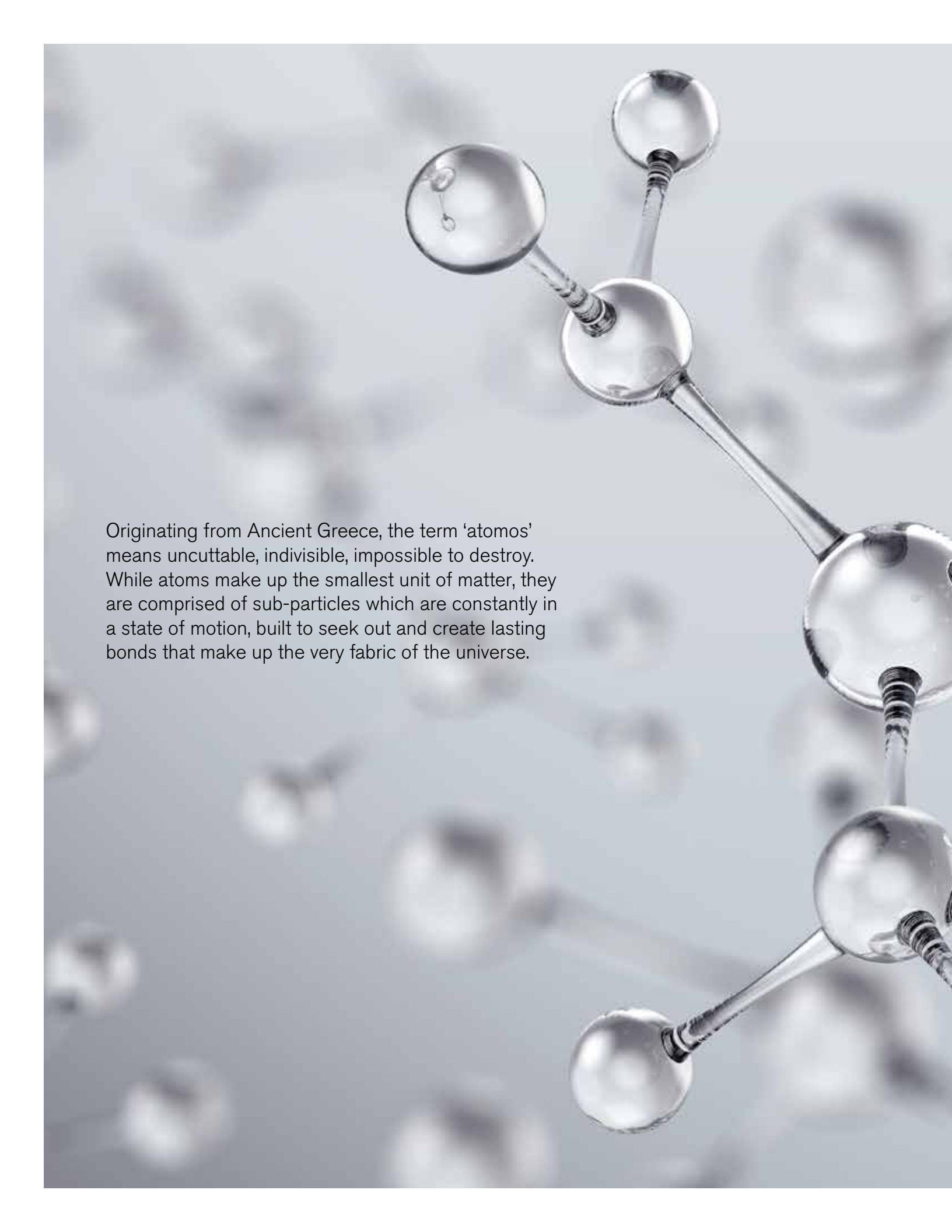


# INDOMITABLE





Originating from Ancient Greece, the term 'atomos' means uncuttable, indivisible, impossible to destroy. While atoms make up the smallest unit of matter, they are comprised of sub-particles which are constantly in a state of motion, built to seek out and create lasting bonds that make up the very fabric of the universe.











# INDOMITABLE

At Rocell, we have recorded a strong performance on multiple fronts, demonstrating a spirit of incredible resilience and tenacity during the year under review. Ours is a culture of agility, energy and resolve, reinforced by the widespread presence and enduring bonds we share with each and every stakeholder we serve.

While the COVID-19 pandemic caused a disruption across the global market during the course of the year, we are proud to state that your Company remained steadfast and strong, maintaining our momentum despite significant external forces.

As we explore the qualities and characteristics which drive us to achieve even amid an environment of uncertainty and intense pressure, we also revisit the partnerships, synergies and foresight that enabled our success since our inception. Today, as a result of our untiring efforts, we stand strong – pledging to sustain our legacy of stability and strength well into the future, as an indomitable force, built to last.





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## A POWERFUL CORE

WE ARE STRUCTURED TO ACHIEVE LASTING  
STRENGTH, BUILT ON WELL-BALANCED  
FUNDAMENTALS THAT DEFINE OUR TRUE NATURE.

*The core or nucleus of an atom consists of a base of protons and neutrons which are bound together by a strong nuclear force. These fundamental elements determine the atom's unique chemical identity.*

