for Audit Committee	The Audit Committee has a written Terms of Reference which is summarized in the Audit Committee Report on page 124.	✓
D. 3.3 7.10.6 (c)	Disclosures	The Audit Committee Report with required disclosures are given on page 124.	✓

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
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 127	
D. 5 Code of Business Conduct & Ethics			
D. 5.1	Board declaration for compliance with Code	Refer Code of Ethics on page 104 to 116.	
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 127.	
D. 5.4	Chairman's statement	Refer the Chairman's Message on Corporate Governance on page 12 and The Board of Directors' Statement on Internal Controls on page 123.	
D. 6	Corporate Governance disclosures	The Corporate Governance Report on pages 104 to 116 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 page 253 to 254.	
G. Internet of things and cybersecurity			
G	Internet of things and cybersecurity	Refer Internet of Things & Cybersecurity on page 37.	
H. Environment, Society & Governance			
H	Environment, society and governance	Refer ESG Reporting from page 64 to 116.	

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 2022.

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, 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 marketing of wall and floor tiles, sanitary ware, investments and management of subsidiary companies, manufacture and marketing of agricultural production, manufacture and marketing of raw materials for ceramic industry, manufacture and sale of tile grout and mortar, manufacturing and marketing of aluminum extrusions, manufacture and marketing of corrugated cartons and property holding.

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 12 to 21 and 48 to 102 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 134 to 249.

AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company and its subsidiaries is given on pages 131 to 133.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 142 to 249 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. Dhammika Perera	- Chairman
Mr. S M Liyanage	- Director

Independent Non - Executive Directors

Mr. G A R D Prasanna	- Director
Mr. R N Asirwatham	- Director
Mr. S H Amarasekera	- 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 M Liyanage 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 appointment of Mr. R N Asirwatham who is 79 years of age and Mr. L N de S Wijeyeratne who is 72 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 appointments.

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 34 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 31/03/2022
Rocell Bathware Limited	A.M. Weerasinghe	Director	Materials worth of Rs. 15,077,670/- were purchased.	611,037
	M.Y.A.Perera	Director	Materials worth of Rs. 2,713,696/- were sold.	
	T.G. Thoradeniya	Director	A sum of Rs. 126,281,468/- was received as reimbursement of expenses.	
	G.A.R.D. Prasanna	Director	A sum of Rs. 633,478,480/- was received as short term funds.	
	R.N. Asiriwatham	Director	A sum of Rs. 212,669,994/- was received as dividends.	
	D.J. Silva	Director	A sum of Rs. 4,222,091/- was paid as Interest expense.	
			A sum of Rs. 2,735,014 was paid as rent.	
Royal Ceramics Distributors (Private) Ltd			A sum of Rs. 330,164,069 was received as service charges.	2,088,314
			A sum of Rs. 152,139,245 was received as pass through expenses.	
	A.M. Weerasinghe	Director	A sum of Rs. 191,659/- was received as reimbursement of expenses.	
	T.G. Thoradeniya	Director	A sum of Rs. 26,000/- was paid as short term funds.	
	G.A.R.D Prasanna	Director		
Ever Paint & Chemical Industries (Private) Ltd	K.D.H. Perera	Director		39,009,635
	A.M. Weerasinghe	Director	A sum of Rs. 1,220,277/- was received as reimbursement of expenses.	
Lanka Ceramic PLC			A sum of Rs. 3,500,000/- was received as short term funds	(919,033)
	A.M. Weerasinghe	Chairman	Materials worth of Rs. 10,046,846/- were purchased.	
	T.G. Thoradeniya	Director	A sum of Rs. 3,972,051/- was received as dividends	
Lanka Tiles PLC	S.M. Liyanage	Director	A sum of Rs. 117,936/- was received for services.	12,693,799
	Dhammika Perera	Chairman	Materials worth of Rs. 8,921,570/- were purchased.	
	T.G. Thoradeniya	Director	A sum of Rs. 23,796,574/- was received as technical fee.	
	A.M. weerasinghe	Director	Materials worth of Rs. 1,061,914/- were sold.	
	G.A.R.D Prasanna	Director	A sum of Rs. 48,596,835/- was received as dividends.	
	S.M. Liyanage	Director	A sum of Rs. 57,077/- was received for services.	
Lanka Walltiles PLC			A sum of Rs. 1,994,425/- was received as reimbursement of expenses	1,911,890
	Dhammika Perera	Chairman	Materials worth of Rs. 572,069/- were sold.	
	T.G.Thoradeniya	Director	A sum of Rs. 6,443,750/- was received as technical fee	
	A.M. Weerasinghe	Director	Materials worth of Rs. 1,055,920/- were purchased.	
	S.M. Liyanage	Director	A sum of Rs. 1,176,476,611 /- was received as dividends	
Uni Dil Packaging Limited			A sum of Rs. 68,757/- was received for services	7,222,968
	T.G.Thoradeniya	Director	A sum of Rs. 2,834,158/- was paid as reimbursement of expenses.	
Swisstek Ceylon PLC	S.M. Liyanage	Director	A sum of Rs. 254,691/- was received for services.	(18,763,915)
	A.M. Weerasinghe	Director	Goods worth of Rs. 72,594,990/- were purchased.	
	S.H. Amarasekera	Director	A sum of Rs. 8,570,390/- was paid as sales commission.	
			A sum of Rs. 4,165,200/- were paid for rent.	
Swisstek Aluminum Limited			A sum of Rs. 26,827,235/- was received as dividends.	(2,803,955)
	A.M. Weerasinghe	Director	Materials worth of Rs. 482,465/- were purchased.	
	T.G. Thoradeniya	Director	Goods worth of Rs. 2,677,211/- were paid as rent.	
	S.M. Liyanage	Director	A sum of Rs. 20,948,928/- was received as dividends.	
	S.H. Amarasekera	Director	A sum of Rs. 232,248/- was received for services.	
Uni Dil Packaging solution Limited	T.G. Thoradeniya	Director	Materials worth of Rs. 193,657,464/- were purchased.	(21,563,369)
	S.M. Liyanage	Director		
Rocell Properties Ltd	A.M. Weerasinghe	Director	A sum of Rs. 20,490/- was received as reimbursement of expenses.	540,124
	T.G. Thoradeniya	Director	A sum of Rs. 4,070,576 was paid as short term funds.	
Biscuit and Chocolate Company Ltd			Investment of Rs. 56,666,666 was made.	15,248,121
	A.M. Weerasinghe	Director	A sum of Rs. 750,900/- was received as reimbursement of expenses.	
	T.G.Thoradeniya	Director		
	S.M. Liyanage	Director		

Name of Related Party	Name of Director	Relationship	Details	Balance Outstanding as at 31/03/2022
Singer Sri Lanka PLC	Dhammika Perera	CO-Chairman	Goods worth of Rs. 13,451,365/- were purchased.	(3,336,299)
			Goods worth of Rs. 15,911,334/- were sold.	
Hayles Aventura (Private) Limited	Aravinda Perera	Director	Goods worth of Rs. 4,662,717/- were purchased.	(1,294,363)
Hayles Agriculture Holdings Ltd	Aravinda Perera	Director	Goods worth of Rs. 105,556/- were purchased.	-
The Kingsbury PLC	Dhammika Perera	Director	Goods worth of Rs. 146,025/- were sold.	-
Delmege Forsyth Co. Ltd	G.A.R.D. Prasanna	Director	Goods worth of Rs. 312,072/- were purchased.	(178,317)
Grip Delmege (Pvt) Ltd		Associate company	Goods worth of Rs. 963,550 /- were purchased.	(866,185)
			Goods worth of Rs;3,329,530 were sold.	
Vallibel One PLC	Dhammika Perera	Director	A sum of Rs. 2,604,109,200/- was paid as dividends.	(3,655,313)
	S.H. Amarasekera	Director	A sum of Rs. 18,381,599/- was paid as technical fee.	
LB finance PLC		Associated Company	A sum of Rs. 1,011,450,496/- was received as dividends.	-
Haycarb PLC	Dhammika Perera	Director	Goods worth of Rs. 821,273/- were sold.	-
Singer Finance PLC	Aravinda Perera	Chairman	Goods worth of Rs. 3,205,664/- were sold.	-
Fentons Limited	Aravinda Perera	Director	Goods worth of Rs. 34,131,900 /- were purchased.	(26,892)
	T.G. Thoradeniya	Director		

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 34.2 to the Financial Statements on page 231 to 232.

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 123.

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. 3,983,000 is payable by the Company to the Auditors for the year under review comprising Rs. 2,298,000 as audit fees and Rs. 1,685,000 for non audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 20.05.2022 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Details of payments to Auditors of Subsidiary companies on account of audit fees and for permitted non audit services are set out in Note 25 to the Financial Statements on page 217.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2022 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.

Except that the number of share in issue increased from 110,789,384 to 1,107,893,840 ordinary shares consequent to the sub division (splitting) of shares approved by the shareholders.

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

DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31st March 2022 and 31st March 2021 are as follows.

	Shareholding as at 31.03.2022	Shareholding as at 31.03.2021
Mr. Dhammika Perera*	2,007,720	200,772
Mr. A M Weerasinghe	3,331,763	862,401
Mr. M Y A Perera	2,200	220
Mr. T G Thoradeniya	1,856,800	185,680
Mr. G A R D Prasanna	50,000	5,000
Mr. R N Asirwatham	-	-
Mr. S H Amarasekera	-	-
Ms. N R Thambiyah	-	-
Mr. L N de S Wijeyeratne	-	-
Mr. N J Weerakoon	-	-
Mr. S M Liyanage	-	-
Mr. J R Gunaratne	-	-
Mr. S R Jayaweera	-	-

* Mr Dhammika Perera is the major shareholder of Vallibel One PLC, which holds 620,026,000 shares constituting 55.96% of the shares representing the stated capital of the Company.

SHAREHOLDERS

There were 21,029 shareholders registered as at 31st March 2022 (13,557 shareholders as at 31st March 2021).

MAJOR SHAREHOLDER, 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 250 to 251 and 253 to 254 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 2022 - 1,813 persons were in employment (1,801 persons as at 31st March 2021).

RESERVES

The reserves of the Company with the movements during the year are given in Note 15 to the Financial Statements on page 193 and 194.

LAND HOLDINGS

The Company's land holdings referred to in Note 03 to the Financial Statements comprise the following:

Location	No of Buildings	Extent (Perches)	As at 31.03.2022 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
Nattthandiya	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

PROPERTY, PLANT & EQUIPMENT

Details and movements of property, plant and equipment are given under Note 3 to the Financial Statements on page 164 to 179.

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2022 are given in Notes 05 and 13 to the Financial Statements on pages 181 and 192.

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.1.50 per share and a Second Interim Dividend of Rs.1.50 per share for the year under review on 03rd December 2021 and 31st March 2022 respectively.

A third interim dividend of Rs: 0.75 per share was approved by the Board on 30th May 2022.

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 36 to 41.

STATUTORY PAYMENTS

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

CONTINGENT LIABILITIES

Except as disclosed in Note 30 to the Financial Statements on page 226 and 227 there were no material Contingent Liabilities as at the Reporting date.

EVENTS OCCURRING AFTER THE REPORTING DATE

Except for the matters disclosed in Note 32 to the Financial Statements on page 228 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 104 to 116 explains the measures adopted by the Company during the year.

BOARD SUB-COMMITTEES

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

Audit Committee

Mr. 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

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2022.

CORPORATE SOCIAL RESPONSIBILITY

The Company continued its Corporate Social Responsibility Programmes, details of which are set out on page 91 of this Report.

ANNUAL GENERAL MEETING

The Notice of the Thirty Two (32nd) Annual General Meeting appears on page 258.

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



Dhammika Perera
Chairman



M Y A Perera
Managing Director



P W Corporate Secretarial (Pvt) Ltd
Secretaries

31 May 2022

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

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 2022

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

Rocell Pty Ltd

Mr. T. G. Thoradeniya

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. Dhammika Perera
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

Lanka Tiles PLC

Mr. Dhammika Perera
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. G A R D Prasanna
(Alternate Director to Mr. Dhammika Perera)
Mr. S M Liyanage
Mr. S R Jayaweera
Mr. J R Gunaratne

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 Aluminum 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. B T T Roche
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

Horana Plantations PLC

Mr. Dhammika Perera
Mr. A M Pandithage
Mr. A N Wickremasinghe
Mr. W G R Rajadurai
Mr. S C Ganegoda
Mr. L N De S Wijeyeratne
Mr. K D G Gunaratne –
(Director/ Alternate Director to Mr. Dhammika Perera)
Mr. J A Rodrigo
Mr. S M Liyanage
Mr. J M J Perera

Uni Dil Packaging Limited

Mr. J A P M Jayasekara
Mr. D B Gamalath
Mr. T G Thoradeniya
Mr. Hareesh Somashantha
Mr. N T Bogahalanda
Mr. C U Weerawardena
Mr. S M Liyanage

Uni Dil Packaging Solutions Limited

Mr. J A P M Jayasekara
Mr. D B Gamalath
Mr. C U Weerawardena
Mr. K D H 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 Ltd

Mr. K D A Perera
Mr. J A P M Jayasekara
Mr. A M Weerasinghe

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

31 May 2022

Report of the Audit Committee

COMPOSITION

The Audit Committee comprises three 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 seven times during the year and attendance by the Committee members at each of these meetings are given in the Corporate Governance Report on pages 108 and 109.

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 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.

FINANCIAL REPORTING

As part of its responsibility to oversee the Company's financial reporting process on behalf of the Board of Directors, the Committee has reviewed and discussed with the 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 Matters of special interest in the current environment and the processes that support certifications of the Financial Statements by the Company's Managing Director and Director - Finance were also brought up for discussion.

- The Committee reviewed financial statements and notes for the year ended 31st March 2022
- 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. The Committee reviewed reports on losses resulting from frauds and operational failures, and scrutinized the effectiveness of the Company's internal control system already in place and the processes for identification, evaluation, and management of all significant risks.

In view of the grave economic crisis faced by the country, greater emphasis was placed on risk assessment and mitigation during the year. A Risk Assessment matrix and a Risk Heat Map was developed to identify the key risks and mitigation strategies to address them. 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 arising from the audit of Annual Financial Statements issued by the External Auditor together with the management responses and recommendations thereto and ensured appropriate follow up action 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 with 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. The Letter of Representation issued to the External Auditor was tabled at the Audit Committee meeting. The re-appointment of the External Auditor, M/s Ernst & Young has been recommended to the Board of Directors and the Committee has also fixed the 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 findings of the audits completed which covered the head-office, showrooms, stores, factories and Subsidiary companies with special reference to the internal controls regarding inventory and debtors, and the Department's resource requirements including succession planning. The Internal Audit Plan was also reviewed and approved by the committee and follow up actions were monitored regularly.

REGULATORY COMPLIANCE

The Director - Finance has submitted to the Audit Committee, a report on the extent to which the Company was in compliance with mandatory and statutory requirements. The Committee reviewed the procedures established by Management for compliance with the requirements of regulatory bodies and also ensured the full compliance to the Colombo Stock Exchange Rule No 7.10 on Corporate Governance disclosure requirements, which is given on page 114.

OTHER MATTERS

The Committee also

- reviewed the potential Cyber Risks of the Company and the steps taken by the Management to address these risks.
- carried out an in depth review of the insurance policies of the Company
- reviewed the key audit observations made in respect of audits carried out on subsidiary companies
- reviewed the Audit Committee Charter and Whistleblower Policy.
- evaluated the resources in the Internal Audit Department and how same could be further strengthened.



L N de S Wijeyeratne

Chairman

Audit Committee

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 Non-Executive Chairman, Managing Director and Corporate Management is designed to create and enhance value to all stakeholders of the Company and to ensure alignment qua the short and long term interests of the Company and its Executives and in designing competitive compensation packages, the Committee consciously balances the short-term performance with medium to long-term goals of the Company.

SCOPE

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

FEES

All Non-Executive Directors receive a fee for attendance at Board Meetings and serving on sub-committees. They do not receive any performance or incentive payments. The total remuneration to Directors is shown in Note 34.2 on pages 231 and 232.

MEETINGS

The Committee met twice during the financial year under review. A report of the decisions approved and recommended to the Board by the Committee has been approved by the Board of Directors.

PROFESSIONAL ADVICE

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



S H Amarasekera

Chairman

Remuneration Committee

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 transaction Policy which contains the Company's Policy governing the review, approval and oversight of related party transactions.

COMPOSITION OF THE COMMITTEE

As at the date of this report, the Committee of 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 TRANSACTION REVIEW COMMITTEE

The Charter of the Related Party Transaction 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:

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

- Establish policies and procedures that provide general pre-approvals to certain classes or types of related party transactions
- Review and evaluate the terms, conditions, and the advisability of, any related party transaction
- Determine whether the relevant related party transaction is fair, and in the best interest of the Company and its shareholders as a whole
- Recommend to the Board what action, if any, should be taken by the Board with respect to any related party transaction
- 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;

- Ensure that the Company complies with the rules set out in the Listing Rules.
- Subject to the exceptions given in the Listing Rules, review, in advance all proposed related party transactions
- Perform other activities related to the Charter as requested by the Board
- Have meetings every fiscal quarter and report to the Board on the Committee's activities
- Share information with the Audit Committee as necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions
- Review the Charter and Policy at least annually 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.

Report of the Related Party Transactions Review Committee

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 2021/22 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 34 to the Financial Statements, on pages 230 to 232 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 121 Annual Report.



R N Asirwatham

Chairman

Related Party Transactions Review Committee

END URING

We are committed to increasing the long-term value
we deliver to our stakeholders.

Financial Information

Financial Calendar

Interim Report- 1st Quarter 2021/22	August 09,2021
First Interim Dividend 2021/22	November 02,2021
Interim Report- 2nd Quarter 2021/22	November 08,2021
Interim Report- 3rd Quarter 2021/22	February 10,2022
Second Interim Dividend 2021/22	March 03,2022
Interim Report- 4th Quarter 2021/22	May 26,2022
Third Interim Dividend 2021/22	May 30,2022
Annual Report 2021/22	May 31,2022
32nd Annual General Meeting	June 30,2022

Independent Auditor's Report



Ernst & Young
Chartered Accountants
201 De Saram Place
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Colombo 10
Sri Lanka

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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 2022, and the statement of comprehensive income, statement of changes in equity and cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Recognition of Revenue The Group's Revenue for the year ended 31 March 2022, amounting to Rs. 57.5 Bn is derived from several operating segments as disclosed in note 29 to the financial statements Revenue was a key audit matter due to: <ul style="list-style-type: none"> the significance of the amount high volume of transactions and significant increase recorded during the current year 	We identified the operating segments that generated significant revenues and our audit procedures amongst others included the following: <ul style="list-style-type: none"> Assessed the appropriateness of the Group's revenue recognition accounting policy Evaluated the design of internal controls and tested the operating effectiveness of relevant controls relating to revenue recognition Performed analytical procedures to understand and assess the reasonableness of the reported revenues Tested the general IT control environment and the key IT application controls relating to the most significant IT systems relevant to revenue recognition Tested the appropriateness of revenue recognised by reviewing the relevant sales contracts and other supporting documents; and Assessed the adequacy of the disclosures in respect of revenue in Notes 2.6.1, 22 and 29 to the financial statements

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

Principals: G B Goudian ACMA, Ms. P S Paranavitane ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of Land and Buildings</p> <p>Property, Plant and Equipment and Investment Property include land and buildings carried at fair value in accordance with its accounting policies disclosed in notes 2.5.5 and 2.5.8. The fair values of land and buildings were determined by an external valuer engaged by the Group.</p> <p>This was a key audit matter due to the:</p> <ul style="list-style-type: none"> materiality of the reported Land & Buildings within Property, Plant and Equipment and Investment Property which amounted to Rs. 17.59 Bn and Rs. 2.05 Bn respectively as of reporting date degree of assumptions, judgements and estimation uncertainties associated with the fair valuation of Land and Buildings such as reliance on comparable market transactions and consideration of current market conditions <p>Key areas of significant judgments, estimates and assumptions used in the valuation of the land and buildings as disclosed in notes 3.15 and 4.1 included the following:</p> <ul style="list-style-type: none"> Estimate of per perch value of the land Estimate of the per square foot value of the buildings 	<p>Our audit procedures were focused on the valuations performed by the external valuer engaged by the Group, and included the following;</p> <ul style="list-style-type: none"> We assessed the competency, capability and objectivity of the external valuer engaged by the Group We read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each property We assessed the reasonableness of the significant judgements made by the valuer and valuation techniques used, per perch price and value per square foot used by the valuer in the valuation of each property <p>We have also assessed the adequacy of the disclosures made in notes 2.5.5, 2.5.8, 3.15 and 4.1 in the financial statements</p>
<p>Impairment test of Goodwill</p> <p>The Group's Statement of Financial Position includes an amount of Rs. 1 Bn relating to Goodwill acquired on the business combination relevant to Tile and associated product segment of the Group, as further described in Note 7.1 to the financial statements. Goodwill is tested annually for impairment based on the recoverable amount determined by Management using value in use computations (VIU).</p> <p>Such Management VIU calculations are based on the discounted future cash-flows of each Cash Generating Unit (CGU) to which Goodwill has been allocated. A deficit between the recoverable value and the carrying values of the CGUs including Goodwill would result in an impairment.</p> <p>Impairment testing of Goodwill was a key audit matter due to:</p> <ul style="list-style-type: none"> the degree of assumptions, judgements and estimates associated with deriving the estimated future cashflows used for value in use calculations considering current economic conditions <p>Key areas of significant judgments, estimates and assumptions included key inputs and assumptions related to the value in use computations of future cash flows, growth rates used for extrapolation purposes, discount rates and terminal growth rates including the potential impact of the current economic conditions prevailing in the country</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> We gained an understanding of how Management has forecasted its discounted future cash flows which included consideration of the impacts of the current economic conditions prevailing in the country on its operations; Based on the best available information up to the date of our report, we assessed the reasonableness of significant assumptions including long term growth rates and discount rate. 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 assessed the adequacy of the disclosures made in Notes 7.1 and in the financial statements.

Other Information included in the 2022 Annual Report

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

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

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

Responsibilities of 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
31 May 2022

Statement of Financial Position

As at 31st March	Note	Company		Group	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	3	9,953,644,025	8,247,816,334	32,110,827,668	28,690,151,176
Consumable Biological Assets	3.13	-	-	595,643,399	630,578,122
Leasehold Rights Over Mining Lands	3.18	-	-	-	1,619,000
Investment Property	4	-	-	2,045,053,010	1,980,307,805
Investments in Subsidiaries	5	6,680,440,813	6,623,774,153	-	-
Investments in Associates	6	3,488,163,598	3,162,937,490	11,778,998,083	10,085,248,181
Intangible Assets	7	116,253,613	130,000,802	1,179,751,105	1,171,591,294
Right of Use Assets	8	881,696,491	855,048,508	1,241,797,886	1,257,560,595
Other Non Financial Assets	9	-	18,017,371	-	18,017,371
		21,120,198,540	19,037,594,658	48,952,071,151	43,835,073,544
Current Assets					
Inventories	10	2,908,697,755	2,991,462,493	13,472,607,153	11,100,798,342
Trade and Other Receivables	11	543,032,566	643,148,918	5,406,956,658	4,468,026,844
Amounts Due from Related Parties	11.1.3	78,917,708	160,598,319	-	-
Other Non Financial Assets	12	489,366,593	251,664,845	2,871,467,432	1,004,870,926
Contract Assets	11.3	-	-	29,342,566	40,164,349
Other Financial Assets	13	42,706,220	436,932,650	46,714,226	652,705,617
Income Tax Recoverable		-	-	17,586,000	49,230,952
Cash and Cash Equivalent	21	7,244,400,506	1,872,231,517	15,383,052,267	4,924,639,370
		11,307,121,348	6,356,038,742	37,227,726,302	22,240,436,400
Assets held for sale	41	-	-	61,451,078	64,551,945
		11,307,121,348	6,356,038,742	37,289,177,380	22,304,988,345
Total Assets		32,427,319,888	25,393,633,400	86,241,248,531	66,140,061,889
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	14	1,368,673,373	1,368,673,373	1,368,673,373	1,368,673,373
Reserves	15	2,758,473,571	1,360,279,529	5,322,149,264	3,627,095,953
Retained Earnings		15,534,918,697	13,783,645,618	30,632,548,166	25,401,388,266
Equity Attributable to Equity Holders of the Parent		19,662,065,641	16,512,598,520	37,323,370,803	30,397,157,592
Non Controlling Interest		-	-	13,875,753,364	11,580,363,218
Total Equity		19,662,065,641	16,512,598,520	51,199,124,167	41,977,520,810

As at 31st March	Note	Company		Group	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Non-Current Liabilities					
Interest Bearing Loans & Borrowings	16	1,652,755,720	2,219,021,706	4,184,609,288	4,937,182,535
Deferred Tax Liabilities	26.3	999,612,462	687,846,826	3,509,055,664	2,944,503,432
Retirement Benefit Liabilities	17	515,091,651	482,473,687	1,524,411,158	1,635,464,327
Other Non-Current Liabilities	18	-	-	128,323,831	133,995,000
		3,167,459,833	3,389,342,219	9,346,399,941	9,651,145,294
Current Liabilities					
Trade and Other Payables	19	1,430,828,250	1,214,306,701	7,125,232,772	5,258,464,175
Amounts Due to Related Parties	19.1	23,462,162	222,031,030	272,866,273	100,478,204
Other Current Liabilities	20	434,213,142	398,836,826	497,260,386	443,171,823
Contract Liability	20.1	5,488,836,016	1,671,062,757	6,190,506,582	1,762,717,298
Dividend Payable		52,054,727	21,375,705	131,781,371	77,758,133
Income Tax Liabilities		642,746,561	405,458,291	1,470,922,287	955,457,415
Interest Bearing Loans & Borrowings	16	1,525,653,556	1,558,621,351	9,798,924,835	5,750,352,032
		9,597,794,414	5,491,692,661	25,487,494,506	14,348,399,080
Liabilities directly associated with the assets held for sale	40	-	-	208,229,917	162,996,705
		9,597,794,414	5,491,692,661	25,695,724,423	14,511,395,785
Total Equity and Liabilities		32,427,319,888	25,393,633,400	86,241,248,531	66,140,061,889

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,



K D D Perera

Chairman



Aravinda Perera

Managing Director

The Accounting Policies and Notes on pages 142 through 249 form an integral part of these financial statements.

31 May 2022

Colombo

Statement of Profit or Loss

For the year ended 31st March	Note	Company		Group	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Revenue from Contract with Customers	22	14,374,445,951	12,524,229,238	57,544,516,101	44,972,372,484
Cost of Sales		(6,750,453,338)	(6,154,224,415)	(35,139,107,671)	(28,168,940,299)
Gross Profit		7,623,992,613	6,370,004,823	22,405,408,430	16,803,432,185
Other Operating Income	23	2,986,683,640	1,385,096,240	1,164,084,409	418,651,639
Distribution Expenses		(2,444,950,427)	(2,467,262,882)	(6,172,401,696)	(5,528,751,134)
Administrative Expenses		(620,261,212)	(483,894,737)	(2,378,708,830)	(1,813,575,813)
Other Operating Expenses	23.1	(73,660,341)	(386,322,226)	(160,844,609)	(510,491,856)
Finance Cost	24.1	(298,731,136)	(594,353,113)	(904,644,549)	(1,406,494,763)
Finance Income	24.2	291,815,516	55,906,782	494,231,615	82,886,391
Share of Associate Companies Profit		-	-	2,328,418,140	1,814,096,011
Profit Before Tax from Continuing Operations	25	7,464,888,653	3,879,174,886	16,775,542,910	9,859,752,660
Tax Expense	26	(1,077,339,373)	(593,884,701)	(3,101,607,478)	(1,308,513,747)
Net Profit After Tax from Continuing Operations		6,387,549,280	3,285,290,185	13,673,935,432	8,551,238,913
Discontinued Operations					
Profit/ (Loss) after tax from discontinued operations	40	-	-	15,653,832	(133,305,704)
Profit for the Year		6,387,549,280	3,285,290,185	13,689,589,264	8,417,933,209
Attributable to:					
Equity Holders of the Parent		6,387,549,280	3,285,290,185	9,790,178,365	6,134,512,273
Non-Controlling Interest		-	-	3,899,410,899	2,283,420,936
		6,387,549,280	3,285,290,185	13,689,589,264	8,417,933,209
Basic Earnings Per Share	27	5.77	2.97	8.84	5.54
Basic Earnings Per Share from Continuing Operations	27	5.77	2.97	8.82	5.66
Dividend per share	28	4.20	1.40	4.20	1.40

The Accounting Policies and Notes on pages 142 through 249 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31st March	Note	Company		Group	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Net Profit for the Year		6,387,549,280	3,285,290,185	13,689,589,264	8,417,933,209
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		-	-	(58,175,339)	(9,567,399)
Exchange Differences on translation of foreign operations of Associate Company		-	-	30,705,888	8,740,560
Net Other Comprehensive Income / (Loss) to be reclassified to profit or loss in subsequent periods		-	-	(27,469,451)	(826,839)
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Revaluation of Land and Building		1,398,194,042	167,344,261	1,728,261,132	1,198,758,828
Net (loss)/gain on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income of Associate company	15.2	-	-	2,342,674	4,863,475
Actuarial (Loss)/Gain on Retirement Benefit Liability		11,367,170	15,684,023	121,019,052	(10,207,553)
Actuarial (Loss)/Gain on Retirement Benefit Liability of Associate Company		-	-	18,507,587	8,278,310
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods		1,409,561,212	183,028,284	1,870,130,445	1,201,693,060
Other Comprehensive Income/(Loss) for the Year, net of tax		1,409,561,212	183,028,284	1,842,660,994	1,200,866,220
Total Comprehensive Income for the Year, net of tax		7,797,110,492	3,468,318,469	15,532,250,258	9,618,799,429
Attributable to					
Equity Holders of the Parent				11,569,986,981	6,797,326,355
Non-Controlling Interest				3,962,263,277	2,821,473,074
				15,532,250,258	9,618,799,429

The Accounting Policies and Notes on pages 142 through 249 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 2020	1,368,673,373	1,192,935,268	12,023,044,309	14,584,652,950
Net Profit for the Year	-	-	3,285,290,185	3,285,290,185
Other Comprehensive Income	-	167,344,261	15,684,023	183,028,284
Total Comprehensive Income	-	167,344,261	3,300,974,208	3,468,318,469
Dividends - 2020/2021	-	-	(1,551,051,376)	(1,551,051,376)
Dividend Write back	-	-	10,678,477	10,678,477
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	-	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 31st March 2022	1,368,673,373	2,758,473,571	15,534,918,697	19,662,065,641

The Accounting Policies and Notes on pages 142 through 249 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	Revaluation Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total	Non- Controlling Interest	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31st March 2020	1,368,673,373	2,959,757,538	(27,704,969)	41,187,869	20,793,115,022	25,135,028,833	9,408,456,748	34,543,485,581
Net profit for the year	-	-	-	-	6,134,512,273	6,134,512,273	2,283,420,936	8,417,933,209
Other Comprehensive income / (Loss)	-	650,311,643	4,863,475	(1,319,603)	8,958,567	662,814,082	538,052,138	1,200,866,220
Total Comprehensive income	-	650,311,643	4,863,475	(1,319,603)	6,143,470,840	6,797,326,355	2,821,473,074	9,618,799,429
Dividends 2020/2021	-	-	-	-	(1,551,051,376)	(1,551,051,376)	-	(1,551,051,376)
Write back of Unclaimed Dividends	-	-	-	-	15,853,780	15,853,780	5,914,845	21,768,625
Subsidiary Dividends to Minority Shareholders	-	-	-	-	-	-	(655,481,448)	(655,481,448)
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 31st March 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

The Accounting Policies and Notes on pages 142 through 249 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31st March	Note	Company		Group	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Cash Flows From / (Used in) Operating Activities					
Profit before tax from continuing operations		7,464,888,652	3,879,174,886	16,775,542,910	9,859,752,660
Profit/(loss) before tax from discontinued operations		-	-	15,653,832	(133,305,704)
Profit before tax		7,464,888,652	3,879,174,886	16,791,196,742	9,726,446,956
Adjustments to reconcile profit before tax to net cash flows:					
Dividend Income	23	(2,537,292,376)	(995,281,448)	(350,224)	(281,302)
Interest Income	24.2	(291,815,516)	(55,906,782)	(494,304,304)	(82,997,786)
Depreciation of Property, Plant & Equipment	3	736,047,044	735,265,006	1,966,877,985	1,890,426,019
Amortisation of Right of use Assets	8.1	180,312,391	163,843,870	264,877,721	276,604,400
Amortisation Over Mining Land	3.18	-	-	475,007	-
(Profit)/Loss on Sale of Property, Plant & Equipment	23	-	(31,712,440)	21,430,133	(37,492,343)
Finance Costs	24.1	298,731,136	594,353,114	909,705,583	1,411,557,916
Provision/(Reversal) of Inventories		(34,031,620)	155,615,590	149,100,110	320,958,905
Write off of Inventories		77,188,779	93,342,036	25,419,057	160,895,190
Write off of Capital expenditure		-	-	19,595,000	43,145,000
Provision for Related Party Receivables	11.1.3	217,659	10,422,905	-	-
Amortization of Intangible Assets	7.2	20,012,811	24,977,391	26,805,811	27,803,391
Unrealised (Gain)/ Loss on Foreign Exchange		(103,667,302)	24,770,114	(459,391,775)	40,822,892
Impairment of Goodwill		-	-	-	2,387,160
Impairment of Property, Plant & Equipment		-	-	-	41,486,932
Allowance for Impairment of Trade Receivable		143,708	10,764,626	19,853,409	63,352,507
Deferred Income / Capital Grants Amortisation	23	-	-	(7,564,000)	(7,383,540)
Changing in Fair Value of Biological Assets		-	-	36,713,000	(75,000)
Revaluation Gain on Investment Property	23	-	-	(46,572,704)	(37,576,400)
Provision /(Reversal) for Change in Fair Value of the Investments	23	1,826,430	(15,491,248)	1,826,430	(15,491,248)
Profit Share of Investment in Associates		-	-	(2,328,418,140)	(1,814,096,011)
Provision for Retirement Benefit Liability	17	57,232,151	78,206,532	184,990,101	266,672,166
Operating Profit before Working Capital Changes		5,869,793,947	4,672,344,152	17,082,264,942	12,277,165,804
(Increase)/ Decrease in Inventories		39,607,579	1,382,792,898	(2,546,327,977)	5,415,475,672
(Increase)/ Decrease in Trade and Other Receivables		111,537,851	30,115,814	(813,797,172)	(500,234,490)
(Increase)/ Decrease Receivables From Related Parties		81,462,952	(2,541,095)	-	16,293,026
(Increase)/ Decrease in Other Non Financial Assets		(255,441,358)	60,605,113	(1,902,592,154)	187,750,210
Increase/ (Decrease) in Trade and Other Payables		48,201,874	419,282,927	1,844,648,328	1,635,159,346
Increase /(Decrease) Payables to Related Parties		(198,568,868)	(427,214,894)	172,388,069	71,041,015
Increase/ (Decrease) in Other Current Liabilities		3,853,149,575	1,297,486,408	4,478,532,752	1,375,823,179

For the year ended 31st March	Note	Company		Group	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Cash Generated from Operations		9,549,743,552	7,432,871,323	18,315,116,788	20,478,473,762
Finance Costs Paid		(295,410,983)	(590,053,570)	(902,631,269)	(1,360,893,063)
Retirement Benefit Liability Paid		(10,734,858)	(8,777,272)	(148,282,668)	(125,404,157)
Income Tax Paid		(837,718,268)	(126,559,319)	(2,382,958,638)	(609,101,746)
Net Cash Flows From/(Used in) Operating Activities		8,405,879,443	6,707,481,172	14,881,244,213	18,383,074,799
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant & Equipment	3	(736,760,049)	(453,436,533)	(3,416,332,085)	(1,961,464,808)
Acquisition of Investment Property	4	-	-	(7,224,709)	(215,430,145)
Acquisition of Consumable Biological Assets		-	-	(10,507,008)	(8,729,856)
Proceeds from Sale of Property, Plant & Equipment		-	43,698,440	110,599,964	62,154,648
Acquisition of Intangible Assets	7.2	(6,265,622)	(6,320,000)	(30,767,622)	(7,847,000)
Acquisition of Short-Term Investment		392,400,000	(347,201,133)	604,231,040	(551,470,240)
Acquisition of Investment in Associate		(325,226,108)	-	(325,226,108)	-
Interest Received	24.2	291,815,516	55,906,782	494,304,304	82,997,786
Dividends Received	23	2,537,292,376	995,281,448	1,011,800,720	433,760,086
Net Cash Flows / (Used in) Investing Activities		2,153,256,113	287,929,004	(1,569,121,504)	(2,166,029,529)
Financing Activities					
Proceeds From Interest Bearing Loans & Borrowings		628,796,819	3,691,563,040	24,897,635,806	18,726,523,864
Repayment of Interest Bearing Loans & Borrowings		(1,364,454,739)	(6,400,821,072)	(22,720,272,066)	(24,611,047,389)
Capital Repayments under Lease Liabilities		(91,285,206)	(88,043,524)	(146,132,018)	(162,481,199)
Dividends Paid on Ordinary Shares		(4,616,964,349)	(1,553,954,157)	(4,616,964,349)	(1,553,954,157)
Dividend paid to Non Controlling Interest		-	-	(1,642,673,315)	(627,013,093)
Capital Grants Received		-	-	1,894,000	3,550,000
Net Cash Flows from/(Used in) Financing Activities		(5,443,907,475)	(4,351,255,713)	(4,226,511,942)	(8,224,421,974)
Net Increase/(Decrease) in Cash and Cash Equivalents		5,115,228,081	2,644,154,463	9,085,610,767	7,992,623,296
Net Foreign Exchange Difference		200,357,231	-	331,045,068	(9,211,957)
Cash and Cash Equivalents at the beginning of the year	21	1,715,354,242	(928,800,221)	3,912,491,223	(4,070,920,116)
Cash and Cash Equivalents at the end of the year	21	7,030,939,554	1,715,354,242	13,329,147,058	3,912,491,223

The Accounting Policies and Notes on pages 142 through 249 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 2022 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 Plantation PLC	Manufacture and marketing of agricultural production.
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 and tile mortar.
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.

1.4 Date of Authorization for Issue

The Consolidated Financial Statements of Royal Ceramics Lanka PLC, for the year ended 31 March 2022 were authorised for issue in accordance with the resolution of the Board of Directors on 31 May 2022.

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 2021.

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

Amendments to SLFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

In 4 December 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued Covid-19-Related Rent Concessions - amendment to SLFRS 16 Leases. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a

Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification

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

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 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

Notes to the Financial Statements

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	Year of Incorporation	% of equity Interest	
			2022	2021
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 (Previously known as Rocell Ceramics Limited)	Sri Lanka	2006/2007	100%	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 Plantation 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 2022 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.

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 11)

Notes to the Financial Statements

(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 39.

(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 17.3 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 10).

(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).

(x) Assets held for sales and discontinued operations

On 31 January 2021, the Board of Directors took a decision to cease the operations of Rocell Pty. Limited and to dispose of the assets thereof. Therefore, the operation of the Company is classified as a disposal group held for sale as at the reporting date. For more details on the discontinued operation refer to Note 40.

2.4 Going Concern

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

It is the view of the management 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).

(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 recognised 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 (Pvt) Ltd.

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 / 2021
Local sales and others	24%
Manufacturing	18%
Qualified export	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 trade profit and 24% on 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% on trade profits and other income.

Horana Plantations PLC

	2022 / 2021
Agro Farming	Exempt for 5 year w.e.f 1/4/2019
Agro Processing	14%
Other Income	24%

Notes to the Financial Statements

(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 recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of other receivables and other payables in the Statement of Financial Position.

2.5.3 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:

- (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 depreciation 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.

Notes to the Financial Statements

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 substitution right, then the asset is not identified.
- The Group has right to obtain substantially all of the economic benefits of asset throughout the period of use; and
- The Group has right to direct the use of the asset. The Group has this right when it has decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;
 - The Group has right to operate the asset; or
 - The Group designated the asset in a way that predetermines how and for what purpose it will be used.

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.

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 2.516 - 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).

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

2.5.9 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.

Notes to the Financial Statements

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 prorated 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.

Notes to the Financial Statements

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:

- 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 39.

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 30).

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 (LKAS 18).

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 17. 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.

Notes to the Financial Statements

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 40. 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. 22. 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 recognised 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 recognised 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 deliver 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 recognised 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.

Notes to the Financial Statements

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 recognised. 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

The manufacture and distribution of wall tiles, floor tiles and related products.

Sanitaryware

Manufacturing and marketing of sanitary ware products.

Plantation

Cultivation, processing and sale of tea and rubber

Packaging Material

The manufacture and distribution of packing materials

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 recognised 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.

Notes to the Financial Statements

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.

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. Actuarial Management Consultants (Private) Limited as at 31 March 2022.

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.

Notes to the Financial Statements

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 18 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 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.

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

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.

**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.

Notes to the Financial Statements

03. PROPERTY, PLANT & EQUIPMENT - COMPANY

3.1 Gross Carrying Amounts

	Balance As at 01.04.2021 Rs.	Additions/ Transfers Rs.	Increase/ (Decrease) from Revaluation Rs.	Transfers/ Reclassification Rs.	Disposals Rs.	Balance As at 31.03.2022 Rs.
At Cost or Valuation						
Land	2,278,013,125	-	945,608,875	-	-	3,223,622,000
Building	2,348,863,189	104,958,688	376,626,122	-	-	2,830,448,000
Lab Equipment	7,395,141	-	-	-	-	7,395,141
Motor Vehicles	454,367,635	23,362,062	-	-	-	477,729,697
Electricity Distribution	64,599,328	47,278,300	-	-	-	111,877,628
Office Equipment	503,062,576	95,394,280	-	-	-	598,456,856
Communication Equipment	17,351,582	317,373	-	-	-	17,668,955
Furniture & Fittings	806,519,710	50,653,659	-	-	-	857,173,369
Tools & Implements	226,987,752	9,535,071	-	-	-	236,522,823
Other Equipment	112,413,293	16,889,281	-	-	-	129,302,574
Factory Equipment	23,257,991	-	-	-	-	23,257,991
Construction Equipment	2,236,047	-	-	-	-	2,236,047
Plant and Machinery	5,489,041,592	122,440,088	-	-	-	5,611,481,680
Household Item Light	78,830	-	-	-	-	78,830
Showroom Fixtures & Fittings	1,588,615,370	91,564,078	-	3,965,136	-	1,684,144,584
Stores Buildings on Lease hold Land	266,655,569	-	84,341,567	(3,965,136)	-	347,032,000
	14,189,458,730	562,392,881	1,406,576,564	-	-	16,158,428,175
In the Course of Construction	Balance As at 01.04.2021 Rs.	Additions Rs.	Increase/ (Decrease) in Revaluation Rs.	Transfers Rs.	Disposals Rs.	Balance As at 31.03.2022 Rs.
Capital Work in Progress	418,964,335	668,925,692	-	(494,558,524)	-	593,331,503
Total Gross Carrying Amount	14,608,423,066	1,231,318,573	1,406,576,564	(494,558,524)	-	16,751,759,678

3.2 Depreciation

	Balance As at 01.04.2021 Rs.	Charge for the Year Rs.	Transfers to revaluation Reserve Rs.	Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2022 Rs.
At Cost or valuation						
Building	215,318,962	77,108,232	(272,377,322)	(20,049,872)	-	-
Lab Equipment	7,060,551	334,590	-	-	-	7,395,141
Motor Vehicles	394,814,562	35,488,499	-	-	-	430,303,061
Electricity Distribution	18,784,367	3,291,985	-	-	-	22,076,352
Office Equipment	362,475,777	46,592,721	-	-	-	409,068,498
Communication Equipment	14,660,004	808,941	-	-	-	15,468,945
Furniture & Fittings	644,109,139	74,107,300	-	-	-	718,216,439
Tools & Implements	202,663,319	15,119,096	-	-	-	217,782,415
Other Equipment	81,843,207	12,035,642	-	-	-	93,878,849
Factory Equipment	23,257,991	-	-	-	-	23,257,991
Construction Equipment	2,236,047	-	-	-	-	2,236,047
Plant and Machinery	3,688,416,256	348,947,023	-	-	-	4,037,363,279
Household Item Light	59,092	-	-	-	-	59,092
Showroom Fixtures & Fittings	684,663,654	116,296,017	-	-	-	800,959,671
Stores Buildings on Lease hold Land	20,243,803	5,916,997	(26,160,800)	20,049,872	-	20,049,872
	6,360,606,731	736,047,044	(298,538,122)	-	-	6,798,115,652

3.3 Net Book Values of Property Plant and Equipments

	2022 Rs.	2021 Rs.
At Cost or Valuation		
Land	3,223,622,000	2,278,013,125
Building	2,830,447,999	2,133,544,227
Lab Equipment	-	334,590
Motor Vehicles	47,426,636	59,553,074
Electricity Distribution	89,801,276	45,814,961
Office Equipment	189,388,358	140,586,798
Communication Equipment	2,200,010	2,691,578
Furniture & Fittings	138,956,930	162,410,571
Tools & Implements	18,740,408	24,324,434
Other Equipment	35,423,725	30,570,086
Plant and Machinery	1,574,118,401	1,800,625,336
Household Item Light	19,738	19,738
Showroom Fixtures & Fittings	883,184,913	903,951,716
Stores Buildings on Lease hold Land	326,982,127	246,411,766
	9,360,312,522	7,828,851,999
In the Course of Construction	593,331,503	418,964,335
	9,953,644,025	8,247,816,334

Notes to the Financial Statements

3.4 During the Period, the company acquired Property, Plant & Equipment for cash to the aggregate value of Rs.736,760,049/- (2021 - Rs.453,436,533/-).