### An Overview

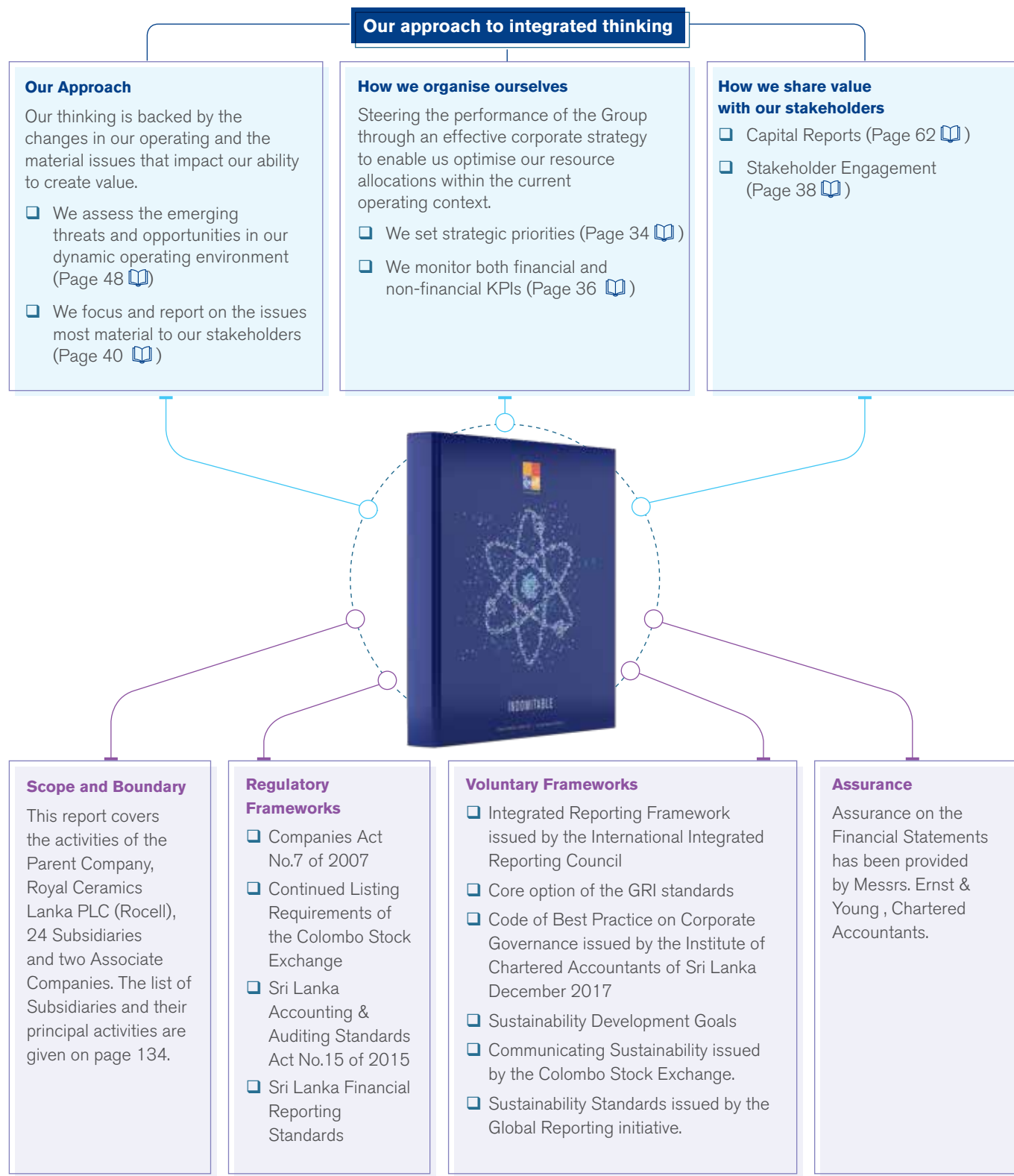
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# ABOUT OUR REPORT

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

This report explains the integrated thinking of the Board to create and protect the value drivers of our business. The strategic progress of our organisation over the last 12 months ended 31st March 2021 are discussed in the Annual Report.





## FORWARD LOOKING STATEMENTS

We have included forward-looking statements in this report, particularly in assessing risk and opportunities and discussion of our future plans which are based on our perceptions, opinions and views of external and internal information available to us at present as we believe these aid the assessment of the future performance of the Group. These statements, assessments and estimates have varying degrees of uncertainty associated with them which we will know only with the benefit of hindsight as they relate to future events, outcomes and impacts which are beyond our control. We believe the COVID-19 pandemic impacts significantly elevate the uncertainties above normal levels and advise users of this report to make their own judgements as the forecasts regarding the same remain extremely fluid and volatile 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.

## SIGNIFICANT CHANGES DURING THE YEAR

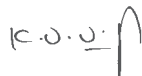
The report complies with all relevant voluntary and regulatory frameworks as described above. There were no re-statements of information nor changes to our reporting period during the year. The date of our most recent report was 31st March 2020.

## SUSTAINABILITY INFORMATION

The report includes sustainability information related to the material topics of the business. We used the guidelines issued by the Global Reporting Initiatives (GRI) to report key sustainability indicators of the Group.

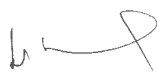
## ACKNOWLEDGMENT

The Board acknowledges its responsibility to ensure that the Annual Report provides a balanced view of its performance. All information contained in the Annual Report has been reviewed internally by the Senior Management.



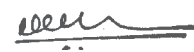
**Dhammika Perera**

Chairman



**L N de S Wijeyeratne**

Audit Committee Chairman



**Aravinda Perera**

Managing Director

## FEEDBACK AND INQUIRIES

Please contact;  
Mr. Haresh Somashantha  
Director Finance  
No. 20, R A De Mel Mawatha,  
Colombo 3  
Email: [haresh@rcl.lk](mailto:haresh@rcl.lk)  
Website: [www.rocell.com](http://www.rocell.com)







**Founded  
in 1990**

## WHO WE ARE

ROYAL CERAMICS LANKA PLC (Rocell) is one of the leading conglomerates in the country with a presence in Manufacturing, Agriculture and Mining sectors. Renowned for its specialisation and artistic excellence in surface coverings for over 30 years, the Rocell brand leads the industry with its best in class, modern and affordable product ranges at different price levels to cater to the interests of every consumer.

Our passion lies in creating masterpieces of high quality, functionality, and design that set trends in the architectural landscape of Sri Lanka and we consistently invest in technology and upskill our talents to remain competitive.