3.5 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs.3,934,064,124/- (2021 - Rs. 3,389,801,623/-) which are still in use.

PROPERTY, PLANT & EQUIPMENT - GROUP

3.6 Gross Carrying Amounts

	Balance As at 01.04.2021 Rs.	Additions/ Transfers Rs.	Increase / (Decrease) from Revaluation Rs.	Reclassification/ Disposals/ Transfers Rs.	Balance As at 31.03.2022 Rs.
Freehold and Clay Mining Land	8,216,971,306	299,044,000	1,172,368,875	(89,188,792)	9,599,195,389
Buildings	7,083,696,490	449,377,364	461,206,055	18,322,000	8,012,601,909
Water Supply Scheme	644,793,104	64,364,000	-	(2,944,000)	706,213,104
Lab Equipment	18,479,912	359,400	-	-	18,839,312
Motor Vehicles	515,344,150	23,362,062	-	-	538,706,212
Electricity Distribution	65,203,097	47,278,300	-	-	112,481,397
Office Equipment	535,715,729	98,179,765	-	-	633,895,494
Communication Equipment	662,059,942	9,929,025	-	(7,610,556)	664,378,411
Furniture and Fittings	916,731,966	51,341,056	-	-	968,073,022
Tools & Implements	1,349,301,686	267,852,201	-	(11,855,000)	1,605,298,887
Sundry Equipment	4,723,366	99,998	-	-	4,823,364
Other Equipment	107,428,240	17,156,014	-	-	124,584,254
Factory Equipment	23,257,991	-	-	-	23,257,991
Moulds	140,493,078	1,895,411	-	-	142,388,489
Construction Equipment	24,936,334	-	-	-	24,936,334
Plant and Machinery	18,122,731,210	1,158,263,979	-	22,977,000	19,303,972,189
Household Item - Light	78,830	-	-	-	78,830
Showroom Fixtures & Fittings	1,607,987,515	91,564,078	84,341,567	-	1,783,893,160
Stores Buildings on Lease hold Land	328,389,496	-	-	-	328,389,496
	40,368,323,442	2,580,066,653	1,717,916,497	(70,299,348)	44,596,007,244

In the Course of Construction	Balance As at 01.04.2021 Rs.	Additions/ Transfers Rs.	Increase / (Decrease) from Revaluation Rs.	Reclassification/ Disposals/ Transfers Rs.	Balance As at 31.03.2022 Rs.
Capital Work in Progress	1,059,213,363	1,528,637,054	-	(950,226,724)	1,637,623,693
Total Gross Carrying Amount	41,427,536,805	4,108,703,707	1,717,916,497	(1,020,526,072)	46,233,630,937

3.7 Depreciation

	Balance As at 01.04.2021 Rs.	Charge for the Year Rs.	Transfers to revaluation Reserve Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2022 Rs.
At Cost or Valuation					
Clay Mining Land	-	3,669,129	-	-	3,669,129
Building	412,445,926	223,213,326	(350,455,501)	(20,049,872)	265,153,879
Water Supply Scheme	385,904,226	40,368,000	-	(697,000)	425,575,226
Lab Equipment	18,123,154	404,275	-	-	18,527,429
Motor Vehicles	446,990,466	37,417,102	-	-	484,407,568
Electricity Distribution	19,415,227	3,565,825	-	-	22,981,052
Office Equipment	388,036,587	47,196,903	-	-	435,233,490
Communication Equipment	514,445,516	31,503,936	-	(5,257,614)	540,691,838
Furniture & Fittings	733,307,129	82,044,473	-	-	815,351,602
Tools & Implements	953,854,840	144,133,578	-	(8,686,000)	1,089,302,418
Sundry Equipment	1,287,426	361,470	-	-	1,648,896
Other Equipment	72,614,485	12,580,635	-	-	85,195,120
Factory Equipment	23,257,991	-	-	-	23,257,991
Moulds	133,252,579	2,015,945	-	-	135,268,524
Construction Equipment	23,834,051	-	-	-	23,834,051
Plant and Machinery	9,989,589,198	1,080,136,844	-	(37,911,000)	11,031,815,042
Household Item - Light	59,092	-	-	-	59,092
Showroom Fixtures & Fittings	694,253,932	117,046,221	-	-	811,300,153
Stores Buildings on Lease hold Land	82,677,804	5,916,997	(26,160,800)	20,049,872	82,483,873
Total Value of Depreciation	14,893,349,629	1,831,574,659	(376,616,301)	(52,551,614)	16,295,756,373

Notes to the Financial Statements

3.8 Net Book Values of Property Plant and Equipments

	2022 Rs.	2021 Rs.
At Cost or Valuation		
Freehold and Clay Mining Land	9,595,526,260	8,216,971,306
Building	7,747,448,030	6,671,250,564
Water Supply Scheme	280,637,878	258,888,878
Lab Equipment	311,883	356,758
Motor Vehicles	54,298,644	68,353,684
Electricity Distribution	89,500,345	45,787,870
Office Equipment	198,662,004	147,679,142
Communication Equipment	123,686,573	147,614,426
Furniture and Fittings	152,721,420	183,424,837
Tools and Implements	515,996,469	395,446,846
Sundry Equipment	3,174,468	3,435,940
Other Equipment	39,389,134	34,813,755
Mould	7,119,965	7,240,499
Construction Equipment	1,102,283	1,102,283
Plant and Machinery	8,272,157,147	8,133,142,012
Household Item - Light	19,738	19,738
Showroom Fixtures and Fittings	972,593,007	913,733,583
Stores Buildings on Leasehold Land	245,905,623	245,711,692
	28,300,250,871	25,474,973,813
In the Course of Construction	1,637,623,693	1,059,213,363
	29,937,874,564	26,534,187,176

3.9 Net book value of assets

	2022 Rs.	2021 Rs.
Property, plant and equipment (3.8)	29,937,874,564	26,534,187,176
Bearer Biological Assets (3.12)	2,172,953,104	2,155,964,000
Total	32,110,827,668	28,690,151,176

3.10 During the Period, the group acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 3,416,332,085/- (2021 - Rs. 1,961,464,808/-)

3.11 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 6,700,806,267/- (2021 - Rs. 6,340,156,627/-) which are still in use.

3.12 Bearer Biological Assets

	Tea	Rubber	Oil Palm	Diversification	Total 2022	Total 2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Immature Plantations						
Cost						
At the beginning of the year	87,687,000	114,036,000	64,392,000	127,908,000	394,023,000	523,057,000
Additions	35,710,403	17,927,107	15,746,919	101,902,784	171,287,213	114,367,000
Transfers to Mature	-	(72,560,162)	(29,305,350)	(24,253,890)	(126,119,402)	(207,244,000)
Transfers (from)/to	-	(542,925)	(660,425)	1,203,350	-	-
Write off during the year	-	(16,892,273)	-	(1,052,820)	(17,945,093)	(36,157,000)
At the end of the year	123,397,403	41,967,747	50,173,144	205,707,424	421,245,718	394,023,000
Mature Plantations						
Cost						
At the beginning of the year	868,897,000	1,524,146,000	192,008,000	118,960,000	2,704,011,000	2,516,527,000
Transfers from Immature	-	72,561,188	29,305,350	24,253,890	126,120,428	207,244,000
Disposal during the year	-	-	-	-	-	(19,760,000)
Write off during the year	-	(7,144,612)	-	-	(7,144,612)	-
At the end of the year	868,897,000	1,589,562,576	221,313,350	143,213,890	2,822,986,816	2,704,011,000
Accumulated Amortization						
At the beginning of the year	270,530,000	617,788,000	20,318,000	33,434,000	942,070,000	830,642,000
Charge for the year	31,776,904	83,854,701	9,618,731	10,052,990	135,303,326	129,878,000
Disposal during the year	-	(6,093,896)	-	-	(6,093,896)	(18,450,000)
Write off during the year	-	-	-	-	-	-
At the end of the year	302,306,904	695,548,805	29,936,731	43,486,990	1,071,279,430	942,070,000
Written Down Value	566,590,096	894,013,771	191,376,619	99,726,900	1,751,707,386	1,761,941,000
Total Bearer Biological Assets	689,987,499	935,981,518	241,549,763	305,434,324	2,172,953,104	2,155,964,000

These are investments in immature/mature plantations since the formation of Horana Plantation 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.

Notes to the Financial Statements

3.13 Consumable Biological Assets

	2022 Rs.	2021 Rs.
Immature Plantations		
Cost :		
At the beginning of the year	49,463,280	44,271,861
Additions during the year	10,507,008	8,729,856
Transfers to Mature Plantations	(20,077,756)	(1,134,742)
Transferred to Statement of Profit or Loss	(598,703)	(2,403,695)
At the end of the year	39,293,829	49,463,280
Mature Plantations		
Cost :		
At the beginning of the year	581,114,842	587,905,084
Decrease due to Harvest	(68,177,855)	(40,014,214)
Increase due to new plantations	20,077,756	1,134,742
Change in Fair Value less costs to sell	23,334,827	32,089,230
At the end of the year	556,349,570	581,114,842
Total Consumable Biological Assets	595,643,399	630,578,122

3.14 Basis of Valuation

Under LKAS 41 the company has valued its managed plantations at fair value less cost to sell. Managed timber plantations as at 31st March 2022 comprised approximately 308 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs. 39.3Mn as at 31st March 2022. 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 Valuers Mr. A.A.M. Fathihu - proprietor of FM Valuers for 2021/22 using Discounted Cash Flow (DFC) method . In ascertaining the fair value of timber, 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 13%-15%. (2021 - 14%-16%)

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 realisation 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 realised in future and is included in the calculation of the fair value that takes into account the age of the timber 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. 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 timber 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 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	2022	(Rs. 55.635Mn)	Rs.55.635 Mn
	2021	(Rs. 29.055Mn)	Rs. 29.055 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	2022	Rs. 32.412Mn	(Rs.20.068Mn)
	2021	Rs. 23.374Mn	(Rs. 20.788 Mn)

Capitalisation of borrowing cost

Borrowing costs amounting to Rs.45.808 Million (Rs.41.390 Million in 2020/21) directly relating to investment in Biological Assets (Immature Plantations) have been capitalised during the period, at an average borrowing rate of 8.54% (9.15% in 2020/21).

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 Dehiwela	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 Dehiwela	11,574sq.ft	Mr. A.A.M. Fathihu
		Head office Building No 20,Colombo	28,278sq.ft	Mr. A.A.M. Fathihu
2	Rocell Bathware Ltd	Factory Land at Horana	A.14 - R.1- P7.36	Mr. A.A.M. Fathihu
		Factory Building at Horana	301,617 sq.ft	Mr. A.A.M. Fathihu
3	Lanka Walltiles PLC	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
		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.	FairValue 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. 389,013/- - Rs. 300,000/- 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	1,123.2Mn	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 sqft	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 sqft	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 sqft	FRT Valuation Services (pvt) Ltd	
		Land at Nugegoda	00A-00R-32.03P	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	

	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range and rate per sq.ft.	FairValue 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. 50,000/- to Rs. 120,000/- per perch	517.878Mn	430.507Mn
	31 March 2021*	Contractor's method	Rs 1,000/- to Rs. 4250/- per sq.ft	1191.022Mn	930.041Mn
	31 March 2021*	Market based evidence	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 sqft	192.451.Mn	180.377Mn
	31 March 2021*	Market approach	Rs. 7,500,000/- per perch	240.2Mn	232.217Mn
	31 March 2021*	Market approach	Rs. 7,500,000/- per acre	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 sqft	139.25Mn	112.5Mn
	31 March 2021*	Contractors Method	Rs. 4,000/- per sqft	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

Notes to the Financial Statements

No.	Company	Location	Extent	Valuer	
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	
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 Dediawala	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.	FairValue 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. 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
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	1.262Mn	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	36.216Mn	12.931Mn
31 March 2021*	Depreciated cost method	Rs. 275/- to Rs. 2,500/- per sq.ft	32.837Mn	13.557Mn
31 March 2022	Market based evidence	Rs. 12,000,000 Per Acre	403.92Mn	403.92Mn
31 March 2022	Market based evidence	Rs 200,000, Rs 2,350,000, Rs 1,750,000 per perch	115.593Mn	110.925Mn

Notes to the Financial Statements

3.16 The useful lives of the assets are estimated as follows ;

	2022	2021
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 amortised 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	Accumulated Depreciation	Net Carrying Amount	Net Carrying Amount
	2022	2022	2022	2021
	Rs.	Rs.	Rs.	Rs.
Freehold Land	902,075,558	-	902,075,558	902,075,558
Freehold Building	2,528,234,693	817,040,977	1,711,193,716	1,512,035,311
	3,430,310,251	817,040,977	2,613,269,274	2,414,110,869

	Group			
	Cost	Accumulated Depreciation	Net Carrying Amount	Net Carrying Amount
	2022 Rs.	2022 Rs.	2022 Rs.	2021 Rs.
Freehold land and Clay Mining Land	3,447,822,544	4,354,000	3,443,468,544	3,057,556,034
Freehold Building	9,508,416,422	1,547,561,622	7,960,854,801	8,014,898,522
	12,956,238,966	1,551,915,622	11,404,323,345	11,072,454,556

3.18 Leasehold Right over Mining Land

	Group	
	2022 Rs.	2021 Rs.
Cost		
At the beginning of the year	15,800,000	15,800,000
At the end of the year	15,800,000	15,800,000
Accumulated Amortization		
At the beginning of the year	14,181,000	14,181,000
Charge for the year	-	-
At the end of the year	14,181,000	14,181,000
	1,619,000	1,619,000
Payable to Lessor in relation above Leasehold Right *	(1,143,993)	-
	475,007	1,619,000
Less: Impairment Provision	(475,007)	-
Written Down Value	-	1,619,000

04. INVESTMENT PROPERTY

	Group	
	2022 Rs.	2021 Rs.
At the beginning of the year	1,980,307,805	1,727,301,260
Addition	7,224,709	215,430,145
Transfer from property plant and equipment	10,947,792	-
Change in Fair Value	46,572,704	37,576,400
At the end of the year	2,045,053,010	1,980,307,805

Notes to the Financial Statements

4.1 Fair value of investment property

The following Investment properties are revalued during the financial year 2021/2022.

Company	Location	Extent	No. of Buildings
Lanka Ceramics PLC	No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03.	1R - 1.12 P	
	No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03.	27,712 Sq.ft	01
	No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03.	1R - 1.12 P	
	No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya 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	

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. 36.75Mn. (2021 - Rs. 36. 75Mn). Direct operating expenses incurred by the Group amounted to Rs. 1.61Mn. (2021 - Rs. 1.64Mn).

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.
2021-2022	36,750,000	36,750,000	-	-	-	-
2020-2021	36,750,000	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 2022	Mr. A.A.M. Fathihu	Market based evidence	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 2021	Mr. A.A.M. Fathihu	Market based evidence	Rs. 20,000,000/- per perch	822,400
31 March 2021	Mr. A.A.M. Fathihu	Depreciated replacement cost	Rs. 8,000/- - Rs. 11,000/- per Sq.ft	128,858
31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs. 8,000,000/- per Acre	390,900
31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.5,000,000/- per Acre	21,800
31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.125,000/- per Perch	5,625
31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.70,000/- per Perch	475
31 March 2021	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs. 8,000,000/- per Acre	390,900
31 March 2021	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.5,000,000/- per Acre	21,800
31 March 2021	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.125,000/- per Perch	5,625
31 March 2021	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.70,000/- per Perch	475
31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs. 8,000,000/- per Acre	390,895
31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.4,000/- per sq.ft	3,924
31 March 2021	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs. 8,000,000/- per Acre	390,895
31 March 2021	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.4,000/- per sq.ft	3,924
31 March 2022	Mr. A.A.M. Fathihu	Market based evidence	Rs 50,000 - Rs 2,350,000 - per Perch	235,745

05. INVESTMENTS IN SUBSIDIARIES

05.1 Quoted & Non-Quoted

	Holding		Country of incorporation	Cost	
	2022 %	2021 %		2022 Rs.	2021 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	200,287,710	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 (Pvt) Ltd	100%	100%	Sri Lanka	56,666,670	10
Swisstek Aluminium 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				7,234,132,041	7,177,465,381
Total Gross Carrying Value of Investments				7,234,132,041	7,177,465,381
Impairment made				(553,691,228)	(553,691,228)
Total Net Carrying Value of Investments				6,680,440,813	6,623,774,153

Notes to the Financial Statements

05.2 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	
	2022	2021	2022 Rs.	2021 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	663,360,345
			3,488,163,598	3,162,937,490

6.2 Group

	Holding		Carrying Value	
	2022	2021	2022 Rs.	2021 Rs.
Quoted Investments				
L. B. Finance PLC	26.08%	26.08%	10,400,543,248	9,137,145,388
Non-quoted Investments				
Delmege Limited	21.00%	21.00%	1,378,454,835	948,102,793
			11,778,998,083	10,085,248,181

Market value of L B Finance PLC as at 31 March 2022 is Rs. 8,380,589,824 /- (2021 - Rs. 6,848,964,787/-)

6.3 Movement in Investments in Associates

	L. B. Finance PLC		Delmege Limited		Total	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
As at the beginning of the year	9,137,145,388	7,773,807,791	948,102,793	908,940,819	10,085,248,181	8,682,748,610
Investment made during the year	-	-	325,226,108	-	325,226,108	-
Share of results of associates	2,224,753,264	1,775,214,821	103,664,876	38,881,190	2,328,418,140	1,814,096,011
Dividends	(1,011,450,495)	(433,478,785)	-	-	(1,011,450,495)	(433,478,785)
Share of Other Comprehensive Income	50,095,091	21,601,561	1,461,058	280,784	51,556,149	21,882,345
At the end 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

07. INTANGIBLE ASSETS

Summary

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Goodwill (Note 7.1)	-	-	1,030,295,492	1,030,295,492
Software (Note 7.2)	116,253,613	130,000,802	149,455,613	141,295,802
	116,253,613	130,000,802	1,179,751,105	1,171,591,294

7.1 Goodwill

	Group	
	2022 Rs.	2021 Rs.
Balance at the beginning of the year	1,030,295,492	1,030,237,456
Effect of change in exchange rate	-	58,036
Balance at the end of the year	1,030,295,492	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 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 27% - 28%.

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 17.45% (2021 - 11.41%).

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 12% 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	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Balance at the beginning of the year	130,000,802	148,658,193	141,295,802	161,252,193
Incurred during the year	6,265,622	6,320,000	30,767,622	7,847,000
Transfer from PPE	-	-	4,198,000	-
Amount amortised during the year	(20,012,811)	(24,977,391)	(26,805,811)	(27,803,391)
Balance at the end of the year	116,253,613	130,000,802	149,455,613	141,295,802

08. LEASES

08.1 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 2021	855,048,508
Additions	211,245,619
Adjustments for changes of Lease Terms and Termination	(4,285,245)
Depreciation expense	(180,312,391)
As at 31 March 2022	881,696,491
Lease Liability	
As at 1 April 2021	992,029,791
Additions	175,488,637
Adjustments for changes of Lease Terms and Termination	(4,285,245)
Interest Expense	135,672,034
Less: Payments	(226,957,236)
As at 31 March 2022	1,071,947,981
As at 31 March 2022	
Payable within one year	118,998,622
Payable after one year	952,949,359
Total	1,071,947,981
As at 31 March 2021	
Payable within one year	85,996,067
Payable after one year	906,033,724
Total	992,029,791

08.2 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	Building	Plant & Machinery	* Land & immovable Estate Assets -Plantation	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Right of Use Asset					
As at 01 April 2021	53,397,779	1,022,286,766	3,157,438	178,718,612	1,257,560,595
Additions	-	247,884,257	-	5,516,000	253,400,257
Adjustments for changes of Lease Terms and Termination	-	(4,285,245)	-	-	(4,285,245)
Depreciation expense	(2,511,135)	(245,296,565)	(1,402,998)	(15,667,023)	(264,877,721)
As at 31 March 2022	50,886,644	1,020,589,213	1,754,440	168,567,589	1,241,797,886
Lease Liability					
As at 1 April 2021	50,587,402	1,173,831,010	2,925,946	159,031,866	1,386,376,224
Additions	-	210,627,354	-	5,516,000	216,143,354
Adjustments for changes of Lease Terms and Termination	-	(4,285,245)	-	-	(4,285,245)
Interest Expense	6,399,355	156,777,667	317,000	22,387,891	185,881,913
Less: Payments	(4,249,994)	(302,582,880)	(1,819,056)	(23,362,000)	(332,013,930)
As at 31 March 2022	52,736,763	1,234,367,906	1,423,890	163,573,757	1,452,102,316
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
As at 31 March 2021					
Payable within one year					137,960,472
Payable after one year					1,248,415,752
Total					1,386,376,224

* 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	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Depreciation expense of right-of-use assets	180,312,391	163,843,870	264,877,220	274,689,047
Interest expense on lease liabilities	135,672,034	142,556,541	185,881,913	200,200,177
Expense relating to short-term leases (included in cost of sales)	3,456,874	2,941,160	52,529,211	41,687,972
Expense relating to short-term leases (included in distribution expenses)	13,520,992	18,734,239	13,520,992	48,730,145
Total amount recognised in profit or loss	332,962,291	328,075,810	516,809,335	565,307,341

Cash Outflows from short term leases and leases with low values for the year ended 31 March 2022 for the Company and for the Group are 16,977,865/- and Rs. 66,050,202/- respectively.

8.3 Land & immovable Estate Asset -Plantation

8.3.1 Right of Use Land

	2022 Rs.	2021 Rs.
Capitalised Value : As at 22.06.1992	204,931,450	204,931,000
Net book value carried forward as at 1st April	153,460,612	156,261,000
Remeasurement of leasehold right as at 1st July	5,516,000	3,495,042
	158,976,612	159,756,042
Amortization		
Charge for the year	6,501,000	6,295,430
Amortisation as at 31st March	6,501,000	6,295,430
Carrying Amount as at 31st March	152,475,612	153,460,612

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 2022 Rs.	Total 2021 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 to mature						
At the end	214,810,000	4,014,000	47,173,000	6,818,000	272,815,000	272,815,000
Amortisation						
At the beginning of the year	189,839,000	3,727,000	47,173,000	6,818,000	247,557,000	240,188,000
Amortization during the year	9,041,023	125,000			9,166,023	7,369,000
At the end of the year	198,880,023	3,852,000	47,173,000	6,818,000	256,723,023	247,557,000
Written Down Value						
As at 31.03.2022	15,929,977	162,000	-	-	16,091,977	
As at 31.03.2021	24,968,811	286,605	-	-		25,258,000

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.