## A GLANCE AT THE ROCELL GROUP



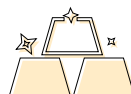
### Assets

**Rs. 66,140 Mn**



### Employees

**9,424**



### Revenue

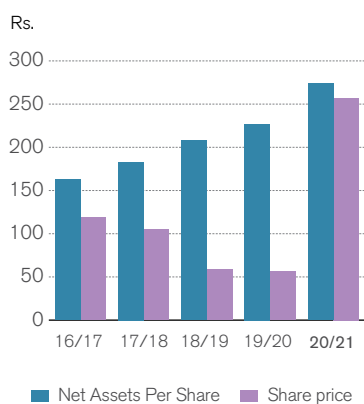
**Rs. 44,972 Mn**



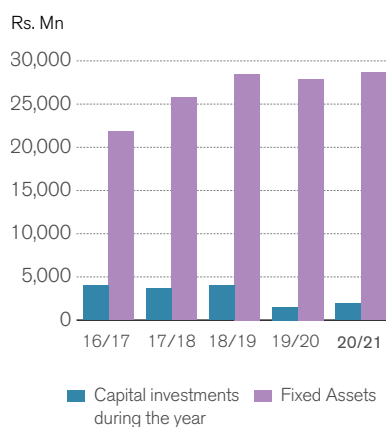
### Liabilities

**Rs. 24,163 Mn**

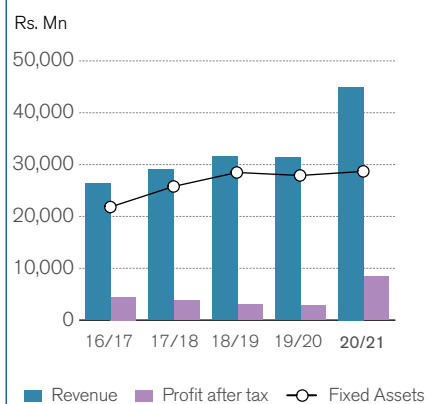
## THE INTRINSIC VALUE OF OUR GROUP



## OUR INVESTMENT

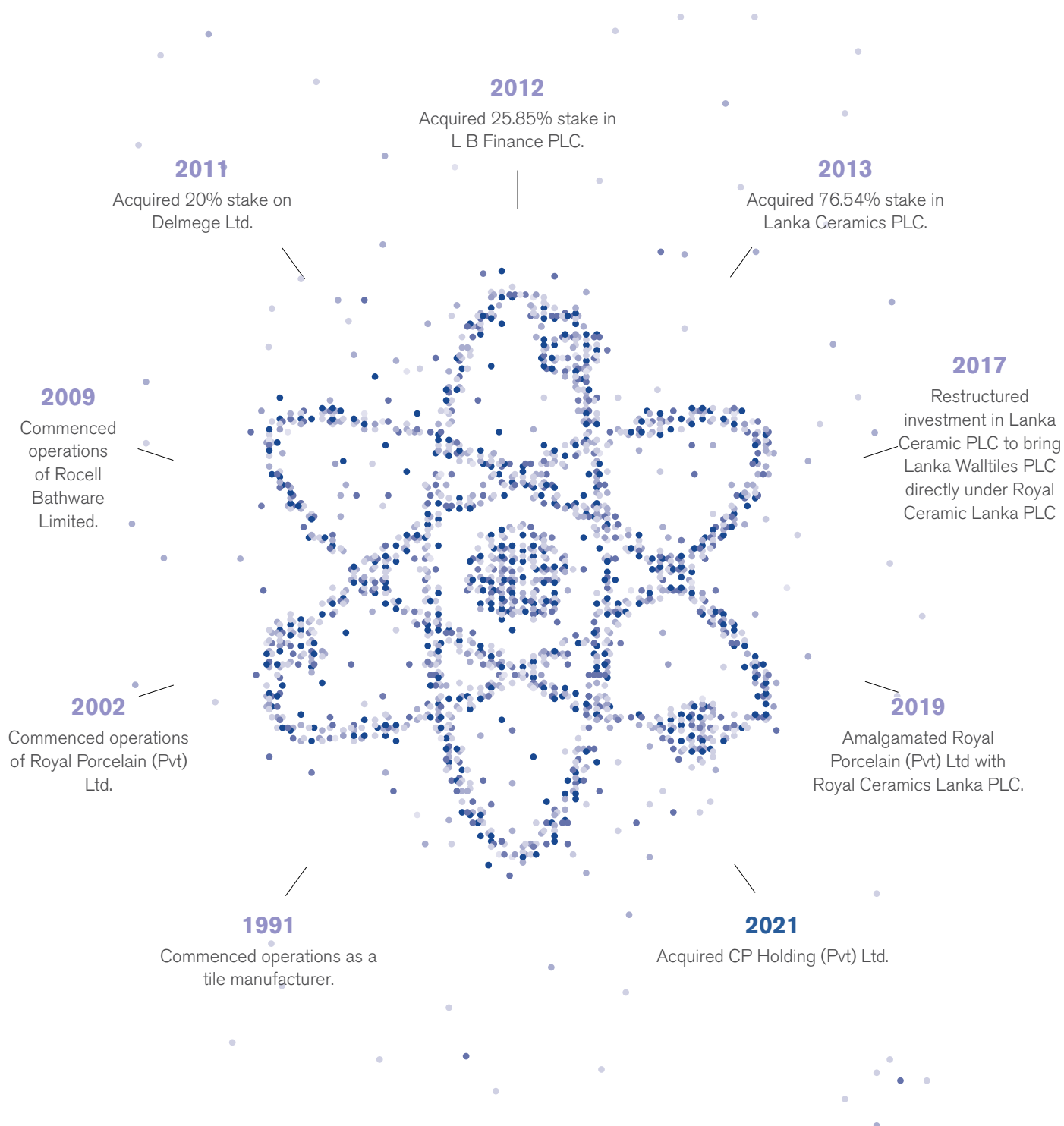


## OUR GROWTH





# MILESTONES

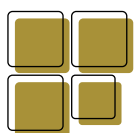




# OUR BUSINESS SEGMENTS

GRI - 102-2 | 102-6

Being a predominant manufacturer of tiles since 1990, the Rocell Group continues to be driven by the Tiles and Associated Products sector that forms 71% and 68% of Group revenue and profit after tax respectively.



## TILES AND ASSOCIATED PRODUCTS



Rocell manufactures and distributes tiles under two brand names namely Rocell and Lanka Tiles. We also manufacture and distribute tile mortar, tile grouts, decorative pebbles and wooden flooring under the brand name Swisstek. We predominantly operate in the local market in addition to our presence in 11 export regions.