09. OTHER NON FINANCIAL ASSETS

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Advances Given to Suppliers	-	18,017,371	-	18,017,371
	-	18,017,371	-	18,017,371

Notes to the Financial Statements

10. INVENTORIES

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Raw Materials	844,606,300	629,266,201	5,771,429,891	3,964,674,114
Spares & Consumables	993,415,959	807,422,918	2,518,940,490	1,670,549,204
Accessories	-	-	570,105,856	569,038,268
Harvested Crops	-	-	116,959,280	206,306,000
Non-harvested Produce on Bearer Biological Assets (Note 10.2)	-	-	8,129,000	7,999,000
Shading Tree Nurseries	-	-	3,369,000	128,000
Work in Progress	107,066,222	82,528,422	552,571,380	411,798,905
Finished Goods	1,101,032,515	1,645,171,959	4,517,290,741	4,676,206,738
Goods in Transit	13,561,626	15,255,769	139,590,811	175,625,385
Other Consumables	16,216,078	13,049,789	24,682,613	19,834,526
	3,075,898,700	3,192,695,058	14,223,069,062	11,702,160,140
Less : Provision for Obsolete & Slow Moving Stock	(167,200,945)	(201,232,565)	(750,461,909)	(601,361,798)
	2,908,697,755	2,991,462,493	13,472,607,153	11,100,798,342

These inventories include finished goods of Rs. 3.5Bn (2021 - Rs. 4Bn) and general stocks representing raw materials, spares and consumables of Rs.5.4Bn (2021 - Rs. 4.4Bn) relating to the Tiles and Accessories items and Sanitaryware Segments.

10.1 Provision for Obsolete & Slow Moving Stock

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the beginning of the year	201,232,565	146,919,296	601,361,798	423,896,637
Provisions made during the year	49,160,720	155,615,590	238,363,026	320,958,906
Provisions written off/(write back) during the year	(83,192,340)	(101,302,321)	(89,262,915)	(122,844,760)
Transfer to discontinued Operations	-	-	-	(20,648,985)
At the end of the year	167,200,945	201,232,565	750,461,909	601,361,798

10.2 Non-harvested Produce on Bearer Biological Assets

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the beginning of the year	-	-	7,999,000	3,361,266
Gain on Fair Value of Non-harvested Produce	-	-	8,129,000	7,999,000
Charged to Profit or Loss	-	-	(7,999,000)	(3,361,266)
At the end of the year	-	-	8,129,000	7,999,000

The volume of produce growing on bearer plants are measured considering the estimated crop of the last harvesting cycle of the year as follows :-

- ➊ 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).
- ➋ 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.

11. TRADE AND OTHER RECEIVABLES

11.1 Company

	Company	
	2022 Rs.	2021 Rs.
Trade debtors - Other	433,765,283	636,557,647
- Related Parties (Note 11.1.1)	2,751,976	24,024
Trade Debtors	436,517,259	636,581,671
Provision for Bad and Doubtful Debts	(52,310,769)	(52,711,113)
	384,206,490	583,870,558
Other Receivables - Other	158,826,076	59,278,360
	543,032,566	643,148,918

11.1.1 Trade Debtors includes following related party receivables,

	Relationship	Company	
		2022 Rs.	2021 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	-	24,024
Singhe Hospitals PLC	Affiliate	30,426	-
		2,751,976	24,024

11.1.2 Allowances for Doubtful Debts

	Company	
	2022 Rs.	2021 Rs.
Balance at the beginning of the year	52,711,113	41,894,447
Amount provided/(reversal) during the year	(400,344)	10,816,666
Balance at the end of the year	52,310,769	52,711,113

Notes to the Financial Statements

11.1.3 Amount due from Related Parties

	Relationship	Company	
		2022 Rs.	2021 Rs.
Royal Ceramics Distributors (Pvt) Ltd	Subsidiary	2,088,314	1,870,656
Rocell Bathware Ltd	Subsidiary	611,037	-
Rocell Properties (Pvt) Ltd	Subsidiary	540,124	52,936,143
Biscuits and Chocolate Company Limited	Subsidiary	15,248,121	14,497,221
Lanka Tiles PLC	Subsidiary	13,203,285	20,920,812
Lanka Wall Tiles PLC	Subsidiary	3,082,638	11,991,254
Ever Paint and Chemical Industries (Pvt) Ltd	Subsidiary	39,009,635	41,289,358
Swisstek Ceylon PLC	Subsidiary	-	2,976
Unidil Packaging Limited	Subsidiary	7,222,868	18,960,555
		81,006,022	162,468,975
Impairment Provision		(2,088,314)	(1,870,656)
		78,917,708	160,598,319

11.1.4 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 Rs.	Neither past due nor Impaired Rs.	Past due but not impaired			Impaired Rs.	Provision for Impairment Rs.
			Less Than 3 Month Rs.	3 to 12 Month Rs.	More Than One Year Rs.		

Trade debtors

2022	384,206,490	213,669,262	155,264,715	14,142,698	53,440,585	-	(52,310,770)
2021	583,870,558	345,978,805	181,270,585	31,794,773	77,537,508	-	(52,711,113)

11.2 GROUP

		Group	
		2022 Rs.	2021 Rs.
Trade debtors	- Other	5,028,242,889	4,007,645,217
	- Related Parties (Note 11.2.1)	9,690,703	1,165,990
Trade Debtors		5,037,933,592	4,008,811,207
Provision for Bad and Doubtful Debts		(192,152,660)	(173,802,078)
		4,845,780,932	3,835,009,129
Advances and Prepayments		-	155,000
Loans to company officers		28,210,244	35,368,307
Other Receivables	- Other	532,965,482	597,494,408
		5,406,956,658	4,468,026,844

11.2.1 Trade Debtors includes following related party receivables,

	Relationship	2022 Rs.	2021 Rs.
LB Finance PLC	Associate	-	731,719
Singhe Hospitals PLC	Affiliate	30,426	-
The Kingsbury PLC	Affiliate	-	79,985
Delmege Forsyth & Co.Ltd	Associate	6,080,000	50,000
Greener Water Limited	Affiliate	381,374	-
Vallibel Finance PLC	Affiliate	715,282	-
Fentons Ltd.	Affiliate	1,596,708	-
Dipped Products PLC	Affiliate	793,127	-
Kandyan Resorts (Pvt) Ltd	Affiliate	93,786	-
Hayleys Agro Fertilizer	Affiliate	-	223,000
MN Properties (Pvt) Ltd	Affiliate	-	81,286
		9,690,703	1,165,990

11.2.2 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

2022	4,845,780,932	3,636,562,577	972,681,086	182,210,273	172,354,435	74,125,221	(192,152,660)
2021	3,835,009,129	2,944,429,964	666,998,155	145,616,330	135,281,083	116,485,675	(173,802,078)

11.2.3 Allowances for Doubtful Debts

	2022 Rs.	2021 Rs.
Balance at the beginning of the year	173,802,078	116,419,241
Amount provided/(reversal) during the year	18,350,582	57,382,837
Balance at the end of the year	192,152,660	173,802,078

Notes to the Financial Statements

11.3 Contract Assets

	Group	
	2022 Rs.	2021 Rs.
As at 1st April	40,164,349	38,078,779
During the year recognised	(10,821,783)	2,085,570
As at 31st March	29,342,566	40,164,349

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.

12. OTHER NON FINANCIAL ASSETS

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Receivables - Other	27,522,293	42,783,397	44,652,156	62,836,693
Advances and Prepayments	461,844,300	208,881,448	2,826,815,276	942,034,233
	489,366,593	251,664,845	2,871,467,432	1,004,870,926

13. OTHER FINANCIAL ASSETS

13.1 Current - Company/Group

Investments at Fair Value Through Profit or Loss	Fair Value					
	No. of Shares		Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Quoted						
The Fortress Resorts PLC	336,100	336,100	4,201,250	3,764,320	4,201,250	3,764,320
Aitken Spence PLC	225,000	225,000	16,582,500	12,487,500	16,582,500	12,487,500
Lanka Hospitals Corporation PLC	45,519	45,519	2,285,054	1,980,077	2,285,054	1,980,077
Citrus Leisure PLC	2,768,276	2,768,276	16,056,001	22,976,690	16,056,001	22,976,690
Serendib Hotels PLC	16,000	16,000	256,000	232,000	256,000	232,000
Softlogic Finance PLC	8	8	75	80	75	80
Hikkaduwa Beach Resort PLC	583,393	583,393	3,325,340	3,091,983	3,325,340	3,091,983
			42,706,220	44,532,650	42,706,221	44,532,650
Non-Quoted						
MBSL Insurance Company Limited	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)
			42,706,220	44,532,650	42,706,220	44,532,650

13.2 Bank Term Deposits

	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Term Deposit-USD	-	392,400,000	-	604,296,000
Deposit of Tsunami donations	-	-	4,008,006	3,876,967
	-	392,400,000	4,008,006	608,172,967
Total	42,706,220	436,932,650	46,714,226	652,705,617

14. STATED CAPITAL - COMPANY/GROUP

	2022		2021	
	Number	Rs.	Number	Rs.
Balance as at 01 April	1,107,893,840	1,368,673,373	110,789,384	1,368,673,373
Balance as at 31 March	1,107,893,840	1,368,673,373	110,789,384	1,368,673,373

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 issued Ordinary Shares of the Company to 1,107,893,840 Ordinary Shares.

15. RESERVES

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Summary				
Revaluation Reserve (Note 15.1)	2,758,473,571	1,360,279,529	5,333,056,560	3,610,069,181
Fair Value Reserve (Note 15.2)	-	-	(20,498,820)	(22,841,494)
Exchange Differences on translation of foreign operations (Note 15.3)	-	-	9,591,524	39,868,266
	2,758,473,571	1,360,279,529	5,322,149,264	3,627,095,953

Notes to the Financial Statements

15.1 Revaluation Reserve

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
On: Property, Plant and Equipment				
As at 1 April	1,360,279,529	1,192,935,268	3,610,069,181	2,959,757,538
Revaluation of surplus during the year	1,705,114,685	-	2,089,330,695	345,137,257
Tax effect on Revaluation Surplus	(306,920,643)	167,344,261	(366,343,316)	305,174,386
As at 31 March	2,758,473,571	1,360,279,529	5,333,056,560	3,610,069,181

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.

15.2 Fair Value Reserve

	Group	
	2022 Rs.	2021 Rs.
As at 1 April	(22,841,494)	(27,704,969)
Net Gains/(Losses) on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income	2,342,674	4,863,475
As at 31 March	(20,498,820)	(22,841,494)

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.

15.3 Foreign Currency Translation Reserve

	Group	
	2022 Rs.	2021 Rs.
As at 1 April	39,868,266	41,187,869
Transferred during the year	(30,276,742)	(1,319,603)
As at 31 March	9,591,524	39,868,266

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.

16. INTEREST BEARING LOANS AND BORROWINGS

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Non Current				
Long term loans (Note 16.1)	699,806,361	1,312,987,982	2,938,794,535	3,688,766,783
Lease Liability (Note 16.3)	952,949,359	906,033,724	1,245,814,753	1,248,415,752
	1,652,755,720	2,219,021,706	4,184,609,288	4,937,182,535
Current				
Long term loans (Note 16.1)	1,193,193,982	1,315,748,009	2,283,714,696	2,372,429,316
Lease Liability (Note 16.3)	118,998,622	85,996,067	206,287,563	137,960,472
Short term loans (Note 16.2)	-	-	5,341,276,381	2,283,880,206
Bank overdrafts (Note 21)	213,460,952	156,877,275	1,967,646,195	956,082,038
	1,525,653,556	1,558,621,351	9,798,924,835	5,750,352,032
Total	3,178,409,276	3,777,643,057	13,983,534,123	10,687,534,567

16.1 Long Term Loans

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the beginning of the year	2,628,735,991	3,372,108,972	6,061,196,099	7,196,503,312
Loans obtained during the year	618,712,360	-	1,527,088,987	654,500,000
Exchange gain/loss on USD loans	3,850,441	24,770,114	78,699,010	40,822,892
Transfer to discontinued Operations	-	-	(30,002,628)	(62,134,684)
Repayments during the year	(1,358,298,449)	(768,143,095)	(2,414,472,237)	(1,768,495,421)
At the end of the year	1,893,000,343	2,628,735,991	5,222,509,231	6,061,196,099
Payable within one year	1,193,193,982	1,315,748,009	2,283,714,696	2,372,429,316
Payable after one year	699,806,361	1,312,987,982	2,938,794,535	3,688,766,783
	1,893,000,343	2,628,735,991	5,222,509,231	6,061,196,099

Notes to the Financial Statements

16.2 Short Term Loans

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the beginning of the year	-	1,941,114,937	2,283,880,206	7,054,528,288
Loans obtained during the year	6,156,291	3,691,563,040	25,159,022,088	17,822,628,340
Repayments during the year	(6,156,291)	(5,632,677,977)	(22,101,625,912)	(22,593,276,422)
At the end of the year	-	-	5,341,276,382	2,283,880,206
Payable within one year	-	-	5,341,276,382	2,283,880,206
Payable after one year	-	-	-	-
	-	-	5,341,276,382	2,283,880,206

16.3 Leases

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Lease Liability-Plantation (Note 16.3.1)	-	-	163,573,757	159,031,866
Lease Liability - Others (Note 8)	1,071,947,981	992,029,791	1,288,528,559	1,227,344,358
Total Lease Liability	1,071,947,981	992,029,791	1,452,102,316	1,386,376,224
Payable within one year	118,998,622	85,996,067	206,287,563	137,960,472
Payable after one year	952,949,359	906,033,724	1,245,814,753	1,248,415,752
Total	1,071,947,981	992,029,791	1,452,102,316	1,386,376,224

16.3.1 JEDB/SLSPC Estates

	Group					
	2022			2021		
	Gross Liability Rs.	Future Finance Rs.	Net Liability Rs.	Gross Liability Rs.	Future Finance Rs.	Net Liability Rs.
As at 1st April	545,621,644	(386,589,778)	159,031,866	556,056,164	(399,744,151)	156,312,013
Interim remeasurement of right-of-use asset as at 1st July	18,436,224	(12,920,717)	5,515,507	12,158,900	(8,663,858)	3,495,042
	564,057,868	(399,510,495)	164,547,373	568,215,064	(408,408,009)	159,807,055
Repayments during the year	(23,361,596)	-	(23,361,596)	(22,593,420)	-	(22,593,420)
Interest Expense for the year	-	22,387,980	22,387,980	-	21,818,231	21,818,231
At the end of the year	540,696,272	(377,122,515)	163,573,757	545,621,644	(386,589,778)	159,031,866
Payable as follows :						
Payable within One Year						
Payable by due dates	23,361,595	(22,379,611)	981,984	22,593,420	(21,778,371)	815,049
	23,361,595	(22,379,611)	981,984	22,593,420	(21,778,371)	815,049
Payable after One Year :						
Payable within Two to Five Years	93,982,883	(87,604,654)	6,378,229	90,910,180	(85,634,565)	5,275,615
Payable after Five Years	423,351,792	(267,138,248)	156,213,544	432,118,044	(279,176,842)	152,941,202
	517,334,675	(354,742,902)	162,591,773	523,028,224	(364,811,407)	158,216,817
Total Payable	540,696,270	(377,122,513)	163,573,757	545,621,644	(386,589,778)	159,031,866

16.3.2 The weighted average incremental borrowing rate applied to the lease liabilities was 14.44% (2021 - 14.44%).

The rental payable under the JEDB/SLSPC lease is Rs. 5.840 Million per annum 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.

The expected rental payable under the Dumbara lease is Rs. 134,125/- per annum from 2022 onwards with an increment of 5% in every five years.

Notes to the Financial Statements

16.4 INTEREST BEARING LOANS AND BORROWINGS (Contd.)

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 installments of Rs. 20Mn each and subsequent 48 monthly installments of Rs. 42.5Mn each
Commercial Bank of Ceylon PLC	Rs 95Mn	AWPLR plus margin	59 equal monthly installments of Rs. 1,585,000 each and final installment of Rs. 1,485,000
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 installments of Rs. 2,500,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs 150Mn	Fixed	60 equal monthly installments of Rs. 2,500,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	AUD 2,407,000	MP bid and offer rate plus margin	59 equal monthly installments of AUD. 40,100 each and the final installment of AUD 41,100
Commercial Bank of Ceylon PLC	Rs.500Mn	Fixed	59 equal monthly installments of Rs. 8,334,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs.106Mn	Fixed	59 equal monthly installments 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 installments 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 installments of Rs. 2,550,000 each and the final installment of 1,550,000

Security	Security Amount	Balance As At 31st March 2022 Rs.Mn	Balance As At 31st March 2021 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	595	1105
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. 95Mn	-	14.16
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	59.93
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	50
Primary mortgage bond 1250 dated 12/10/2017 for Rs 150Mn executed over the property at Dehiwala.	Rs 150Mn	25	55
Additional Mortgage bond for AUD 629030 together with a supplementary mortgage bond to be executed.	AUD 2,407,000	-	49.74
Primary mortgage bond no FCC/18/007 DATED 25/06/2019 for Rs 500Mn over SACMI machine and other related machinery	Rs.500Mn	124.97	224.9
Simple deposit of 10,633,974 shares of Swisstek Aluminium Ltd.	Rs.106Mn	17.7	38.89
Tertiary Mortgage bond no 3420 dated 12/10/2017 executed over Land and Building at No. 20, R.A De Mel Mawatha, Colombo 03. Rs 100Mn	Rs.100Mn	21.69	41.69
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.152Mn	52.5	83.15

Notes to the Financial Statements

Lender	Approved Facility	Interest Rate	Repayment Terms
Commercial Bank of Ceylon PLC	Rs.500Mn	Fixed	59 equal monthly installments of Rs. 8,400,000 each and the final installment of Rs. 4,400,000
DFCC Bank PLC	Rs 292Mn	AWPLR plus margin	60 equal monthly installments after a grace period of 12 months
Hatton National Bank PLC	Rs. 14Mn	AWPLR plus margin	59 equal monthly installments of Rs. 233,330 and a final installment of Rs. 233,520
Hatton National Bank PLC	Rs. 28.5Mn	AWPLR plus margin	60 equal monthly installments of Rs. 475,000
Hatton National Bank PLC	Rs 5.5Mn	AWPLR plus margin	59 equal monthly installments of Rs. 91,600 and a final installment of Rs. 95,600
Hatton National Bank PLC	Rs 12.9Mn	AWPLR plus margin	60 equal monthly installments of Rs. 215,000
Hatton National Bank PLC	Rs. 130Mn	AWPLR plus margin	59 equal monthly installments of Rs. 2.15Mn each and a final installment of Rs. 3.15 Mn
Hatton National Bank PLC	Rs.500Mn	AWPLR plus margin	47 equal monthly installments of Rs. 10,400,000 and a final installment of Rs. 11,200,000
Hatton National Bank PLC	Rs.175Mn	Fixed	66 months in 59 equal monthly installments of Rs. 2,900,000 and a final installment of 3,900,000 with a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs.114Mn	AWPLR plus margin	59 equal monthly installments
Hatton National Bank PLC	Rs 300Mn	AWPLR plus margin	60 equal monthly installments 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 installments of Rs. 3.33Mn each and final installment 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 359Mn	Fixed	Payable in 83 equal monthly installments of Rs 4,300,000.00 each and final installment of Rs 2,100,000.00 together with interest thereon.
Commercial Bank of Ceylon PLC	Rs 1Bn	Fixed	In 59 equal monthly installments of Rs 16,666,000.00 and a final installment of Rs 16,706,000.00 each together with interest after the grace period.