## SANITARYWARE



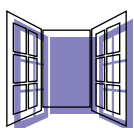
Rocell Bathware manufactures and distributes designer bathware collections of high quality conforming to international certifications to be on par with global brands. Our products reach seven export destinations. We also offer distinct and unique collections of bath and shower faucets, bathroom accessories and plumbing accessories.



## PLANTATIONS



Holds 6,159 hectares for the cultivation of tea, rubber and oil palm.



## ALUMINIUM



Manufactures high quality aluminium extrusions and a wide range of aluminium profiles.



## PACKAGING



Manufactures environmentally-friendly packaging materials customised to meet various industrial packaging needs.



## MINING

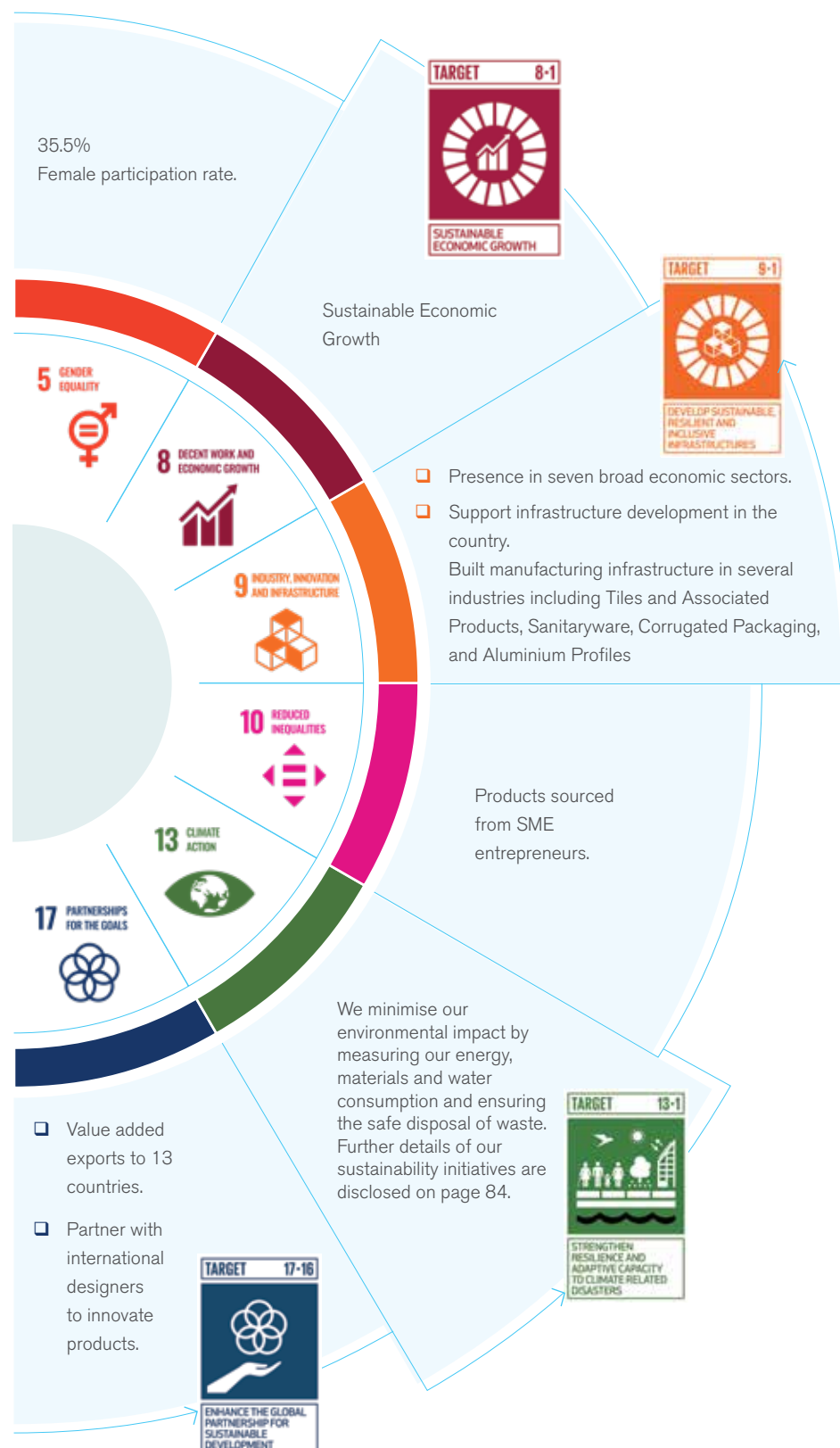


We hold 220 acres of mining land that provide ball clay, kaolin and feldspar for our manufacturing operations.



# OUR CONTRIBUTION TO THE SUSTAINABILITY DEVELOPMENTAL GOALS

GRI - 102-3 | 102-4



## DIRECT EMPLOYMENT



**9,424**

## INDIRECT EMPLOYMENT



**506** **73**

Dealers and Distributors

Franchises

## FOREIGN EXCHANGE



**Rs. 1,230 Mn**

Exports

## TAXES



**Rs. 1,309 Mn**

Direct

**Rs. 3,021 Mn**

Indirect

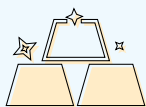
## IMPORT SUBSTITUTION



- Local manufacture of imported products such as sanitaryware and tiles and associated products.
- Supplied 1,258,320 SQM of tiles to importers during the year.



# FINANCIAL PERFORMANCE



**Revenue growth**  
**43.2%**



**Profit after tax growth**  
**204.8%**



**Assets growth**  
**1.5%**



**Liabilities growth**  
**(21)%**

Revenue  
**Rs. 44,972 Mn**  
(2019/20 : Rs. 31,412 Mn)

Operating profit  
**Rs. 11,183 Mn**  
(2019/20 : Rs. 5,929 Mn)

Profit before tax  
**Rs. 9,860 Mn**  
(2019/20 : Rs. 3,679 Mn)

Profit after tax  
**Rs. 8,418 Mn**  
(2019/20 : Rs. 2,761 Mn)

## Working capital management



Current Assets  
**Rs. 22,305 Mn**  
(2019/20 : Rs. 23,491 Mn)

Current Liabilities  
**Rs. 14,511 Mn**  
(2019/20 : Rs. 19,616 Mn)

Working Capital  
**Rs. 7,794 Mn**  
(2019/20 : Rs. 3,874 Mn)

Current ratio  
**1.54**  
(2019/20 : 1.2)

Quick assets ratio  
**0.77**  
(2019/20 : 0.33)

## Shareholder returns



Earnings per share  
**Rs. 5.54**  
(2019/20 : Rs. 2.33)

Dividend per share  
**Rs. 2.6**  
(2019/20 : Rs. 0.00)

Return on Equity (ROE)  
**20.1 %**  
(2019/20 : 8.0%)

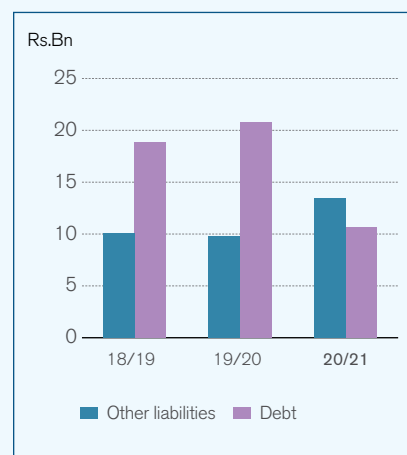
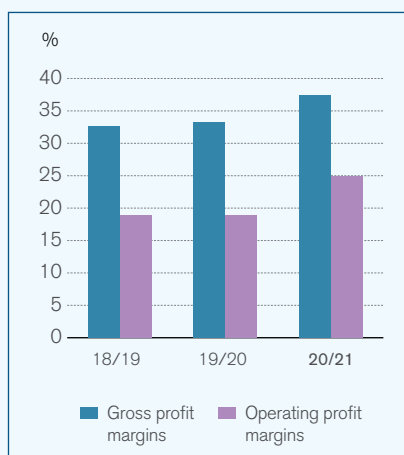
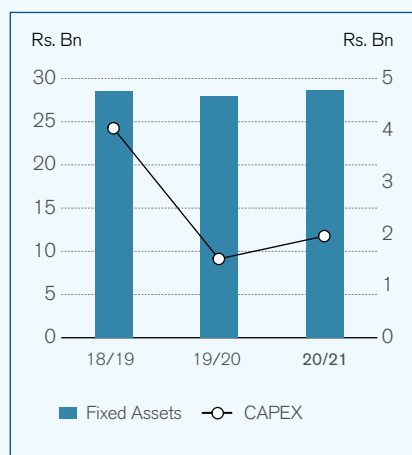
\*Adjusted post share split status

## Liquid assets








Cash and cash equivalents  
**Rs. 3,969 Mn**  
(2019/20 Over draft : Rs. 4,071Mn)

Fixed Deposits  
**Rs. 608 Mn**  
(2019/20 : Rs. 57Mn)





# NON-FINANCIAL HIGHLIGHTS

	Unit	2020/21	2019/20	Variance (%)
 <b>Human Capital</b>				
Number of employees	Number	9,424	9,626	-2%
Female participation	Number	3,352	3,473	-3%
New recruits	Number	1,486	1,883	-21%
Investment in employee learning	Rs.Mn	3	6	-50%
Average training hours per employee	Hour	5.7	5.33	7%
Employee retention rate	%	82	79	4%
 <b>Manufactured and</b>  <b>Intellectual Capital</b>				
Value of property, plant and equipment	Rs.Mn	17,258	17,044	1%
Capital expenditure	Rs.Mn	1,961	1,521	29%
Depreciation and amortisation	Rs.Mn	1,918	1,843	4%
Investment in R&D	Rs.Mn	115	110	4%
 <b>Social and Relationship Capital</b>				
Dealers	Number	383	349	10%
Distributors	Number	123	106	16%
Consignment agents	Number	13	12	8%
Showrooms	Number	59	57	4%
Factory outlets/hybrid showrooms	Number	35	28	25%
Franchises	Number	73	70	4%
Member in tilers' clubs	Number	5,030	4,725	6%
Number of suppliers	Number	4,527	4,355	4%
CSR expenditure	Rs.Mn	20.6	6.10	238%
 <b>Natural Capital</b>				
Raw materials consumed				
Minerals	MT	274,610	316,270	-13%
Aluminium billets	MT	5,522	4,943	12%
Energy consumption	Kwh	68,777,062	70,493,542	-2%
Water withdrawn	Ltr	421,302,335	372,101,116	13%
Effluents discharges	Ltr	187,582,744	196,239,332	-4%

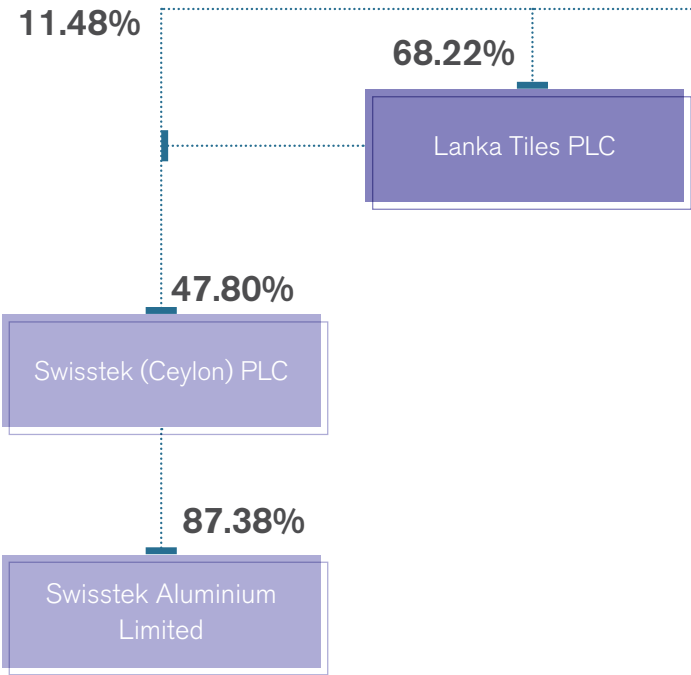
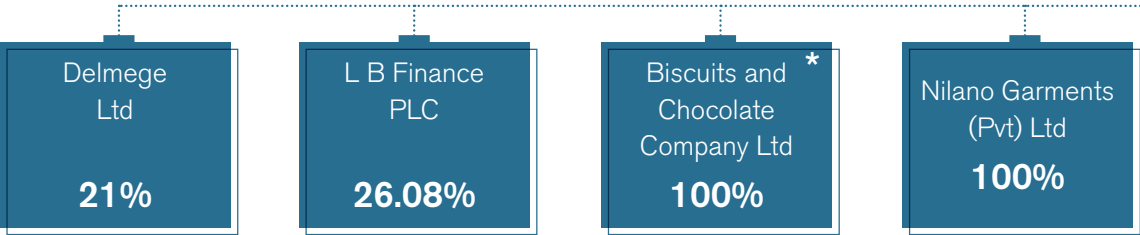