Security	Security Amount	Balance As At 31st March 2022 Rs.Mn	Balance As At 31st March 2021 Rs.Mn
Primary mortgage Bond 3180 31/03/2006 fr Rs 50Mn over the property at Baddeggedaramulla, 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	170.8	271.6
Land and building bearing assessment No 223, Nawala Road,Narahenpita containing in extent Ao-Ro-Po5.4 of Royal Ceramics Lanka PLC (Plan no 3534)	Rs 292.Mn	29.19	87.59
Corporate guarantee	Rs 14Mn	-	1.6
Corporate guarantee	Rs 28.5Mn	-	4.75
Corporate guarantee	Rs 5.5Mn	-	0.92
Corporate guarantee	Rs 12.9Mn	-	2.58
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	28.95
Mortgage of RCL Factory land building and machinery for Rs. 350.3 Mn/Negative pledge over machinery Rs. 233 Mn to be executed.	Rs.500Mn	-	67.80
Negative pledge over Double charge production plant to be executed	RS 175Mn	90.90	125.70
Primary mortgage no 1045 dated 12/11/2013 for Rs.200mn over stores at Meegoda owned by Rocell Bathware Ltd	Rs.114Mn	-	26.12
Corporate guarantee/documents of title to goods	Rs 300Mn	20	80
Corporate guarantee/documents of title to goods	Rs 200Mn	13.52	53.48
Negative Pledge over machinery	Rs.90Mn	30	48
Negative Pledge over Heat Recovery System	Rs.37.2Mn	56.84	76.5
Negative Pledge over machinery	Rs.45 Mn	21.75	30.75
Primary mortgage bond for Rs. 359 Mn to be executed over solar panels and related equipment installed on the roofs of Royal Ceramics Lanka factories at Horana and Eheliyagoda.	Rs 359Mn	180.01	-
General terms and conditions relating to the term loan of Rs 1Bn to be signed by the company.	Rs 1Bn	400	-
		1,893.00	2,628.7

Notes to the Financial Statements

Lender	Approved Facility	Interest Rate	Repayment Terms
Company : Rocell Bathware Limited			
Hatton National Bank PLC	Rs 20 Mn	AWPLR plus margin	64 equal monthly installments
Commercial Bank of Ceylon PLC	Rs. 25 Million	AWPLR plus margin	53 equal monthly installments with a six months grace period
Commercial Bank of Ceylon PLC	Rs 210Mn	AWPLR plus margin	60 equal monthly installments of Rs. 3,500,000 with a grace period of six months
Commercial Bank of Ceylon PLC	Rs 57.7Mn	AWPLR plus margin	59 equal monthly installments of Rs. 961,600 and a final installment of Rs.965,600 with a grace period of six months
Commercial Bank of Ceylon PLC	Rs 70Mn	AWPLR plus margin	59 equal monthly installments of Rs 1,1165,000 and a final installment of Rs 1,265,000 with a six months grace period
Commercial Bank of Ceylon PLC	Rs.300Mn	AWPLR plus margin	60 equal monthly installments of Rs 5,000,000 with a grace period of 6 months
Peoples Bank	Rs 160Mn	AWPLR plus margin	59 equal monthly installments 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 1,650,000.00 each and final installment of Rs 1,050,000.00 together with interest thereon.
Commercial Bank of Ceylon PLC	Rs 200Mn	Fixed	In 59 equal monthly installments of Rs 3,333,000.00 and a final installment of Rs 3,353,000.00 each together with interest after the grace period.
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	17 monthly instalments
Lanka Walltiles PLC			
Commercial Bank of Ceylon PLC	Rs. 584 Million	AWPLR plus margin	60 monthly installments
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

Security	Security Amount	Balance As At 31st March 2022 Rs.Mn	Balance As At 31st March 2021 Rs.Mn
Corporate guarantee of Royal Ceramics Lanka PLC	Rs 20 Mn	-	3
Primary Mortgage bond no FCC/15/109 dated 10/12/2015 over Water Closet casting Machine for Rs 25m	Rs 25 Mn	-	0.93
Primary mortgage bond over the shuttle Kiln burner machine for Rs 210 Mn	Rs 210 Mn	8.56	50.56
Primary Mortgage bond no FCC/2016/66 dated 13/9/2016 over Water Closet Machine for Rs.57.7mn	Rs 57.7 Mn	-	9.53
Corporate guarantee dated 20/06/2016 from Royal Ceramics Lanka PLC and GTC to term loan Rs 70Mn executed 20/06/2016	Rs 70 Mn	4.76	18.74
Primary mortgage bond for Rs. 240mn overwater closet,water treatment, ball mill, UPS system and other relevant machinery/goods to be executed /Corporate guarantee of Rs 60Mn dated 16/05/2017 from Royal ceramics Lanka PLC obtained.	Rs.240Mn	-	33.884
Corporate Guarantee-Royal Ceramics Lanka PLC	Rs 160 Mn	16.9	49.3
primary mortgage bond for Rs. 138 Mn to be executed over solar panels and related equipment installed on the roof of Rocell Bathware factory at Panagoda.	Rs 138Mn	92.91	-
General terms and conditions relating to the term loan of Rs 200Mn to be signed by the company.	Rs 200Mn	20.69	-
		143.826	165.944
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	58.44	83.4
Mortgage for Rs, 9.5 Mn over investment property of land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03 (1R - 1.12 P).	Rs 9.5 Mn	2.639	8.97
		61.079	92.37
Tripartite agreement for Rs.392.8 Mn between Bank,Lanka Walltiles PLC & the custodian (Pan Asia Bank) over 7,210,000 share of Lanka Tiles PLC	Rs. 584 Mn	-	9.34
Corporate Grantee from Lanka Tiles PLC.	Rs. 100 Mn	20.833	45.83
		20.833	55.17
A primary mortgage over land, buildings and plant and machinery located at Ranala amounting to Rs.1500 Mn	Rs. 100 Mn	916.667	1166.67
		916.667	1,166.67

Notes to the Financial Statements

Lender	Approved Facility	Interest Rate	Repayment Terms
Unidil Packaging Limited			
Standard Chartered Bank	USD 310,000	LIBOR plus margin	US \$ 114,079 Quarterly installments
	USD 200,000	LIBOR plus margin	
	USD 500,000	LIBOR plus margin	
Commercial Bank of Ceylon PLC	70.75 Mn	Fixed	36 monthly installments
Hatton National Bank PLC	60 Mn	AWPLR plus margin	54 monthly installments
Uni-Dil Packaging Solution Limited			
Commercial Bank of Ceylon PLC	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
Hatton National Bank PLC	Rs. 130.114 Mn	AWPLR plus margin	60 monthly installments
Commercial Bank of Ceylon PLC	Rs.100Mn	AWPLR plus margin	48 monthly installments, After a 24 months grace period.
Sampath Bank PLC	Rs.100Mn	AWPLR plus margin	72 monthly installments, After a 24 months grace period.
Commercial Bank of Ceylon PLC	Rs.350Mn	Fixed	60 monthly installments
Seylan Bank PLC	Rs.15Mn	Fixed	24 monthly installments
Commercial Bank of Ceylon PLC	Rs. 43.48 Mn	Fixed	60 monthly installments
Swisstek (Ceylon) PLC			
Bank of Ceylon	Rs.170Mn	AWPLR plus margin	54 monthly installments
Commercial Bank of Ceylon PLC	Rs.35Mn	AWPLR plus margin	60 monthly installments
DFCC Bank PLC	Rs.110Mn	AWPLR plus margin	60 monthly installments
Bank of Ceylon	Rs.323Mn	Fixed	60 monthly installments
Swisstek Aluminium Limited			
DFCC Bank PLC	Rs. 500Mn	AWPLR plus margin	60 monthly instalments
	Rs. 200Mn	AWPLR plus margin	60 monthly instalments
Commercial Bank of Ceylon PLC	Rs.156.53 Mn	Fixed	60 monthly installments, After a 6 months grace period.
Total Long Term Loans - Group			

Security	Security Amount	Balance As At 31st March 2022 Rs.Mn	Balance As At 31st March 2021 Rs.Mn
Primary concurrent Mortgage bond for LKR 170 Mn over Property	Rs. 170 Mn		
Mortgage bond for USD 200,00 over Movable Machinery		133.615	54.77
Mortgage bond for USD 500,00 over Movable Machinery			
Solar System & related equipment		70.755	-
Clean		46.667	-
		251.037	54.77
Solar System & related equipment		17.744	-
		17.744	-
Primary mortgage for 550 million over the leasehold rights of Frocester Estate	Rs. 550 Mn	3	19.8
Primary mortgage for 400 million over the leasehold rights of Bambrakelly Estate	Rs. 400 Mn	25.175	50.15
		50.15	72.35
		146	187.6
		162.2	195.8
		234.376	250
Primary mortgage over leasehold rights of Bambrakelly, Eildon Hall and Frocester Estates.		15.82	26.86
Primary mortgage over leasehold rights of Bambrakelly Estate		-	17.352
Primary Floating Mortgage for Rs.120.00 Million, over the leasehold rights land and buildings of Stockholm Estate.	Rs. 120Mn	65.25	81.93
Primary Mortgage for Rs.200 Million, over the leasehold rights land and buildings of Gouravilla Estate.	Rs. 200Mn	166.4	200
Primary mortgage Bond over receivables of Tea sales routed through Forbes and Workers Tea Brokers (pvt) Ltd and John Keels PLC		279.992	350
No security has been offered		8.594	11.665
Primary mortgage bond over Solar Panels and related equipments		43.477	-
		1,200.434	1463.507
Mortgage over immovable property at Balummahara, Imbulgoda	170Mn	28.323	59.49
Mortgage over immovable property at Balummahara, Imbulgoda	35Mn	-	20.96
Mortgage over Land, Building, Plant & Machinery, Stocks and Book debts owned by Swisstek Aluminium Ltd.	110Mn	76.704	107.599
Board Resolution	323Mn	323	-
		428.027	188.049
Mortgage over land, building, plant & machinery	Rs. 500Mn	133.333	233.333
Movable Machinery	Rs. 200Mn	-	12.645
Mortgage over Solar Panel Equipment	156.53 Mn	156.529	-
		289.862	245.978
		5,222.51	6,061.2

Notes to the Financial Statements

17. RETIREMENT BENEFIT OBLIGATIONS

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the beginning of the year	482,473,687	432,194,638	1,635,464,327	1,481,788,299
Interest cost	39,562,842	41,058,490	125,537,921	143,159,655
Current service cost	39,582,046	37,148,042	105,353,195	123,512,511
Past service income *	(21,912,737)	-	(45,901,016)	-
Benefits paid	(10,734,858)	(8,777,272)	(148,282,668)	(125,404,157)
Actuarial (gain)/loss	(13,879,329)	(19,150,211)	(147,760,601)	13,401,321
Transfer to discontinued Operations	-	-	-	(993,302)
At the end of the year	515,091,651	482,473,687	1,524,411,158	1,635,464,327

* 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.

17.1 Maturity Profile of the Retirement benefit obligation

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Future Working Life Time				
Within the next 12 months	78,386,022	90,903,066	239,101,896	298,045,412
Between 1-2 Years	109,514,063	93,899,220	274,732,082	192,348,375
Between 2-5 Years	148,285,713	119,551,386	336,039,994	326,418,058
Over 5 Years	178,905,853	178,120,015	674,537,186	818,652,482
Total	515,091,651	482,473,687	1,524,411,158	1,635,464,327

17.2 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 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
Discount Rate as at 31 March 2021		
Effect on DBO due to decrease in the discount rate by 1%	29,046,395	117,941,839
Effect on DBO due to increase in the discount rate by 1%	(25,814,620)	(117,661,999)
Salary Escalation Rate as at 31 March 2021		
Effect on DBO due to decrease in salary escalation rate by 1%	(27,833,707)	(117,198,862)
Effect on DBO due to increase in salary escalation rate by 1%	30,739,956	117,379,114

17.3 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 2021 and 31 March 2022. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2022	2021
Discount rate assumed	15% p.a.	8.2% p.a.
Future salary increase rate	12% p.a.	8% p.a.
Staff Turn Over - Royal Ceramics Lanka PLC	13% p.a.	10% p.a.
Staff Turn Over - Rocell Bathware Limited	8%	2%
Weight Average duration of retirement benefit liability (Years) - Royal Ceramics Lanka PLC	5.39	7.3
Weight Average duration of retirement benefit liability (Years) - Rocell Bathware Limited	7.09	11.63

The demographic assumption underlying the valuation is retirement age 60 years. (2021- 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 2022.

The principal assumptions used are as follows:

	2022	2021
Discount rate (per annum)	15.0%	7.5%
Salary scale (per annum)		
Executives	10%	9%
Non-Executives	10%	9%
Staff Turn Over	6%	7%
Retirement Age	60 Years	55 Years
Weight Average duration of retirement benefit liability (Years)	7.28	6.39

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 2022.

The principal assumptions used are as follows:

	2022	2021
Discount rate (per annum)	15.0%	-
Salary scale (per annum)		
Executives	10%	-
Non-Executives	10%	-
Staff Turn Over	30%	-
Retirement Age	60 Years	-
Weight Average duration of retirement benefit liability (Years)	5.72	-

Notes to the Financial Statements

Lanka Walltiles PLC

The defined benefit liability as of 31 March 2022 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

The principal assumptions underlying the valuation are as follows;

	2022	2021
Discount rate (per annum)	15.7%	7%
Salary scale (per annum)		
Executives	14.0%	9.7%
Non-Executives	10%	10%
Retirement Age	60 Years	55 Years
Staff Turnover ratio	4% up to 54 years, thereafter 0%	7% up to 49 years, thereafter 0%
Weighted Average duration of defined benefit obligation (Years)	14.08	8.25

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 2022.

Principal actuarial assumptions are as follows:

	2022	2021
Discount rate	15.4%	7.0%
Future salary increases		
Executives	14.0%	8.6%
Non-Executives	10.0%	10.0%
Retirement Age (Years)	60	55
Weighted Average duration of defined benefit obligation (Years)	5.76	5.76

In addition to above, demographic assumptions such as mortality, withdrawal disability and retirement age were considered for the actuarial valuation.

Horana Plantations PLC

An actuarial valuation of the retirement benefit obligation was carried out as at 31st March 2022 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:

	2022	2021
Rate of interest	15.00%	8.00% per annum
Future salary increases		
Workers	8.00% per annum	5.68% every two years beyond and every two years beyond
Staff	13.5% per annum	8.0% per annum for first three years & 2.00% per annum beyond
Head Office Staff	13.5% per annum	8.0% per annum beyond
Retirement age		
Workers	60 years	60 years
Staff	60 years	60 years
Head Office Staff	60 years	55 years
Weighted Average duration of defined benefit obligation (Years)		
Staff	9.93	9.83
Workers	7.35	9.31

Uni Dil Packaging Ltd and Uni Dil Packaging Solution Ltd

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Uni Dil Packaging Ltd and Uni Dil Packaging Solution Ltd of the defined benefit plan gratuity as at 31 March 2022.

The valuation method used by the actuaries to value the benefit is the “projected Unit Credit Method”.

Principal Actuarial Assumptions are as follows:

	2022	2021
Discount rate p.a	15.0%	8.0%
Future salary increases	10.0%	10.0%
Staff turnover factor	7.0%	7.0%
Retirement age (Years)	60	55
Weighted Average duration of defined benefit obligation (Years) - Unidil Packaging Ltd	6.46	6.6
Weighted Average duration of defined benefit obligation (Years) - Unidil Packaging Solution Ltd	7.72	8.07

Notes to the Financial Statements

Swisstek (Ceylon) PLC

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2022.

Principal Actuarial Assumptions are as follows:

	2022	2021
Discount rate p.a	15.0%	7.0%
Future salary increases		
Executives	15.0%	11.0%
Non-Executives	10.4%	11.0%
Retirement age (Years)	60	55
Weighted Average duration of defined benefit obligation (Years)	13.71	8.59

Swisstek Aluminium Limited

Retirement benefit obligation based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2022.

Principal Actuarial Assumptions are as follows:

	2022	2021
Discount rate p.a	15.0%	7.0%
Future salary increases	15.0%	10.0%
Retirement age (Years)	60	55
Weighted Average duration of defined benefit obligation (Years)	6.85	6.31

18. OTHER NON CURRENT LIABILITIES

	Group	
	2022 Rs.	2021 Rs.
Capital grants (Note 18.1)	113,323,831	118,995,000
Refundable Deposit	15,000,000	15,000,000
	128,323,831	133,995,000

18.1 Capital grants

Capital grants received on plantations

Granted by	Purpose of the grant	Basis of amortisation	Amount received	Balance as at 31.03.2021	Received during the year	Amortised during the year	Balance as at 31.03.2022
Sri Lanka Tea Board	Tea factory modernization	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	756	258	840	(39)	1,059
	Tea replanting subsidy	Will be amortised at rate applicable to Tea mature plantations, after become mature (3.00%)	2,105	6,992	110	(173)	6,929
Plantation development project / Asian Development Bank	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	31,588	14,316	-	(1,128)	13,188
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	23,937	-	(1,600)	22,337
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	236	-	(17)	219
Plantation development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	12,467	-	(716)	11,751
	Internal road development and boundary posts	Rate of depreciation applicable to permanent land development cost (2.5% p.a.)	4,622	2,969	-	(165)	2,804
	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	6,569	-	(361)	6,208
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	51,311	51,135	944	(3,354)	48,725
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	119	-	(9)	110
Total			166,240	118,998	1,894	(7,564)	113,324

19. TRADE AND OTHER PAYABLES

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Trade Creditors (Note 19.2)	765,264,614	583,768,221	3,736,753,774	2,787,267,151
Accrued Expenses	423,751,845	394,682,409	454,514,974	417,894,613
Sundry Creditors	241,811,791	235,856,071	2,933,964,024	2,053,302,411
	1,430,828,250	1,214,306,701	7,125,232,772	5,258,464,175

Notes to the Financial Statements

19.1 Payable to Related Parties

	Relationship	Company		Group	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Rocell Bathware Ltd	Subsidiary	-	176,288,362	-	-
Nilano Garments (Pvt) Ltd	Subsidiary	17,530,339	35,384,060	-	-
Lanka Ceramics PLC	Subsidiary	20,802	14,430	-	-
Swisstek Aluminium Limited	Subsidiary	4,454	26,702	-	-
Swisstek Ceylon PLC	Subsidiary	2,251,254	-	-	-
Vallibel One PLC	Parent	3,655,313	10,317,476	149,042,187	70,478,204
Payable to key management personnel	Chairman	-	-	123,824,086	30,000,000
		23,462,162	222,031,030	272,866,273	100,478,204

19.2 Trade Creditors includes following related party payables,

	Relationship	Company		Group	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Vallibel One PLC	Parent	-	-	-	60,701,000
Rocell Bathware Limited	Subsidiary	-	98,540	-	-
Nilano Garments (Private) Limited	Subsidiary	-	64,582	-	-
Lanka Ceramics PLC	Subsidiary	898,232	208,522	-	-
Unidil Packaging Limited	Subsidiary	19,896	19,896	-	-
Unidil Packaging Solution Limited	Subsidiary	21,563,369	31,201,457	-	-
Swisstek Ceylon PLC	Subsidiary	15,240,622	17,071,902	-	-
Swisstek Aluminium Limited	Subsidiary	2,130,299	2,109,898	-	-
Lanka Walltiles PLC	Subsidiary	1,170,749	1,310,373	-	-
Lanka Tiles PLC	Subsidiary	509,485	1,662,144	-	-
Delmege Forsyth Co. Limited	Associate	178,318	1,173,537	507,607	1,496,537
Grip Delmege (Pvt) Ltd	Associate	866,185	1,291,329	1,129,767	5,246,515
Grip Nordic (Pvt) Ltd	Associate	-	-	1,087,500	-
Singer (Sri Lanka) PLC	Affiliate	3,336,299	5,540,645	3,465,881	6,021,449
Hayleys PLC	Affiliate	-	-	18,615,790	13,358,000
Fentons Ltd.	Affiliate	26,892	16,830,000	38,388,892	-
Hayleys Agriculture Holding Limited	Affiliate	-	-	861,000	1,269,000
Hayleys Agro Fertilizer (Private) Limited	Affiliate	-	-	1,000	645,000
Hayleys Business Solutions International (Pvt) Ltd	Affiliate	-	-	312,490	13,000
Hayleys Electronics Lighting (Pvt) Ltd	Affiliate	5,000	62,720	5,000	62,720
Kelani Valley Plantations PLC	Affiliate	-	-	515,000	2,350,000
Puritas (Pvt) Ltd	Affiliate	-	-	-	13,000
Talawakelle Tea Estates PLC	Affiliate	-	-	6,000	217,000
Logiwiz Limited	Affiliate	-	-	-	3,000
Hayleys Aventura (Pvt) Ltd	Affiliate	1,294,364	66,225	1,558,794	66,225
Venigros (Pvt) Ltd	Affiliate	102,040	-	102,040	-
Puritas (Pvt) Ltd	Affiliate	355,000	-	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	-
Regnis Lanka PLC	Affiliate	-	-	18,022	-
		48,870,567	78,711,770	68,336,034	91,462,446

20. OTHER CURRENT LIABILITIES

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Provisions	346,299,520	268,411,092	393,231,343	292,546,902
Other Statutory Payables	87,913,622	130,425,734	104,029,043	150,624,921
	434,213,142	398,836,826	497,260,386	443,171,823

20.1 Contract Liability

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
As at 1st April	1,671,062,757	578,821,480	1,762,717,298	615,422,156
Advance received	5,488,836,016	1,671,062,757	6,133,808,000	1,762,717,301
Transfer to discontinued Operations	-	-	-	(13,892,293)
During the year recognized	(1,671,062,757)	(578,821,480)	(1,706,018,716)	(601,529,866)
As at 31st March	5,488,836,016	1,671,062,757	6,190,506,582	1,762,717,298

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.

21. CASH AND CASH EQUIVALENTS

Components of Cash and Cash Equivalents

21.1 Favourable Cash & Cash Equivalent Balances

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Cash & Bank Balances	7,244,400,506	1,872,231,517	15,383,052,267	4,924,639,370
Cash & Bank Balances attributable to discontinued operations	-	-	7,881,694	4,452,966

21.2 Unfavourable Cash & Cash Equivalent Balances

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Bank Overdraft	(213,460,952)	(156,877,275)	(1,967,646,195)	(956,082,038)
Bank Overdraft Attributable to Discontinued Operations	-	-	(94,140,708)	(60,519,075)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	7,030,939,554	1,715,354,242	13,329,147,708	3,912,491,223

Notes to the Financial Statements

22. REVENUE FROM CONTRACTS WITH CUSTOMERS

22.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's/Company's revenue from contracts with customers:

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Type of goods or service				
Sale of Tiles & Associated Items	14,374,445,951	12,524,229,238	38,423,671,933	31,964,825,172
Sale of Sanitaryware	-	-	3,621,763,410	3,285,197,130
Sale of Plantation produce	-	-	2,563,636,000	2,125,306,000
Sale of Packaging Material	-	-	5,985,897,162	3,824,356,562
Sale of Aluminium Products	-	-	6,935,831,795	3,767,191,411
Other	-	-	13,715,801	5,496,209
Total revenue from contracts with customers	14,374,445,951	12,524,229,238	57,544,516,101	44,972,372,484
Geographical markets				
Export Sales	104,950,521	57,577,375	1,742,062,629	1,230,069,137
Local Sales	14,261,746,348	12,466,651,863	55,794,704,390	43,742,303,347
Electricity Supply	7,749,082	-	7,749,082	-
Total revenue from contracts with customers	14,374,445,951	12,524,229,238	57,544,516,101	44,972,372,484
Timing of revenue recognition				
Goods transferred at a point in time	14,374,445,951	12,524,229,238	57,544,516,101	44,972,372,484
Total revenue from contracts with customers	14,374,445,951	12,524,229,238	57,544,516,101	44,972,372,484

Segmental Information given on note 29 to these financial statements.