# OUR GROUP STRUCTURE



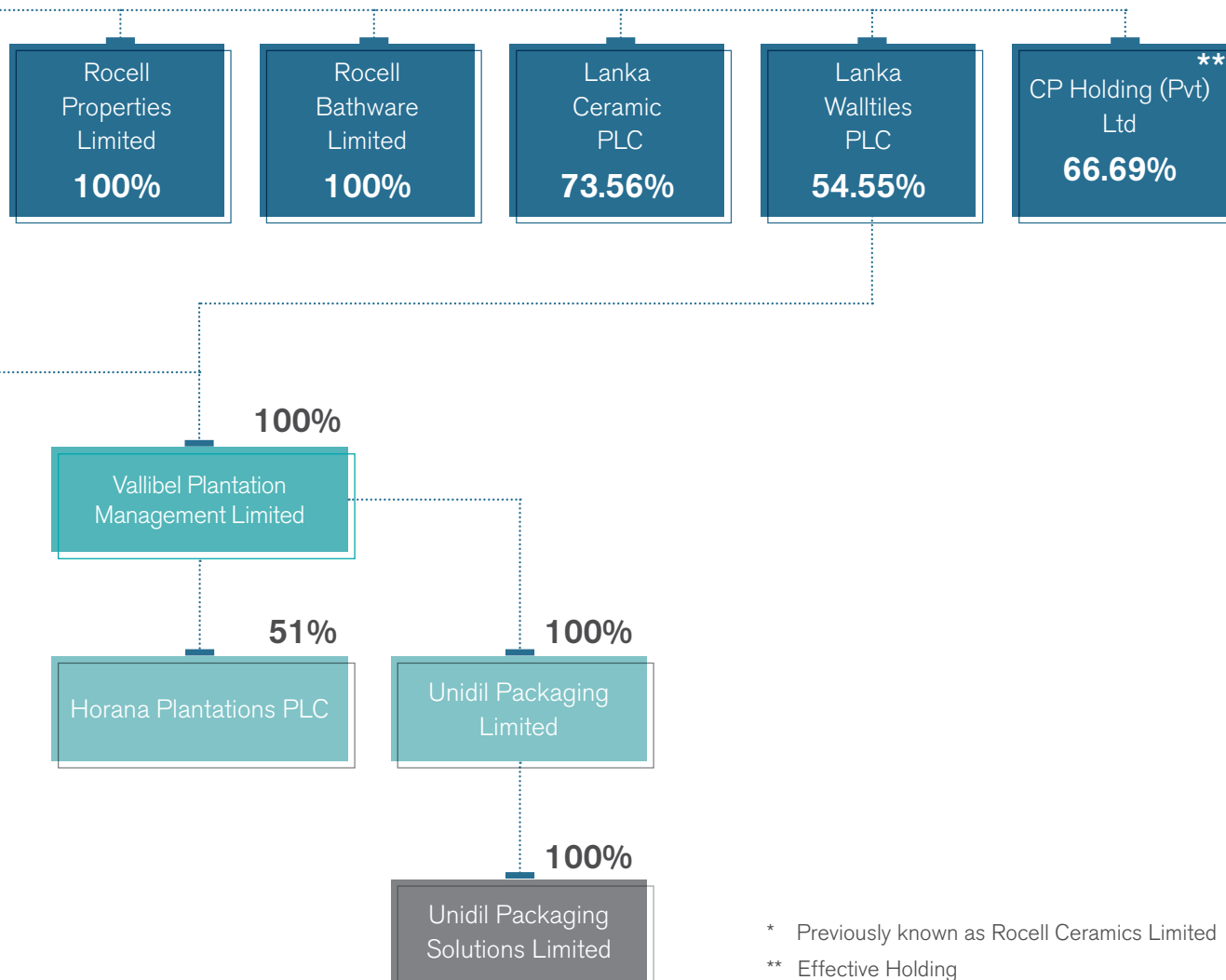
Eternal elegance

## Royal Ceramics Lanka PLC



Tiles and Associated Products	Sanitaryware	Plantations	Aluminium	





\* Previously known as Rocell Ceramics Limited

\*\* Effective Holding

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

Packaging



Finance



Other





## CHAIRMAN'S MESSAGE



WE ARE OPTIMISTIC AND BELIEVE THAT AGILE LEADERSHIP WILL BE KEY TO IDENTIFYING AND SEIZING THE OPPORTUNITIES THAT ARISE AS WE WORK TOGETHER TO DRIVE ECONOMIC GROWTH IN A POST-PANDEMIC ERA.

**20.1%**

ROE

**Rs. 2,880Mn**

Dividend for the year





## Dear Shareholders,

Royal Ceramics Lanka PLC Group shifted gears to a new growth paradigm to record profit after tax of Rs. 8,418Mn, a growth of 205% over the previous year, maintaining triple digit growth in the bottom line. Top line growth of 43% to Rs. 44,972Mn with positive growth across all sectors supporting high capacity utilisation and overhead recovery supported this impressive achievement in a year marked with disruptions and uncertainty. Investments made over the past three years gave the Group a significant advantage, particularly in the Tiles and Associated Products Sector, which contributed 68% of Group profit after tax.

### VALUE TO STAKEHOLDERS

As the pandemic scenario unfolded, the Group adopted a stakeholder focus which served as a compass during the year in every area of activity as we sought and seized opportunities identified through a stakeholder lens. Our first major decision during lockdown was to communicate to employees that their jobs would be in place and that there would be no pay cuts, easing their anxiety as job losses and pay cuts increased sharply. I believe that their redoubled commitment provided the momentum for the performance of the Group.

As we eased out of the lockdown, it was important to ensure that livelihoods of people dependent on our products were supported and we commenced distribution of products to each province as it resumed economic activity. Customer and employee safety remained key priorities throughout the year. The product mix was changed to cater to the demand from the domestic market as demand surged in the wake of import restrictions imposed to manage the balance of payments and defend the currency.

Improved performance and reduction of Rs. 10Bn in borrowings during the year unlocked further value for shareholders who benefited from interim cash dividends of Rs.14 per share and a steep rise in the value of the share from Rs. 55 to Rs. 257 during the reporting year. Shareholders have also been able to unlock further value since the close of the year through the sub-division of shares completed in April 2021. The Board is also proposing a final dividend of Rs. 1.2 per share after the share split which forms part of the agenda of the Annual General Meeting.

### DEMAND DYNAMICS

This was a year of focusing on our core strengths, manufacture of innovative and high quality products. Despite the subdued consumer sentiment and halt on construction activity, our factories commenced production in April with safety measures in place, a motivated staff and cooperative unions.

As lockdowns eased, consumers became more discerning, carefully balancing value for money as the uncertainty became a norm. Capital outflows from the stock market, reduced exports and a growing balance of payments deficit resulted in the imposition of import restrictions. The accommodative stance on monetary policy also ushered in a low interest regime making housing loans more affordable. These factors coupled with a strong 3rd quarter in 2020 saw an interest in housing and renovations activity. These factors supported the unprecedented demand for tiles and sanitaryware with demand exceeding supply in the second half of the year.



## CHAIRMAN'S MESSAGE



Sanitaryware also had a good year with strong demand from original equipment manufacturers who insisted on factories recommencing operations to manufacture the specialised products on order. Their interest in production has continued during the year and innovation in sanitary and bathware continues to remain a key focus area, supporting growth of both the export and domestic market.

The unique positioning of Swisstek and its collaboration with Etem has enabled this innovative Company to position itself at the higher end of the value chain as a supplier of aluminium products for landmark projects in the country. This year saw this Company move into the retail market with fabricated aluminium products which boosted both the top line and the bottom line as demand from the Construction sector was at a low ebb.

Demand dynamics in the Plantation sector were supported by the early positioning of Sri Lanka as a reliable supplier of tea with tea auctions going live in April 2020 which supported favourable prices. Demand for rubber also increased with import restrictions as well as an input to personal protective gear. While demand dynamics remain favourable for palm oil, government policy remains unfavourable with a severe impact on this important import substitution industry.

### GOVERNANCE

The Board increased oversight with the onset of the pandemic, initially with biweekly web conferences to review and monitor operations and progress of each sector which remained in place during the first quarter. Risk management and liquidity management were key items on the agenda for all businesses which supported alignment of priorities to suit the business landscape. The experience and insights gained during this year are extremely valuable and will strengthen the oversight role of the Board in the year ahead.

The Board reviewed the Articles of Association and recommended changes to update the same in line with the Companies Act No.7 of 2007 which was approved by the shareholders at an Extraordinary General Meeting convened for the purpose, held virtually due to safety precautions. The Board also recommended the sub-division of each share of the Company into 10 shares increasing the number of shares issued from 110,789,384 to 1,107,893,840. The issued share capital remained the same at Rs. 1,368,673,373. The sub-division of shares became effective on the approval of the Articles of Association and receiving approval from the Colombo Stock Exchange and was subsequently completed on April 22, 2021.

We welcome to the Board Mr. Sanjeewa Jayaweera and Mr. Jitendra Gunaratne who bring with them years of experience in leading corporates in the country.

### THE ROAD AHEAD

The forecasts for growth are encouraging with the global roll-out of vaccines and people adapting to living and working in a socially-distanced world. While the impact on sectors such as Tourism and Entertainment has been devastating due to the high level of contact required, other sectors have largely adapted to the reset world, integrating health and safety into its routines. We are also encouraged by the uptick on world trade, the upward revisions of global growth by the International Monetary Fund and the current pro-growth monetary and fiscal policy which supports an economic recovery. Concerns remain on the duration of the pandemic, volatility of the exchange rate and policy changes and these will continue to be monitored during the year.

For the Tiles and Associated Products sector, we plan to pursue exports more aggressively to increase foreign exchange earnings. The Group's uncompromising focus on quality and the new formats supported by our investments in previous years support this agenda. We will need to increase capacity by 10-20% to cater to the excess demand in the domestic market and expected growth in exports. For bathware, we will invest in enhancing our capacity with the positive interest from the domestic market as well as the original equipment manufacturers. Swisstek Aluminium will continue its growth trajectory with renewed focus on the export market although the subdued performance of the domestic Construction sector will be a key factor. The recent ban on agrochemicals and the uprooting of oil palm plantations will have an adverse impact on Horana Plantations and the Board will monitor developments in this regard carefully.



The level of uncertainties in the Group's outlook are elevated more than in previous years as the country struggles with the third wave of the pandemic. However, we are optimistic and believe that agile leadership will be key to identifying and seizing the opportunities that arise as we work together to drive economic growth in a post pandemic era.

## **ACKNOWLEDGEMENTS**

On behalf of the Board, I thank all the employees of the Rocell Group who have stepped up to deliver exception performance in a year of unparalleled business disruptions. Special mention must be made of the leadership provided by the Chief Executive Officers and their management teams who have inspired and motivated their staff, facilitating their adaptation to new ways of working. We also thank our business partners who support our operations in numerous ways and count on their support in the year ahead.

I take this opportunity to thank my fellow Board members who have increased their vigilance and guided the Group during the year. I conclude by thanking the shareholders for their encouraging support and confidence and look to unlocking value in the year ahead.