22.2 Contract balances

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Trade receivables (Note 11)	384,206,490	583,870,558	4,845,780,932	3,835,009,129
Contract assets (Note 11.3)	-	-	29,342,566	40,164,349
Contract liabilities (Note 20.1)	5,488,836,016	1,671,062,757	6,190,506,582	1,762,717,298

23. OTHER OPERATING INCOME

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Dividends on long-term & current investments with Related Parties	2,536,942,151	995,000,146	-	-
Dividends on long-term & current investments	350,224	281,302	350,224	281,302
Net Profit on financial Assets at fair value through profit or loss	-	15,491,248	-	15,491,248
Rental Income and Service Charge - Related Parties	305,707,471	281,790,156	-	-
Technical Fee Income - Related Parties	28,000,300	24,624,284	-	-
Sales Commission - Others	-	-	-	3,527,002
Rent Income - Related Parties	1,900,000	-	-	-
Rent Income - Others	-	-	36,750,000	36,750,000
Profit/(Loss) on Disposal of Property, Plant & Equipment	-	31,712,440	(21,999,753)	37,492,343
Sundry Income	21,896,884	22,531,936	294,966,710	139,818,820
Amortisation of capital and revenue grants	-	-	7,564,000	7,386,000
Change in fair value of investment property	-	-	46,572,704	37,576,400
Exchange Gain	91,886,610	13,664,728	768,416,524	100,239,524
Change in fair value of biological assets	-	-	31,464,000	40,089,000
	2,986,683,640	1,385,096,240	1,164,084,409	418,651,639

Notes to the Financial Statements

23.1 Other Operating Expenses

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Net loss on financial Assets at fair value through profit or loss	1,826,430	-	1,826,430	-
Technical Fee Expense - Related Parties	71,833,911	62,622,699	90,730,030	79,209,701
Unabsorbed production cost	-	178,331,793	4,227,742	346,236,816
Exchange Loss	-	-	64,060,407	29,677,605
Provision for Termination Expenses - Rocell (Pty) Ltd	-	145,367,734	-	55,367,734
	73,660,341	386,322,226	160,844,609	510,491,856

24. FINANCE COST AND INCOME

24.1 Finance Cost

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Interest Expense on Overdrafts	3,112,954	42,961,507	82,652,256	210,863,276
Interest Expense on Loans & Borrowings	159,946,148	370,075,498	681,918,380	1,036,821,310
Finance Charges on Lease Liabilities	135,672,034	142,556,541	185,881,913	200,200,177
Interest expense on Related party balances	-	38,759,567	-	-
Less : Capitalisation of borrowing costs on immature plantations	-	-	(45,808,000)	(41,390,000)
	298,731,136	594,353,113	904,644,549	1,406,494,763

24.2 Finance Income

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Interest Income	287,593,425	55,906,782	494,231,615	82,886,391
Interest Income on Related party balances	4,222,091	-	-	-
	291,815,516	55,906,782	494,231,615	82,886,391

25. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Stated after Charging /(Crediting)	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Included in Cost of Sales				
Depreciation	422,443,878	420,315,844	1,546,245,895	1,484,718,294
Amortisation of Right of use Lease Asset	-	-	17,662,611	24,986,079
Employee Benefits including the following	1,020,617,589	858,961,243	4,907,658,388	3,916,320,236
Defined Benefit Plan Costs -Gratuity	27,515,300	46,837,131	139,754,583	175,148,006
Defined Contribution Plan Costs - EPF & ETF	78,885,020	71,317,245	802,530,871	335,134,331
Included in Administrative Expenses				
Depreciation	34,610,523	38,567,062	104,583,374	101,358,245
Employee Benefits including the following	346,269,830	290,836,054	869,783,589	737,733,777
Defined Benefit Plan Costs -Gratuity	8,420,068	11,418,925	19,267,732	64,941,722
Defined Contribution Plan Costs - EPF & ETF	22,014,483	19,574,485	63,038,953	56,397,761
Auditors' Fees and Expenses	3,080,213	2,861,698	12,929,997	12,382,647
Amortisation of intangible assets	16,238,744	16,238,744	23,031,744	19,064,744
Amortisation of Right of use Lease Asset	-	-	33,987,363	9,649,412
Included in Selling and Distribution Costs				
Depreciation	278,992,643	276,382,100	316,048,715	304,349,480
Amortisation of Right of use Lease Asset	180,312,391	163,843,870	213,227,747	241,546,959
Amortisation of intangible assets	3,774,066	8,738,647	3,774,066	8,738,647
Employee Benefits including the following	1,043,784,669	838,239,218	1,478,130,299	1,184,707,460
Defined Benefit Plan Costs - Gratuity	21,296,783	19,950,476	25,967,785	26,582,437
Defined Contribution Plan Costs - EPF & ETF	77,336,048	64,745,630	101,537,639	83,395,687

Notes to the Financial Statements

26. INCOME TAX EXPENSE

26.1 The major components of income tax expense for the years ended 31 March are as follows :

Statement of Profit or Loss	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Current Income Tax				
Current Income Tax charge	845,098,180	307,463,526	2,695,365,693	1,264,230,360
Dividend Tax	252,263,282	87,281,016	252,263,282	87,281,016
Under/(Over) Provision of current taxes in respect of prior years	(22,354,924)	5,934,082	(23,932,568)	(29,505,166)
Unrecoverable ESC	-	20,218,386	6,373,000	45,775,386
	1,075,006,538	420,897,010	2,930,069,407	1,367,781,596
Deferred Income Tax				
Deferred Tax Charge/(Reversal) (Note 26.4)	2,332,835	172,987,691	143,523,272	(118,112,378)
Deferred Tax on Un distributable Associate Profit	-	-	28,014,799	58,844,529
Income tax expense reported in the statement of profit or loss	1,077,339,373	593,884,701	3,101,607,478	1,308,513,747
Statement of Other Comprehensive Income				
Deferred Income Tax related to items charged or credited directly to equity :				
Deferred Tax effect on Employee Benefits	2,512,159	3,466,188	26,741,549	(3,193,767)
Deferred Tax effect on Land and Buildings revalued during the Year	306,920,643	-	366,271,667	149,602,559
Tax Rate Reduction effect to previously revalued Land and Buildings	-	(167,344,262)	-	(567,903,523)
Income tax expense reported in equity	309,432,802	(163,878,074)	393,013,216	(421,494,731)

26.2 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Accounting Profit (Profit before Taxation)	7,464,888,653	3,879,174,886	16,775,542,910	9,859,752,660
Share of results of associates	-	-	(2,328,418,140)	(1,814,096,011)
	7,464,888,653	3,879,174,886	14,447,124,770	8,045,656,649
Exempt Profit	(768,262,237)	(26,942,993)	(861,037,272)	(32,108,956)
Non deductible expenses	1,149,234,869	1,363,956,323	1,140,262,059	3,227,994,353
Deductible expenses	(4,302,979,852)	(2,288,715,806)	(6,494,691,229)	(4,740,303,679)
Tax losses utilized	-	(1,301,515,988)	(529,333,454)	(2,059,976,584)
Income considered as separate source of income	2,793,935,307	1,024,245,237	4,574,446,139	897,405,608
Qualifying Payment Relief	-	-	(1,055,000)	(1,557,000)
Taxable Income	6,336,816,740	2,650,201,659	12,275,716,013	5,337,110,391
Income Tax on Profit @ 24%	75,997,265	21,085,766	307,908,514	177,558,187
Income Tax on Profit @ 18%	782,878,483	284,476,242	2,017,696,061	906,478,729
Income Tax on Profit of the local sales @ 15%	-	-	51,491,480	21,485,167
Income Tax on Profit @ 14%	238,485,714	89,182,534	570,532,920	245,989,293
Deferred Tax on Un distributable Associate Profit	-	-	28,014,799	58,844,529
Charge/(Reversal) of Deferred Tax (Note 26.5)	2,332,835	172,987,691	143,523,272	(118,112,378)
Unrecoverable ESC	-	20,218,386	6,373,000	45,775,386
Adjustment of taxes in respect of prior years	(22,354,924)	5,934,082	(23,932,568)	(29,505,166)
	1,077,339,373	593,884,701	3,101,607,478	1,308,513,747

Notes to the Financial Statements

26.3 Deferred Tax Liability

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the beginning of the year	687,846,826	678,737,209	2,944,503,432	3,425,266,012
Charge/ (Reversal) Recognised in Profit or Loss				
- Arising on During the Year Movement	2,332,834	248,049,576	171,539,016	411,234,705
- Due to Change in Tax Rates	-	(75,061,885)	-	(470,502,554)
Charge/ (Reversal) Recognised in Other Comprehensive Income				
- Arising on During the Year Movement	309,432,802	3,466,188	393,013,216	146,408,792
- Due to Change in Tax Rates	-	(167,344,262)	-	(567,903,523)
At the end of the year	999,612,462	687,846,826	3,509,055,664	2,944,503,432
The closing net differed tax liability relate to the following;				-
Capital allowances for tax purposes	537,968,863	538,710,208	2,213,714,519	2,097,237,062
Revaluation surplus on Land and Buildings	600,699,309	295,924,193	1,581,387,673	1,239,372,006
Revaluation surplus on Investment Property	-	-	182,353,706	255,758,557
Retirement benefit Liability	(93,002,179)	(87,327,737)	(239,243,820)	(280,733,475)
Unutilised tax losses	-	-	(133,927,079)	(272,778,000)
Deferred Taxation on Undistributable Associate Profit	-	-	86,859,328	58,844,529
Provision for Obsolete and Slow Moving, Consumables and Spares	(30,188,905)	(36,423,094)	(153,782,566)	(117,104,405)
Allowances for Doubtful Debts	(9,444,951)	(9,540,711)	(32,141,382)	(23,696,522)
Leases	(25,137,286)	(13,496,033)	(35,395,610)	(12,396,319)
Unrealised Exchange Gain/(Loss)	18,717,611	-	39,230,895	-
	999,612,462	687,846,826	3,509,055,664	2,944,503,432

26.4 Statement of Profit or Loss

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Deferred tax expense/(reversal) arising from;				
Capital allowances for tax purposes	(741,345)	(232,925,203)	568,522	(723,015,922)
Retirement benefit Liability	(8,186,600)	30,220,573	9,159,566	50,635,687
Provision for Obsolete and Slow Moving, Consumables and Spares	6,234,190	4,714,309	(23,836,189)	(12,072,633)
Allowances for Doubtful Debts	95,760	2,189,734	(5,353,093)	315,070
Transfers on Revaluation	(2,145,527)	(5,295,475)	7,690,506	(23,238,918)
Unutilised tax losses	-	371,350,097	137,253,921	587,253,118
Lease Liability	(11,641,253)	2,733,656	(14,985,843)	2,011,220
Unrealised Exchange Gain/(Loss)	18,717,611	-	33,025,883	-
	2,332,835	172,987,691	143,523,272	(118,112,378)
Deferred Tax on Un distributable Associate Profit	-	-	28,014,799	58,844,529
Total Deferred Tax Charge/(Reversal) for the year	2,332,835	172,987,691	171,538,071	(59,267,849)
Effective Tax Rate	14.43%	15.31%	18.49%	13.27%

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 extent that it is probable that future taxable temporary differences available against which the unused tax loss can be utilised.

Lanka Ceramics PLC

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

The key assumptions used to determine the future taxable profits include revenue growth rates and gross margins. The basis used to determine the value assigned to the budgeted revenue growth rates and gross margins are the rates achieved in the year preceding the budgeted year adjusted for projected market conditions.

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

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 28% on other income.

Notes to the Financial Statements

Horana Plantations PLC

Gains and profits earned or derived from the sale of produce of an undertaking for agro farming without subjecting such produce to any process of production or manufacture are exempted within the period of five years of assessment commenced on April 1, 2019. Agro Processing and Other Income liable at the rates of 14% and 24% respectively. Further, a 25% reduction in the tax payable is allowed on the agro processing component commencing from year of assessment 2021/22.

Deferred Tax is provided using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax (asset)/liability has been computed taking into consideration the effective tax rate, which is 10.5% (2020/21 - 14%) for the Company.

The deferred tax asset has been recognised in the Financial Statements to the extent that it is probable that future taxable profit will be available against which the accumulated tax losses can be utilized. Therefore, the tax asset arising from accumulated tax losses carried forward was limited only to the extent of existing temporary differences as at 31st March 2022. The unutilized tax losses considered for the deferred tax is based on the probable future taxable profits available against which the Company can utilize therefrom. Hence a deferred tax asset of Rs. 102,383,237/- has not been recognised in respect of unutilized tax losses of Rs. 975,078,451/- as at 31st March 2022.

26.5 Carried forward tax losses of the Group as follows:

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Tax loss brought forward	-	1,326,250,346	2,264,422,566	4,720,908,469
Loss for the year	-	-	27,726,898	32,339,688
Adjustment for prior years	-	(24,734,358)	(69,581,799)	(425,042,436)
Utilised during the year	-	(1,301,515,988)	(124,468,056)	(2,059,976,584)
Investment Income claimed	-	-	(13,170,414)	(3,806,572)
Tax loss carried forward	-	-	2,084,929,195	2,264,422,566

27. EARNINGS PER SHARE

27.1 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.

27.2 The following reflects the income and share data used in the basic Earnings Per Share computation.

Amount Used as the Numerator:	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Net Profit for the year attributable to equity holders of the parent				
Continuing operations	6,387,549,280	3,285,290,185	9,774,524,533	6,267,817,977
Discontinued operations	-	-	15,653,832	(133,305,704)
Net Profit for the year attributable to equity holders of the parent	6,387,549,280	3,285,290,185	9,790,178,365	6,134,512,273

Number of Ordinary Shares Used as the Denominator:	Company		Group	
	2022 Number	2021 Rs.	2022 Number	2021 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

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 issued Ordinary Shares of the Company to 1,107,893,840 Ordinary Shares.

27.3 There were no potentially dilutive Ordinary Shares outstanding at any time during the year.

28. DIVIDEND PER SHARE

	Company/Group	
	2022 Rs.	2021 Rs.
2nd Interim Dividends for 2021/22	1,661,840,760	-
1st Interim Dividends for 2021/22	1,661,840,760	-
Final 2020/21	1,329,472,608	-
2nd Interim Dividends for 2020/21	-	1,218,683,224
1st Interim Dividends for 2020/21	-	332,368,152
Total Gross Dividends	4,653,154,128	1,551,051,376
No of shares	1,107,893,840	1,107,893,840
Total Dividend per Share	4.20	1.40

29. 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:

- Tile & Associated Products
- Sanitaryware
- Packaging
- Plantation
- 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 Products		Sanitaryware		Plantation		Packaging		Aluminium Products		
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	
Revenue											
Sales to external customers	38,423,671,933	31,964,825,172	3,621,763,410	3,285,197,130	2,563,636,000	2,125,306,000	5,985,897,162	3,824,356,562	6,935,831,795	3,767,191,411	
Inter-Segment Sales	14,563,600	9,978,801	3,197,728	32,179,832	-	-	592,377,038	357,921,493	378,916,794	126,629,589	
Total Revenue	38,438,235,533	31,974,803,973	3,624,961,138	3,317,376,962	2,563,636,000	2,125,306,000	6,578,274,200	4,182,278,055	7,314,748,589	3,893,821,000	
Results											
Gross Profit	18,195,294,256	13,603,325,357	1,248,476,743	1,143,775,396	371,010,000	200,455,000	1,011,683,500	727,624,000	1,457,482,409	1,075,230,000	
Other Income	905,018,677	533,695,862	148,056,765	1,538,479	39,028,000	47,711,000	318,957,850	80,339,000	24,233,000	9,531,000	
Distribution Expenses	(5,118,110,575)	(4,725,219,249)	(718,812,564)	(692,349,075)	-	-	(178,242,400)	(145,943,000)	(547,334,552)	(333,102,000)	
Administrative Expenses	(1,556,059,172)	(1,303,328,827)	(21,000,657)	13,721,378	(203,055,782)	(191,644,000)	(286,084,000)	(248,158,000)	(238,277,773)	(131,596,000)	
Other Operating Expenses	(77,888,083)	(297,751,941)	(18,896,119)	(50,640,310)	(7,517,000)	-	(26,818,900)	(4,058,605)	-	(25,619,000)	
Finance Costs	(480,679,267)	(1,016,102,833)	(16,635,981)	(85,053,931)	(133,548,550)	(137,539,000)	(126,427,550)	(52,795,395)	(145,565,207)	(145,615,000)	
Finance Income	474,813,679	76,318,782	21,499,541	43,925,529	700,000	402,000	-	-	-	-	
Share of Associate Company's Profit	-	-	-	-	-	-	-	-	-	-	
Net Profit before Income Tax	12,342,389,515	6,870,937,153	642,687,728	374,917,466	66,616,668	(80,615,000)	713,068,500	357,008,000	550,537,877	448,829,000	
Income Tax Expense	(2,674,699,211)	(1,036,949,289)	(99,888,782)	(72,172,966)	(38,497,190)	(13,744,000)	(117,233,870)	(11,731,000)	(96,394,000)	(107,008,000)	
Net Profit for the Year	9,667,690,304	5,833,987,863	542,798,946	302,744,499	28,119,478	(94,359,000)	595,834,630	345,277,000	454,143,877	341,821,000	
As at 31st March											
Assets and Liabilities											
Segment Assets	50,185,913,096	39,430,577,484	5,459,971,116	4,225,580,337	3,989,609,623	3,798,373,000	5,037,773,105	3,393,276,000	7,522,471,028	4,034,450,000	
Total assets	50,185,913,096	39,430,577,484	5,459,971,116	4,225,580,337	3,989,609,623	3,798,373,000	5,037,773,105	3,393,276,000	7,522,471,028	4,034,450,000	
Segment liabilities	21,429,397,601	16,814,816,211	1,385,079,427	681,729,904	3,173,062,778	3,051,100,000	3,042,315,657	1,807,480,000	5,897,622,453	2,589,180,000	
Total Liabilities	21,429,397,601	16,814,816,211	1,385,079,427	681,729,904	3,173,062,778	3,051,100,000	3,042,315,657	1,807,480,000	5,897,622,453	2,589,180,000	
Other Segment Information											
Total cost incurred during the period to acquire											
Property, Plant & Equipment	2,376,792,222	1,165,776,141	233,059,544	59,763,958	293,075,992	168,988,000	213,814,220	176,285,000	184,294,000	216,436,000	
Depreciation & Amortisation	1,460,405,181	1,412,517,441	136,993,383	136,076,409	176,375,000	169,190,000	98,547,770	83,733,000	109,391,000	107,156,000	
Provisions for retirement benefit liability	81,898,339	139,414,444	7,784,937	8,847,039	75,478,000	92,941,000	11,106,590	16,518,000	8,156,000	7,281,000	

Finance		Other		Total Segments		Eliminations/Adjustments		Total	
2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
-	-	13,715,800	5,496,209	57,544,516,101	44,972,372,484	-	-	57,544,516,101	44,972,372,484
-	-	413,973,547	116,482,352	1,403,028,707	643,192,067	(1,403,028,707)	(643,192,067)	-	-
		427,689,347	121,978,561	58,947,544,808	45,615,564,552	(1,403,028,707)	(643,192,067)	57,544,516,101	44,972,372,484
-	-	121,461,519	53,022,431	22,405,408,431	16,803,432,184	-	-	22,405,408,431	16,803,432,185
-	-	122,270,941	93,315,434	1,557,565,233	766,130,775	(393,480,824)	(447,718,660)	1,164,084,409	318,412,115
-	-	(7,889,542)	(8,886,042)	(6,570,389,634)	(5,905,499,366)	397,987,938	376,748,232	(6,172,401,696)	(5,528,751,134)
-	-	(69,723,881)	(55,721,593)	(2,374,201,266)	(1,916,727,041)	(4,507,564)	173,713,147	(2,378,708,830)	(1,743,013,894)
-	-	(29,724,507)	-	(160,844,609)	(378,069,856)	-	(102,744,395)	(160,844,609)	(480,814,251)
-	-	(6,010,534)	(8,149,875)	(908,867,089)	(1,445,256,033)	4,222,540	38,761,270	(904,644,549)	(1,406,494,763)
-	-	1,440,485	999,676	498,453,705	121,645,987	(4,222,090)	(38,759,596)	494,231,615	82,886,391
2,224,753,264	1,775,214,821	103,664,876	38,881,190	2,328,418,140	1,814,096,011	-	-	2,328,418,140	1,814,096,011
2,224,753,264	1,775,214,821	235,489,357	113,461,222	16,775,542,910	9,859,752,663	-	-	16,775,542,910	9,859,752,662
-	-	(46,879,627)	(8,063,962)	(3,073,592,679)	(1,249,669,218)	(28,014,799)	(58,844,529)	(3,101,607,478)	(1,308,513,747)
2,224,753,264	1,775,214,821	188,609,730	105,397,260	13,701,950,231	8,610,083,445	(28,014,799)	(58,844,529)	13,673,935,432	8,551,238,915
-	-	2,446,825,659	2,015,703,878	74,642,563,627	56,897,960,699	11,598,684,904	9,242,101,191	86,241,248,531	66,140,061,889
-	-	2,446,825,659	2,015,703,878	74,642,563,627	56,897,960,699	11,598,684,904	9,242,101,191	86,241,248,531	66,140,061,889
-	-	805,912,896	636,082,015	35,733,390,813	25,580,388,130	(691,266,448)	(1,417,847,050)	35,042,124,364	24,162,541,079
-	-	805,912,896	636,082,015	35,733,390,813	25,580,388,130	(691,266,448)	(1,417,847,050)	35,042,124,364	24,162,541,079
-	-	115,296,107	174,215,709	3,416,332,085	1,961,464,808	-	-	3,416,332,085	1,961,464,808
-	-	11,971,462	9,556,560	1,993,683,796	1,918,229,410	-	-	1,993,683,796	1,918,229,410
-	-	566,234	1,670,682	184,990,100	266,672,165	-	-	184,990,101	266,672,166

Notes to the Financial Statements

29 SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment revenues, Profit or loss, assets and liabilities and other material items.

	2022 Rs.	2021 Rs.
Reconciliation of Net Profit for the year		
Segment Net Profit for the year	13,701,950,231	8,610,083,442
Deferred Tax effect on Associate undistributable Profit	(28,014,799)	(58,844,529)
Group Net Profit for the year	13,673,935,432	8,551,238,913
Reconciliation of assets		
Segment assets	74,642,563,627	56,897,960,699
Assets of discontinued operations	61,451,078	64,551,945
Investment in subsidiaries (elimination)	744,591,432	731,989,349
Inter company balances (elimination)	(986,355,688)	(1,639,688,285)
Share of associate company's accumulated profit net of dividend received (elimination)	11,778,998,083	10,085,248,181
Group Assets	86,241,248,531	66,140,061,889
Reconciliation of Liabilities		
Segment Liabilities	35,733,390,813	25,580,388,130
Liabilities of discontinued operations	208,229,917	162,996,705
Deferred Tax effect on Associate undistributable Profit	86,859,328	58,844,529
Inter company balances (elimination)	(986,355,688)	(1,639,688,285)
Group Liabilities	35,042,124,364	24,162,541,079

30. CONTINGENT LIABILITIES

- a) Companies within 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 16.4

Further, Commercial Bank of Ceylon PLC has offered a combined letter of guarantee facility for the above mentioned companies amounting to Rs. 100 Mn & at the reporting date total guaranteed value is Rs. 68.77 Mn.

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.

c) Horana Plantation PLC

Several legal cases and disputes are pending against the company in Labour Tribunal and Courts. All these cases are being vigorously contested /prosecuted and our lawyers have advised that an evaluation of the likelihood of an unfavorable outcome and the amount or range of potential loss cannot be quantified or commented upon at this stage.

Legal case on Retirement Benefit Obligation wage rate change

In the past wages of the Plantation workers were negotiated between Trade Unions and Regional Plantation Companies (RPCs), once in every two years and a Collective Agreement was signed between the parties. However, the last wage negotiations between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labour. Consequently, The Wages Board without considering objections of the RPC's decided the minimum daily wage of Rs. 1,000/- comprising of a minimum daily wage of Rs. 900/- and a budgetary relief allowance of Rs. 100/- for workers in tea and rubber growing and manufacture trade and gazette its decision on 5th March 2021.

RPCs instituted a "Writ Application" in the Court of Appeal seeking an interim order, staying and/or suspending the operation of the decision of the Wages Board, but the Honorable Judges of the Court of Appeal issued notice on the Respondents of the case and was not inclined to issue an interim order and the Respondents were directed to file Objections and RPCs were directed to file Counter Objections. However, matter is under the purview of the Court of Appeal at the time of approval of these financial statements..

There are no other material contingent liabilities as at the reporting date.

31. CAPITAL COMMITMENTS

31.1 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	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Contracted but not provided for	1,520,767,609	173,350,393	1,648,967,339	326,756,393
	1,520,767,609	173,350,393	1,648,967,339	326,756,393

No provision has been made in these Financial Statements in this regard as at 31st March 2022

Lease commitments

- a). Horana Plantation has no any material Financial Commitments other than the JEDB/SLSPC. Lease Rentals Payable to the Secretary to the Treasury as explained in Note 14.3.1. 'Lease Liabilities - Land'
- 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

32. EVENTS AFTER THE REPORTING PERIOD

The Government of Sri Lanka in its Budget for 2022 proposed a one-time tax, referred to as a surcharge tax, at the rate of 25% to be imposed on any companies that have earned a taxable income in excess of Rs. 2,000 million for the year of assessment 2020/2021. The tax is imposed by the Surcharge Tax Act No. 14 of 2022 which was passed by the Parliament of Sri Lanka on 7th April 2022. As the law imposing the surcharge tax was enacted after the reporting period end, the financial statements for the year ended 31 March 2022 do not reflect the tax liability that would arise in consequence, the amount of which is best estimated at Rs. 388.2 million and Rs. 1,965 million for the Company and the Group respectively.

The Company declared 3rd interim dividend of Rs. 0.75 per share for the year ended 31 March 2022 on 30 May 2022.

Other than the above there have been no material events occurring after the reporting date that require adjustment or disclosure in the financial statements.

33. ASSETS PLEDGED

The group has pledged its assets as security for the interest bearing loans and borrowings obtained as stated in note 16.4.

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	400,000,000	Immovable Property
		400,000,000	Inventories and Debtors
	Over Draft	20,000,000	
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
	Over Draft	50,000,000	
Pan Asia Banking Corporation PLC	Import Loan	300,000,000	Inventories and Debtors
	Over Draft	10,000,000	
Sampath Bank PLC	Import Loan	460,000,000	Inventories and Debtors
	Over Draft	20,000,000	
Seylan Bank PLC	Import Loan	250,000,000	Inventories and Debtors
	Over Draft	30,000,000	

Uni Dil Packaging Solutions Ltd

Lender	Facility	Limit Rs.	Security
Hatton National Bank PLC	Import Loan Overdraft	600,000,000 30,000,000	Primary Mortgage Bond over the Company's Stock-in-trade and Book Debts
HSBC	Import Loan	50,000,000	Corporate Guarantee from Uni Dil Packaging Limited
Pan Asia Banking Corporation PLC	Import Loan Overdraft	200,000,000 10,000,000	Series of loan agreement
Seylan Bank PLC	Import Loan Overdraft	100,000,000 20,000,000	Primary Mortgage Bond over the Company's Stock-in-trade and Book Debts
DFCC Bank PLC	Import Loan Overdraft	100,000,000 20,000,000	Primary concurrent Mortgage Bond for Rs 120,000,000/- ranking equal and parri passu with mortgage bond no 2365.
Sampath Bank PLC	Import Loan Overdraft	460,000,000 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 Eildon Hall 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.

Swisstek Aluminium Ltd

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs'000
Hatton National Bank PLC (Import Loan)	Trading Stock and Trade Debtors	AWPLR+0.5%	300,000
DFCC Bank PLC (Term loan)	Primary mortgage over plant and machinery	AWPLR+1.5%	200,000
DFCC Bank PLC (Import loan and Bank Overdrafts)	Secondary mortgage over stock and book debtors	AWPLR+0.5%	800,000

Notes to the Financial Statements

34. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

34.1 Transactions with the Related Entities - Company

Nature of Transaction	Parent		Subsidiaries		Associates and other		Affiliates	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Nature of Transaction								
Statement of Profit or Loss								
Sale of Goods	-	-	13,190,366	19,242,733	3,329,530	-	43,481,706	5,153,729
Purchase of Goods/ Services	-	-	(323,292,307)	(260,738,532)	(1,275,622)	(4,180,256)	(57,719,938)	(40,274,149)
Rendering of Services	-	-	445,475,177	416,914,258	-	-	-	-
Rent Income	-	-	(2,735,014)	(2,735,014)	-	-	-	-
Dividend Income	-	-	1,525,491,654	561,521,381	1,011,450,496	433,478,784	-	-
Interest Income/ (Expense)	-	-	4,222,091	(38,759,567)	-	-	-	-
Dividend Payments	(2,604,109,200)	(868,036,400)	-	-	-	-	-	-
Technical Fee	(18,581,399)	(17,202,391)	30,240,324	26,594,226	-	-	-	-
Investments made by the Company	-	-	56,666,660	-	-	-	-	-
Reimbursement of Expenses net of fund Transfer	25,243,462	22,157,506	(229,510,519)	168,658,615	-	-	-	-
Impairment provision of Investment	-	-	-	-	-	-	-	-
Write-off of Investment	-	-	-	(391,912,706)	-	-	-	-
Statement of Financial Position								
Balance outstanding as at end of the year								
Trade Debtors	-	-	831,767	-	-	-	1,920,209	24,024
Due from Related Parties	-	-	81,006,022	162,468,975	-	-	-	-
Due to Related Parties	(3,655,313)	(10,317,476)	(19,806,849)	(211,713,554)	-	-	-	-
Trade Creditor	-	-	(41,532,651)	(53,747,315)	(1,044,503)	(2,464,866)	(6,293,412)	(22,499,590)

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 16.4.

34.1.1 Transaction with the related entities-Group

	Parent		Affiliates	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Nature of Transaction				
Statement of Profit or Loss				
Sale of Goods	-	-	1,701,337,521	1,046,832,548
Purchase of Goods/Services	-	-	(3,232,718,557)	(1,235,433,899)
Dividend Payments	(4,611,216,400)	(1,728,420,400)	-	-
Technical Fee	(395,348,923)	(303,911,900)	-	-
Reimbursement of Expenses net of fund Transfer	33,952,377	26,839,075	(26,574,978)	(187,554,547)
Balance outstanding as at end of the year				
Trade Debtors	-	-	9,690,703	1,165,990
Due from Related Parties	-	-	245,247,384	-
Due to Related Parties	(23,586,948)	(26,904,394)	(36,051,653)	-
Trade Creditor	-	-	(68,336,033)	(91,462,446)

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 Aluminium 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 Investments 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, Haycarb PLC, Dipped product PLC, The Kingsbury PLC, Hayleys Agriculture PLC, Hayleys Aventura (Pvt) Ltd, Martin Bauer Hayleys (Pvt) Ltd, Fentons Limited, Puritas (Pvt) Ltd, Mabroc Teas (Pvt) Ltd, Kandyan Resort (Pvt) Ltd, Energynet (Pvt) Ltd, Hayleys Travels & Tours (Pvt) Ltd, Hayleys Electronic Lighting (Pvt) Ltd, Hayleys PLC, Hayleys agro fertilizer (Pvt) Ltd, Hayleys Business Solution International (Pvt) Ltd, Logiwiz Ltd, NYK Lanka (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.

34.2 Transactions with Key Management Personnel (*)

34.2.1 Compensation to Key Management Personnel

Nature of Transaction	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Short term Employee Benefits	317,681,568	247,411,298	446,485,270	389,088,969
Post Employment Benefits	30,449,937	26,133,623	69,342,937	68,896,663
	348,131,505	273,544,921	515,828,207	457,985,632

Notes to the Financial Statements

34.2.2 Other Transactions with Key Management Personnel

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Rent Payments	23,395,802	8,758,050	23,395,802	8,758,050
Transport Expenses	3,832,985	3,954,310	3,832,985	3,954,310
Advanced Received	-	-	123,824,086	30,000,000

(*) 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.

35. 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
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
2021	1%	Rs. 37.8 Mn	1%	Rs. 74.1 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
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
2021	5%	Rs. 11.2 Mn	5%	Rs. 74.3 Mn

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. 42.7 Mn (2021 - 44.5 Mn). A change in 5% of the ASPI could have an impact on approximately Rs. 1.6 Mn (2021 - 2.8 Mn) on the Company/Groups profit before tax.

Notes to the Financial Statements

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. As a result of COVID 19 outbreak, The Group is currently focusing on reducing inventory levels and collecting dues from its customers to reduce debtor exposure. Further, the individual receivable balances were re-assessed, specific provisions were made wherever necessary.

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 2022 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 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	13,932,162,557
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

	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 2021						
Company						
Interest-bearing loans and borrowings	156,877,275	337,160,427	1,060,821,832	1,706,884,376	-	3,261,743,910
Lease liability of right of use assets	-	27,724,974	87,232,236	531,538,837	807,429,862	1,453,925,909
Trade and other payables	-	1,436,337,731	-	-	-	1,436,337,731
	156,877,275	1,801,223,132	1,148,054,068	2,238,423,213	807,429,862	6,152,007,550
Group						
Interest-bearing loans and borrowings	956,082,038	2,649,938,689	3,014,491,980	4,589,958,883	174,030,017	11,384,501,607
Lease liability of right of use assets	-	32,488,993	102,356,840	583,681,942	839,819,712	1,558,347,487
Trade and other payables	-	5,358,943,347	-	-	-	5,358,943,347
	956,082,038	8,041,371,029	3,116,848,820	5,173,640,825	1,013,849,729	18,301,792,441

36. 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 2022 and 31 March 2021.

The Company monitors capital using a gearing ratio, which is interest bearing borrowings divided by equity plus interest bearing borrowings.

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Interest Bearing Borrowings	3,178,409,276	3,777,643,057	13,983,534,123	10,687,534,567
Equity	19,662,065,641	16,512,598,520	51,199,124,167	41,977,520,810
Gearing ratio	14%	19%	21%	20%

Notes to the Financial Statements

37. 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	2022	2021
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 Plantation 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) Limited	Sri Lanka	Sri Lanka	33.31%	33.31%

Accumulated Balances of Material Non - Controlling Interest

	2022 Rs. 000's	2021 Rs. 000's
Lanka Ceramic PLC	277,717	256,525
Lanka Walltiles PLC	3,393,386	2,950,038
Lanka Tiles PLC	6,604,287	5,301,543
Vallibel Plantation Management Limited	166,733	157,205
Swisstek (Ceylon) PLC	1,319,475	1,131,108
Swisstek Aluminium Limited	1,044,505	929,066
Horana Plantation PLC	574,647	539,776
Unidil Packaging Limited	746,810	636,156
Unidil Packaging Solutions Limited	229,308	153,720
LWL Development (Private) Limited	195,350	74,100
Beyond Paradise Collection Limited	260,177	109,138
Lankatiles (Pvt) Ltd	13,167	10,071
Swisstek Development Limited	(346)	(10)
LW Plantation Investments Limited	(49)	(33)
LTL Development Ltd	(202)	(166)
LC Plantation Project Ltd	14,947	-
CP Holding (Pvt) Limited	120,679	113,223
Less - Cross investments	(1,530,829)	(1,227,090)
Add - Attributed Goodwill	445,990	445,990
Accumulated Material Non- Controlling Interest	13,875,753	11,580,363

Profit allocated to Material Non - Controlling Interest

	2022 Rs. 000's	2021 Rs. 000's
Lanka Ceramic PLC	19,989	17,940
Lanka Walltiles PLC	729,794	395,392
Lanka Tiles PLC	2,288,425	1,353,010
Vallibel Plantation Management Limited	(6,515)	(7,494)
Swisstek (Ceylon) PLC	287,454	199,760
Swisstek Aluminium Limited	291,938	219,734
Horana Plantation PLC	30,643	(56,208)
Unidil Packaging Limited	144,691	92,202
Unidil Packaging Solutions Limited	126,129	64,733
LWL Development (Private) Limited	(8,737)	805
Beyond Paradise Collection Limited	(7,817)	3,660
Lanka Tiles (Private) Limited	288	196
LW Plantation Investments Limited	(16)	(33)
LTL Development Ltd	(36)	(166)
Swisstek Development Limited	(283)	(63)
LC Plantation Project Ltd	(38)	-
CP Holding (Pvt) Ltd	3,502	(47)
Accumulated Material Non- Controlling Interest	3,899,411	2,283,421

Notes to the Financial Statements

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss for the year ended 31 March 2022:

	Lanka Ceramic PLC	Lanka Walltiles PLC	Lanka Tiles PLC	Vallibel Plantation Management Limited	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Horana Plantation PLC
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	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	-

Summarised statement of profit or loss for the year ended 31 March 2021:

	Lanka Ceramic PLC	Lanka Walltiles PLC	Lanka Tiles PLC	Vallibel Plantation Management Limited	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Revenue	121,330	5,988,521	12,626,485	-	1,552,534	3,893,821
Cost of sales	(68,659)	(3,922,084)	(7,892,721)	-	(1,120,012)	(2,818,591)
Administrative expenses	(54,043)	(252,231)	(550,535)	(4,484)	(58,626)	(131,596)
Finance costs	(8,150)	(130,938)	(223,839)	(2)	(54,649)	(171,234)
Profit before tax	75,907	1,755,531	2,644,503	165,239	361,363	448,829
Income tax	(8,065)	(138,013)	(307,635)	(12,002)	(5,658)	(107,008)
Profit for the year from continuing operations	67,843	1,617,518	2,336,868	153,237	355,705	341,821
Total comprehensive income	135,005	1,854,907	2,718,191	153,237	564,778	341,548
Attributable to non-controlling interests	35,700	503,285	1,582,462	(7,494)	341,559	219,558
Dividends paid to non-controlling interests	-	337,495	515,538	64,500	125,309	45,001

	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)
	-	-	-	-	-	-	-	-	-	-

	Horana Plantation PLC Rs. 000's	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
	2,125,306	3,052,577	1,201,149	-	-	-	-	-	-	649
	(1,924,851)	(2,550,426)	(975,677)	-	-	-	-	-	-	(297)
	(187,160)	(212,123)	(36,035)	(2,862)	(1,731)	(269)	(93)	(276)	(73)	(494)
	(137,361)	(38,855)	(12,394)	(616)	-	-	-	-	-	-
	(76,129)	267,133	162,264	(6,383)	-	-	-	-	(73)	(142)
	(1,742)	8,112	(19,843)	8,154	-	-	-	-	-	-
	(77,871)	275,245	142,420	1,771	6,083	246	(93)	(276)	(73)	(142)
	(67,038)	330,945	159,348	1,771	6,083	864	(93)	(276)	(73)	(142)
	(48,388)	117,519	72,427	805	3,660	689	(63)	(166)	(33)	(47)
	-	77,140	32,901	-	-	-	-	-	-	-

Notes to the Financial Statements

Summarised statement of financial position as at 31 March 2022:

	Lanka Ceramic PLC	Lanka Walltiles PLC	Lanka Tiles PLC	Vallibel Plantation Management Limited	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Horana Plantation PLC
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	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

Summarised statement of financial position as at 31 March 2021:

	Lanka Ceramic PLC	Lanka Walltiles PLC	Lanka Tiles PLC	Vallibel Plantation Management Limited	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Horana Plantation PLC
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Current Assets	124,081	2,557,063	6,276,263	8,837	1,021,672	2,480,493	426,587
Non- Current Assets	1,157,837	5,913,767	6,701,370	346,407	1,767,970	1,553,957	3,362,949
Current Liabilities	53,909	1,143,371	2,359,557	9,376	785,613	2,275,042	995,262
Non- Current Liabilities	257,920	836,746	1,807,533	-	336,278	314,138	2,046,463
Total equity	970,089	6,490,712	8,810,542	345,868	1,667,752	1,445,271	747,812
Attributable to:							
Equity holders of parent	713,562	3,540,673	3,509,000	188,663	536,644	516,205	208,036
Non-controlling interest	256,527	2,950,038	5,301,543	157,205	1,131,108	929,066	539,776
	970,089	6,490,711	8,810,542	345,868	1,667,752	1,445,271	747,812

	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
	2,947,628	871,689	19,251	6,600	16,648	-	-	-	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)	362,237	56,523

	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
	1,672,902	617,185	15,201	5,400	12,735	78	-	-	22,216	-
	1,104,769	150,527	553,235	394,819	-	56,667	56,667	56,667	326,966	56,667
	1,181,567	413,261	357,523	177,799	97	56,759	56,942	56,739	9,324	56,667
	196,493	16,249	47,876	41,045	-	-	-	-	-	-
	1,399,613	338,200	163,037	181,375	12,638	(15)	(276)	(73)	339,858	-
	763,456	184,480	88,936	72,237	2,567	(5)	(110)	(40)	226,635	-
	636,156	153,720	74,100	109,138	10,071	(10)	(166)	(33)	113,223	-
	1,399,612	338,200	163,038	181,375	12,638	(15)	(276)	(73)	339,858	-

Notes to the Financial Statements

Summarised cash flow information for the year ending 31 March 2022:

	Lanka Ceramic PLC	Lanka Walltiles PLC	Lanka Tiles PLC	Vallibel Plantation Management Limited	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	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	132,073	570,783	2,185,001	9,730	222,425	(13,116)

Summarised cash flow information for the year ending 31 March 2021:

	Lanka Ceramic PLC	Lanka Walltiles PLC	Lanka Tiles PLC	Vallibel Plantation Management Limited	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Operating Cash Flow	40,559	2,483,747	5,865,053	(19,023)	334,574	850,801
Investing Cash Flow	(32,280)	534,155	(425,535)	169,725	12,600	(216,436)
Financing Cash Flow	(12,035)	(2,025,092)	(2,441,780)	(141,913)	(305,775)	(400,849)
Net increase / (decrease) in cash and cash equivalents	(3,756)	992,810	2,997,738	8,789	41,399	233,516

	Horana Plantation PLC	Unidil Packaging Limited	Unidil Packaging Solutions Limited	LWL Development (Private) Limited	Beyond Paradise Collection Limited	Lankatiles (Private) Limited	Swisstek Development Limited	LTL Development (Pvt) Limited	LW Plantation Investments Limited	CP Holding (Pvt) Ltd
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	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)	17,302	(1)	470	-	-	-	13,817

	Horana Plantation PLC	Unidil Packaging Limited	Unidil Papersacks Limited	Unidil Packaging Solutions Limited	Beyond Paradise Collection Limited	Lankatiles (Private) Limited	Swisstek Development Limited	LTL Development (Pvt) Limited	LW Plantation Investments Limited	CP Holding (Pvt) Ltd
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
	113,766	321,481	184,980	1,616	1	250	56,667	56,667	56,667	(13,034)
	(177,660)	(149,491)	(26,794)	(993)	-	-	(56,667)	(56,667)	(56,667)	(326,966)
	378,900	(86,265)	(104,292)	(584)	-	-	-	-	-	340,000
	315,006	85,725	53,894	39	1	250	-	-	-	-

Notes to the Financial Statements

38. SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

	L. B. Finance PLC		Delmege Limited	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Revenue / Operating Income	20,182,936,262	16,659,086,441	9,428,070,044	6,335,829,124
Cost of sales / Operating Expenses	(6,325,433,990)	(5,661,950,367)	(7,030,234,345)	(4,659,092,814)
Other Income and Gains	-	-	80,183,291	81,776,640
Administrative expenses	-	-	(744,425,210)	(606,594,613)
Selling and Distribution Costs	-	-	(780,920,744)	(534,500,502)
Other Operating Expenses	-	-	-	(2,601,139)
Finance costs	-	-	(262,282,057)	(364,766,370)
Finance Income	-	-	11,564,972	93,168,114
Tax on Financial Services	(2,136,550,710)	(1,669,323,000)	-	-
Profit before tax	11,720,951,562	9,327,813,074	701,955,951	343,218,440
Income tax Expenses	(3,244,922,620)	(2,521,007,780)	(180,325,378)	(140,579,125)
Profit for the year	8,476,028,942	6,806,805,294	521,630,573	202,639,315
Other Comprehensive income	192,081,906	82,828,071	6,957,419	1,016,170
Total Comprehensive income	8,668,110,848	6,889,633,365	528,587,990	203,655,485
Group share of profit for the year	2,224,753,264	1,775,214,821	103,664,876	38,881,190
Group share of Total comprehensive income for the year	2,274,848,355	1,796,816,382	105,125,934	39,161,974

	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Current Assets	108,157,979,872	92,090,263,177	6,172,100,643	3,896,949,691
Non- Current Assets	62,988,815,375	48,853,185,562	4,778,127,606	4,757,584,354
Current Liabilities	100,475,375,127	86,138,732,859	4,747,152,206	4,097,161,791
Non- Current Liabilities	31,150,732,313	26,417,474,035	718,887,695	1,202,707,248
Total Equity	39,520,687,807	28,387,241,845	5,484,188,348	3,354,665,006
Group's Carrying amount of the investments	10,400,543,248	9,137,145,388	1,378,454,835	948,102,793
Group Share of Contingent liabilities	2,086,400	45,056,547	-	-
Capital and other commitments	439,829,473	175,078,170	-	-

39. 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

39.1 Assets Measured at Fair Value:

As at 31 March		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	
	Notes	Rs.	Rs.	Rs.	Rs.
Other Financial Assets	12				
Investments at fair value through profit or loss		42,706,220	-	-	42,706,220
		42,706,220	-	-	42,706,220
Property, Plant & Equipment	3.8				
Freehold and Clay Mining Land		-	-	9,599,195,389	9,599,195,389
Buildings		-	-	7,993,353,653	7,993,353,653
Consumable Biological Assets		-	-	595,643,399	595,643,399
Investment Property		-	-	2,045,053,010	2,045,053,010
		42,706,220	-	20,233,245,451	20,275,951,671

There were no transfers into and transfers out of the hierarchy levels during 2022 & 2021.

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. 2,809Mn (2021 - Rs. 897Mn) 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.

2021			
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.
44,532,650	-	-	44,532,650
44,532,650	-	-	44,532,650
-	-	8,216,971,306	8,216,971,306
-	-	6,916,962,256	6,916,962,256
-	-	630,578,122	630,578,122
-	-	1,980,307,545	1,980,307,545
44,532,650	-	17,744,819,229	17,789,351,879

39.2 Financial Assets and Financial Liabilities not carried at fair 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.

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

40 DISCONTINUED OPERATIONS

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 figures 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 is continued to take steps to dispose the remaining assets of the Company. The results discontinued operations for the year is presented below:

	2022			2021		
	Ever Paint and Chemical Industries (Private) Limited Rs.	Rocell Pty Ltd Rs.	Total Rs.	Ever Paint and Chemical Industries (Private) Limited Rs.	Rocell Pty Ltd Rs.	Total Rs.
Net Revenue	-	-	-	-	84,831,790	84,831,790
Cost of Sales	-	-	-	-	(42,789,666)	(42,789,666)
Operating Income	-	-	-	-	42,042,124	42,042,124
Other Operating Income	3,218,855	12,224,393	15,443,248	-	30,439,384	30,439,384
Distribution Expenses	(1,475,701)	4,372,957	2,897,256	(1,331,003)	(130,623,164)	(131,954,167)
Administrative Expenses	2,577,557	(203,195)	2,374,362	(421,027)	(3,030,133)	(3,451,160)
Finance Expenses	(13,544)	(5,047,490)	(5,061,034)	-	(5,063,153)	(5,063,153)
Other Operating Expenses	-	-	-	-	(65,318,732)	(65,318,732)
Loss for the year from discontinued operations	4,307,167	11,346,665	15,653,832	(1,752,030)	(131,553,674)	(133,305,704)
Basic Earnings Per Share	0.22	4.55		(0.09)	(52.75)	

The major classes of assets and liabilities of discontinued operations are being classified as held for sale as at the end of the year:

	2022			2021		
	Ever Paint and Chemical Industries (Private) Limited Rs.	Rocell Pty Ltd Rs.	Total Rs.	Ever Paint and Chemical Industries (Private) Limited Rs.	Rocell Pty Ltd Rs.	Total Rs.
Assets						
Property, Plant & Equipment	36,000,000	-	36,000,000	36,721,633	-	36,721,633
Trade and Other Receivables	7,078,707	-	7,078,707	12,022,614	22,571	12,045,185
Other Non Financial Assets	-	-	-	-	1,261,256	1,261,256
Other Financial assets	-	10,490,677	10,490,677	-	10,070,905	10,070,905
Cash and Cash Equivalents	829,074	7,052,620	7,881,694	790,788	3,662,178	4,452,966
Assets Held for Sale	43,907,781	17,543,297	61,451,078	49,535,035	15,016,910	64,551,945
Liabilities						
Trade and Other Payables	(204,678)	(21,747,218)	(21,951,896)	(7,849,378)	(29,148,472)	(36,997,850)
Other Current Liabilities	-	-	-	-	(3,345,095)	(3,345,095)
Interest Bearing Loans & Borrowings	-	(186,278,022)	(186,278,022)	-	(122,653,760)	(122,653,760)
Liabilities Directly Associated with the Assets Held for Sale	(204,678)	(208,025,239)	(208,229,917)	(7,849,378)	(155,147,327)	(162,996,705)
Net Assets Directly Associated with Disposal Group	43,703,103	(190,481,942)	(146,778,839)	41,685,657	(140,130,417)	(98,444,760)

The net cash flows incurred by each company is as follows:

	Group					
	2022			2021		
	Ever Paint and Chemical Industries (Private) Limited Rs.	Rocell Pty Ltd Rs.	Total Rs.	Ever Paint and Chemical Industries (Private) Limited Rs.	Rocell Pty Ltd Rs.	Total Rs.
Operating	(683,350)	(2,515,670)	(3,199,020)	179,016	(9,668,445)	(9,489,429)
Investing	721,633	642,310	1,363,943	-	(2,209,350)	(2,209,350)
Financing	-	-	-	-	(2,320,277)	(2,320,277)
Net cash (outflow)/inflow	38,283	(1,873,360)	(1,835,077)	179,016	(14,198,072)	(14,019,056)

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. Fathihi, 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.

Ten Year Summary - Company

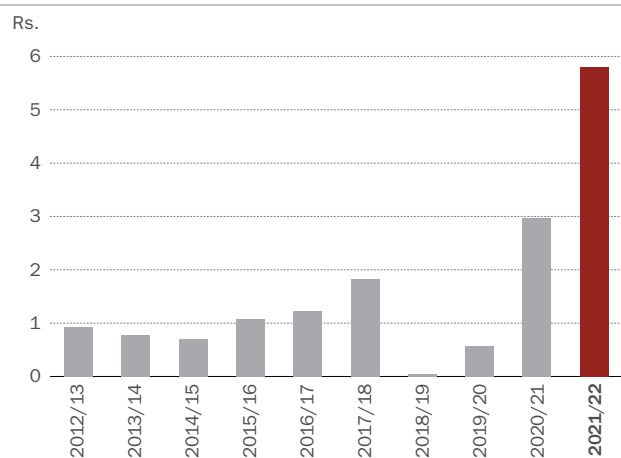
Trading results (RS.'000)	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
Net Turnover	14,374,446	12,524,229	6,445,391	3,794,578	3,452,289	3,824,905	3,405,538	2,649,933	2,413,817	2,296,295
Other Income	2,986,684	1,385,096	1,016,944	1,039,703	2,759,288	1,808,744	1,679,396	1,256,470	1,435,441	1,425,346
Profit before interest & Tax	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	1,253,552
Interest	(298,731)	(594,353)	(952,011)	(795,936)	(432,816)	(386,935)	(360,784)	(376,515)	(518,989)	(364,554)
Profit After Interest Before Tax	7,464,889	3,879,175	769,656	32,940	2,247,381	1,489,818	1,177,680	635,642	668,861	918,762
Tax Reversal/Expense	(1,077,339)	(593,885)	(122,966)	24,779	(218,578)	(130,701)	15,315	143,881	185,780	67,724
After Tax Profit from Discontinued Operations	-	-	-	-	-	-	-	-	-	31,386
Net Profit	6,387,549	3,285,290	646,690	57,719	2,028,803	1,359,117	1,192,996	779,524	854,641	1,017,873

Statement of Financial Position (RS.'000)	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
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	2,758,474	1,360,280	1,192,935	830,591	830,591	213,634	213,634	213,634	213,634	213,634
Retained Earnings	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	4,354,879
Shareholders Funds	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	5,937,187
Fixed Assets	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	2,348,987
Right to use lease asset	881,696	855,049	965,787	-	-	-	-	-	-	-
Other non financial assets	-	18,017	41,304	-	-	-	-	-	-	-
Investments	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	4,616,800
Other Financial Assets	42,706	436,933	74,240	64,758	146,928	43,981	56,771	131,735	197,210	196,470
Current Assets	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	2,049,797
Current Liabilities	(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)	(2,048,728)
Non Current Liabilities	(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)	(1,226,138)
Total Equity	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	5,937,187

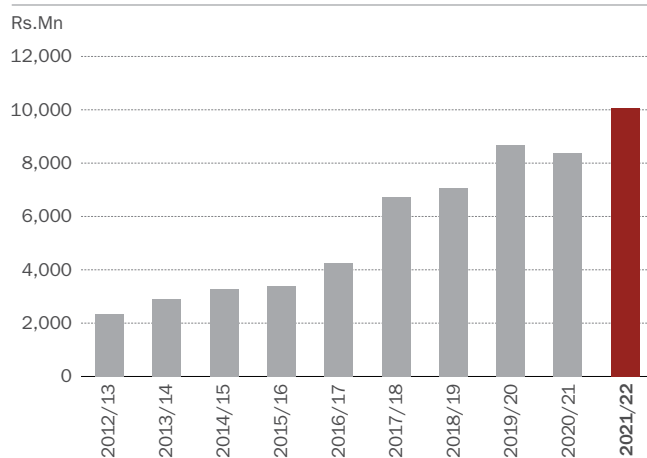
Ratios and Statistics	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
Ordinary Dividends (Rs.'000)	4,653,154	1,551,051	443,158	221,579	997,104	997,104	664,736	443,158	-	221,579
Dividend per Share (Rs.)*	4.20	1.40	0.40	0.20	0.90	0.90	0.60	0.40	-	0.20
Dividend Payout Ratio (%)	73	47	69	92	49	73	56	57	-	22
Earnings Per Share (Rs.)*	5.77	2.97	0.58	0.05	1.83	1.23	1.08	0.70	0.77	0.92
Market value per share-closing (Rs.)	40.70	257.00	55.90	59.00	105.40	119.00	100.10	111.00	79.30	99.50
Market value per share-Highest (Rs.)	83.50	439.50	99.10	109.50	134.70	125.30	137.00	125.00	112.00	118.50
Price Earnings Ratio* (Times)	7.06	8.67	9.64	118.00	5.76	9.67	9.27	15.86	10.29	10.83
Net Assets Per Share* (Rs.)	17.75	14.90	13.16	8.53	8.72	7.25	6.91	6.43	6.13	5.36
Return on Equity (%)	32	20	4	1	21	17	16	11	13	17

* 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 issued Ordinary Shares of the Company to 1,107,893,840 Ordinary Shares. Therefore Dividend per share, Earnings per share and Net price per share adjusted to reflect the current status for 10 years.

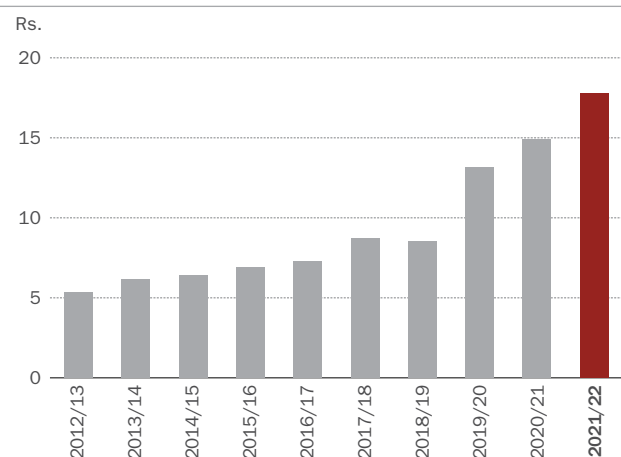
Earnings Per Share



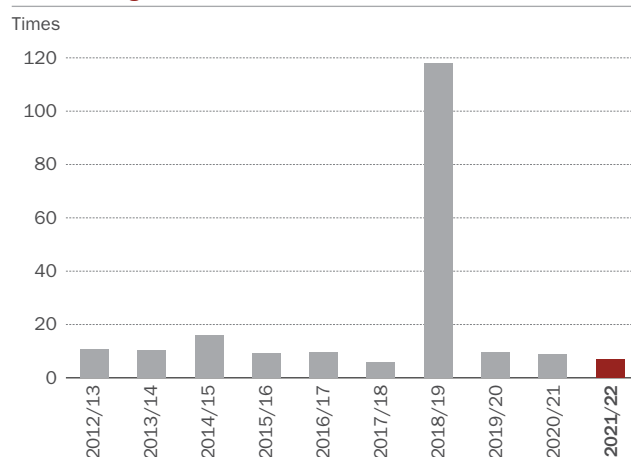
Fixed Assets



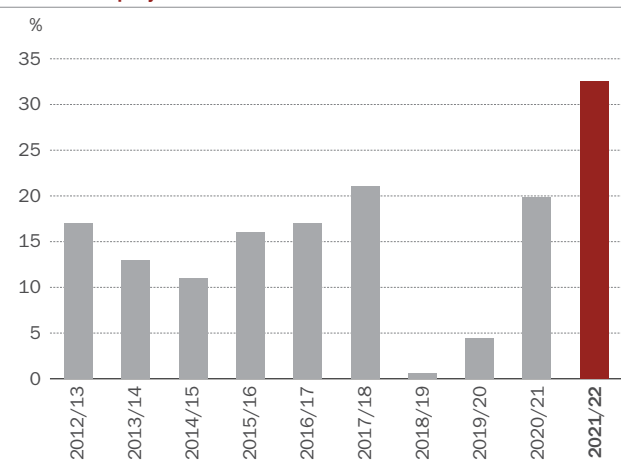
Net Assets Per Share



Price Earnings Ratio



Return on Equity



Group Value Added Statement

	2021/22			2020/21		
	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%
Turnover	61,289,985			47,993,431		
Finance & Other Income	1,658,316			501,538		
Share of Associate Company's profit	3,174,694			2,471,574		
	66,122,995			50,966,543		
Less: Cost of Material & Services bought in	34,465,351			28,536,344		
	31,657,644			22,430,199		
To Employees						
Salaries, Wages and Other Benefits		7,255,573	23%		5,838,761	26%
To Government						
Income Tax	3,947,883			1,308,514		
VAT	3,745,469	7,693,352	24%	3,021,058	4,329,572	19%
To Providers of Capital						
Dividends	6,310,646			2,184,764		
Finance Cost	904,645	7,215,291	23%	1,406,495	3,591,259	16%
To Expansion and Growth						
Retained in Business	7,526,550			6,780,180		
Depreciation	1,966,878	9,493,428	30%	1,890,427	8,670,607	39%
		31,657,644	100%		22,430,199	100%

Share Information

SHARE DISTRIBUTION

Shareholding as at 31st March 2022

There were 21,029 registered shareholders as at 31st March 2022, distributed as follows

Number of Shares Held	Number of Shareholders	Number of Shares	% Shareholding
1 - 1,000	8,458	2,979,138	0.27
1,001 - 10,000	10,125	32,932,541	2.97
10,001 - 100,000	2,050	62,173,097	5.61
100,001 - 1,000,000	343	104,890,759	9.47
1,000,000 & over	53	904,918,305	81.68
Total	21,029	1,107,893,840	100.00

Category Shareholders	Number of Shareholders	Number of Shares	% Shareholding
Local Individuals	19,985	170,778,976	15.41
Local Institutions	900	921,446,635	83.17
Foreign Individuals	132	4,380,137	0.40
Foreign Institutions	12	11,288,092	1.02
Total	21,029	1,107,893,840	100.00

Share Prices for the year

	2021/22		2020/21	
	Date	Price Rs.	Date	Price Rs.
Highest during the year				
Pre Sub division	15.04.2021	375.00	27.01.2021	439.50
Post Sub divisions	07.01.2022	83.50		
Lowest during the year				
Post Sub divisions	23.04.2021	30.50	12.05.2020	47.00
As at end of the year				
Post Sub divisions		40.70		257.00

Public Holding Percentage as at 31st March 2022 - 43.35%

Number of shareholders representing the above Percentage - 20,587

The float adjusted market capitalization as at 31st March 2022 - Rs. 19,548,371,050

The Float adjusted market capitalization of the Company falls under Option No. 1 of Rule 7.14.1 (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 MAJOR SHAREHOLDERS

	31st March 2022 (After Share Split) *		31st March 2021 (Before share Split)	
	No of Shares	% of Issued Capital	No of Shares	% of Issued Capital
1 Vallibel One PLC	620,026,000	55.964	62,002,600	55.964
2 Employees Provident Fund	152,779,980	13.790	15,277,998	13.790
3 Mr. K.D.H. Perera	9,691,242	0.875	-	-
4 Seylan Bank PLC/ Capital Trust Holdings Limited	8,762,684	0.791	-	-
5 Seylan Bank PLC/ Hotel International (Pvt) Ltd	8,042,016	0.726	1,191,029	1.075
6 Seylan Bank PLC/ Mohamed Nayaz Deen	6,204,855	0.560	-	-
7 Sri Lanka Insurance Corporation Ltd - Life Fund	5,602,966	0.506	-	-
8 Mrs. S.N. Fernando	5,500,000	0.496	550,000	0.496
9 Hatton National Bank PLC/Capital Trust Holdings Limited	4,312,955	0.389	13,524	0.012
10 Lotus Technologies (Private) Limited	3,959,259	0.357	-	-
11 Northern Trust Company S/A LSV Frontier Markets Equity Fund, LP	3,600,600	0.325	79,200	0.071
12 Mr. A.S. Ashraf	3,368,849	0.304	240,000	0.217
13 Mr. A.M. Weerasinghe	3,331,763	0.301	304,704	0.275
14 Hatton National Bank PLC/ JN Lanka Holdings Company (Pvt) Ltd	3,151,312	0.284	-	-
15 Mr. K.A.S.R. Nissanka	3,116,121	0.281	427,700	0.386
16 Commercial Bank of Ceylon PLC/ Capital Trust Holdings Limited	3,047,761	0.275	248,393	0.224
17 Mackenzie Capital Trust Holdings Limited	3,000,000	0.271	-	-
18 Merchant Bank of Sri Lanka & Finance PLC/ Acquest (Pvt) Ltd	2,805,000	0.253	-	-
19 Employees Trust Fund Board	2,779,955	0.251	599,840	0.541
20 Amana Bank PLC/ Mr. Mohamed Nayaz Deen	2,732,486	0.247	170,887	0.154
21 Bank of Ceylon - No. 2 A/C (BOC PTF)	2,403,392	0.217	469,410	0.424
22 Mellon Bank N.A - Acadian Frontier Markets Equity Fund	2,348,877	0.212	-	-
23 Seylan Bank PLC/ Priyantha Pushpakumara Maddumage	2,269,500	0.205	273,603	0.247
24 Hatton National Bank PLC/ Ruwan Prassana Sugathadasa	2,165,424	0.195	-	-
25 Hatton National Bank PLC/ Mr. Gerad Shamil Niranjan Peiris	2,037,756	0.184	245,436	0.222
	867,040,753	78.260	82,094,324	74.099
Others	240,853,087	21.740	28,695,060	25.901
Total	1,107,893,840	100.00	110,789,384	100.00

* 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 issued Ordinary Shares of the Company to 1,107,893,840 Ordinary Shares.

GRI INDEX

General disclosure				Reference
GRI 102	General Disclosures	102-1	Name of the organization	06
GRI 102	General Disclosures	102-2	Activities, brands, products, and services	06
GRI 102	General Disclosures	102-3	Location of headquarters	05
GRI 102	General Disclosures	102-4	Location of operations	82
GRI 102	General Disclosures	102-5	Ownership and legal form	07
GRI 102	General Disclosures	102-6	Markets served	06
GRI 102	General Disclosures	102-7	Scale of the organization	10
GRI 102	General Disclosures	102-8	Information on employees and other workers	73
GRI 102	General Disclosures	102-9	Supply chain	90
GRI 102	General Disclosures	102-11	Precautionary Principle or approach	93
GRI 102	General Disclosures	102-12	External initiatives	97
GRI 102	General Disclosures	102-13	Membership of associations	90
Strategy				
GRI 102	General Disclosures	102-14	Statement from senior decision-maker	12
Ethics and integrity				
GRI 102	General Disclosures	102-16	Values, principles, standards, and norms of behaviour	105
Governance				
GRI 102	General Disclosures	102-18	Governance structure	104
Stakeholder engagement				
GRI 102	General Disclosures	102-40	List of stakeholder groups	34
GRI 102	General Disclosures	102-41	Collective bargaining agreements	79
GRI 102	General Disclosures	102-42	Identifying and selecting stakeholders	34
GRI 102	General Disclosures	102-43	Approach to stakeholder engagement	34
GRI 102	General Disclosures	102-44	Key topics and concerns raised	34
Reporting practice				
GRI 102	General Disclosures	102-45	Entities included in the consolidated financial statements	04
GRI 102	General Disclosures	102-46	Defining report content and topic Boundaries	04
GRI 102	General Disclosures	102-47	List of material topics	35
GRI 102	General Disclosures	102-48	Restatements of information	05
GRI 102	General Disclosures	102-49	Changes in reporting	05
GRI 102	General Disclosures	102-50	Reporting period	04
GRI 102	General Disclosures	102-51	Date of most recent report	04
GRI 102	General Disclosures	102-52	Reporting cycle	04
GRI 102	General Disclosures	102-53	Contact point for questions regarding the report	05
GRI 102	General Disclosures	102-54	Claims of reporting in accordance with the GRI Standards	04
GRI 102	General Disclosures	102-55	GRI content index	255
GRI 102	General Disclosures	102-56	External assurance	04

GRI Index

Specific Disclosures				Reference
GRI 201	Economic Performance	201-1	Direct economic value generated and distributed	34
GRI 201	Economic Performance	201-2	Financial implications and other risks and opportunities due to climate change	41
GRI 201	Economic Performance	201-3	Defined benefit plan obligations and other retirement plans	155
GRI 203	Indirect Economic Impacts	201-2	Significant indirect economic impacts	08
GRI 204	Procurement Practices	204-1	Proportion of spending on local suppliers	88
GRI 301	Materials	301-1	Materials used by weight or volume	93
GRI 301	Materials	301-2	Recycled input materials used	92
GRI 302	Energy	302-1	Energy consumption within the organization	94
GRI 302	Energy	302-4	Reduction of energy consumption	94
GRI 303	Water	303-1	Water withdrawal by source	95
GRI 303	Water	303-3	Water recycled and reused	95
GRI 306	Effluents and Waste	306-1	Water discharge by quality and destination	95
GRI 306	Effluents and Waste	306-2	Waste by type and disposal method	96
GRI 307	Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	97
GRI 401	Employment	401-1	New employee hires and employee turnover	73
GRI 401	Employment	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	75
GRI 401	Employment	401-3	Parental leave	75
GRI 402	Labour/Management Relations		Minimum notice periods regarding operational changes	75
GRI 403	Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	76
GRI 404	Training and Education	404-1	Average hours of training per year per employee	78
GRI 404	Training and Education	404-2	Programs for upgrading employee skills and transition assistance programs	78
GRI 404	Training and Education	404-3	Percentage of employees receiving regular performance and career development reviews	79
GRI 405	Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	79
GRI 413	Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	91

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).

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty Second (32nd) Annual General Meeting of the Company will be held by way of electronic means on 30th June 2022 at 9.30 a.m. centred at the Boardroom of the Company at No. 20, R A De Mel Mawatha, Colombo 03

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 2022 and the Report of the Auditors thereon.
2. To re-elect Mr. S M Liyanage, 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 79 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 79 years of age and that he be and is hereby 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 appoint Mr. L N de S Wijeyeratne who is 72 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 72 years of age and that he be and is hereby 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 2022/2023 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
31 May 2022

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 47 hours before the time appointed for the Meeting.

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.
 ofor failing him/her

Mr. Dhammika Perera	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
Mr. S H Amarasekera	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	

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 2022 at 9.30 a.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To re-elect Mr. S M Liyanage, who retires by rotation in terms of Article 87(i) the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2. To pass the ordinary resolution set out below to appoint Mr. R N Asirwatham who is 79 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 79 years of age and that he be and is hereby appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"	<input type="checkbox"/>	<input type="checkbox"/>
3. To pass the ordinary resolution set out below to appoint Mr. L N de S Wijeyeratne who is 72 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 72 years of age and that he be and is hereby appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorize the Directors to determine payments for the year 2022/2023 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).	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Twenty Two.

.....
 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 47 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. Dhammika Perera (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

Mr. S H Amarasekara

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

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



ROYAL CERAMICS LANKA PLC

No 20, R.A. De Mel Mawatha, Colombo 3, Sri Lanka.

www.rocell.com