**Dhammika Perera**

Chairman



# MANAGING DIRECTOR'S MESSAGE

## Dear Stakeholders,

Royal Ceramics Lanka PLC recorded a consolidated profit after tax of Rs. 8,418Mn for the financial year ending March 2021 which is an increase of 205% over the previous year, overcoming multiple challenges stemming from the global COVID-19 pandemic. It is noteworthy that all sectors improved performance during the year with the reflecting agile leadership, and the winning mindset of teams across the Group that worked tirelessly to deliver the impressive results set out in this report. The early decision to retain all employees with full pay during the lockdown was amply rewarded by their wholehearted commitment to be part of a resurgence of the Royal Ceramics Group.

## CHARTING A NEW COURSE

The year commenced under lockdown due to the onset of the COVID-19 pandemic with all showrooms and factories closed including some of the kilns. Factories continued to incur costs even while they were shut down and the outlook was uncertain. Construction activity came to a virtual halt, particularly in the Western Province. At this time as global retrenchment numbers increased daily, Royal Ceramics took a decision to provide

job security for employees and also to pay their normal salaries. Undeterred, we commenced the annual maintenance of the factories typically done during the April festive season and commenced work as soon as possible. Our showrooms outside the Western Province were the first to open and we supplied their requirements, enabling plumbers, masons and tilers to recommence work, ensuring their livelihoods. By mid-May all factories were operational and moving towards higher levels of capacity utilisation.

The twin health and economic crises resulted in wide-ranging import restrictions which posed some challenges to importers and import-based manufacturers. This supported demand factors although the Group did not request nor lobby for such measures to protect the local industry. The past five years have witnessed the gradual decrease in border tariffs which increased competition from imports. Nevertheless, ceramics and glass producers have met with the Government of Sri Lanka to make it clear that we only requested an equitable tariff to avoid dumping. Unavailability of imported inputs hampered production, necessitating a dialogue and we were able to import these with measures in place to ensure compliance with restrictions.

Excess demand over production caused product shortages during the year despite the factories reaching the highest levels of capacity utilisation during the year. However, these were managed during the year through high levels of collaboration between teams.

## SAFETY AT ROCELL

We maintained a continuous dialogue with the staff as the pandemic resulted in increased anxiety over job security and access to cash to support their families. Despite the closure of factories and showrooms, we assured them of their jobs although we were closed in April 2020. Festival advance was also paid at a higher rate than the previous year despite difficulties with fund transfer issues to ease their cashflows. Employees at the factory were also given money to their hands at the time of the lockdown to ease their difficulties.

We insisted on 100% compliance with COVID protection at all factories when re-opening as many communities where factories are located were affected. The trade unions were supportive in implementing the protocols as well, which enabled us to continue operations with minimal disruption due to employee infections. Protocols were also implemented at our showrooms to secure the safety of employees as well as customers. The main warehouse was a pressure point and we had to take additional precautions to ensure that loading and unloading visitors also work within the required health guidelines. Despite these measures, we had a closure of this facility due to multiple infections. Measures implemented included PCR testing on a needs basis at a private hospital.





ALL SECTORS CONTRIBUTED TO THE IMPROVED PROFITABILITY OF THE GROUP AS PBT INCREASED BY A MULTIPLE OF 2.7 TO RS. 9,860 MN AS WE WORKED TOGETHER TO OVERCOME THE WIDE-RANGING CHALLENGES THAT CONVERGED IN AN EXTRAORDINARY YEAR.

**43.2%**

Revenue growth

**205%**

Profit after tax growth

**21.23%**

ROCE





## MANAGING DIRECTOR'S MESSAGE

At Head Office, senior staff were split into two teams to ensure there was business continuity. Head Office needed to be closed thrice and we continue to support work from home with discretion given to heads of department to determine operations. All events were cancelled due to threat of contagion. While it was an anxious year, I believe we have managed well considering the challenges to the people's health.

### A PHENOMENAL YEAR FOR THE COMPANY

The Company recorded profit after tax (PAT) of Rs. 3,285Mn, a growth of 408% over the previous year's profit after tax of Rs. 647Mn. Top line growth of 94% to Rs.12,524Mn was strongly supported by an exponential demand in tiles, partly due to the import restrictions imposed to defend the rupee by the Government. Operating margins improved significantly due to a near doubling of Gross profit to Rs. 6,370Mn while Operating expenses increased by 29.4%, this was easily absorbed by the increased gross profit.

The demand for tiles and sanitaryware increased exponentially as competition decreased due to import restrictions imposed to defend the rupee in view of the country's economic issues. Rocell expanded its presence with the opening two new showrooms to cater to increased demand. As demand dynamics changed and economic activity normalised, sales exceeded all budgets by the third quarter to record the best top line performance during the year.

Investments in expanding capacity over the past was key to meeting demand of a more discerning consumer as it enabled us to cater to contemporary trends with a range to suit varying tastes and budgets. The four tile factories at Eheliyagoda, Horana, Ranala and Meepe and the Sanitaryware factory at Panagoda operated at full capacity.

**EXCEPTIONAL PERFORMANCE IN A YEAR OF UNCERTAINTY STRENGTHENED THE CONSOLIDATED BALANCE SHEET OF THE GROUP. TOTAL EQUITY INCREASED BY 21.5% TO RS. 41,978MN REFLECTING INCREASED VALUE TO SHAREHOLDERS AS NET ASSETS PER SHARE INCREASED FROM RS. 22.69 IN MARCH 2020 TO RS. 27.44 IN MARCH 2021.**



Higher capacity utilisation enabled improved overhead absorption facilitating improved profitability. Additionally, the implementation of Total Productive Maintenance over the past four years enabled significant savings of around Rs. 500Mn for the financial year due to higher yields, lower rejects and faster processing times.

Accordingly, the Company strengthened its balance sheet with equity increasing from Rs. 14,585Mn to Rs. 16,513Mn although total assets remained in line with the previous year. The quick asset ratio improved from 0.23 in the previous year to 0.61 reflecting the movement of inventory during the year. The current ratio also improved from 0.88 to 1.16 due to the repayment of Rs. 5.6Bn in short-term borrowings due to an increase in customer advances for tile and sanitaryware, reflecting the strong pipeline of projects in hand.

Debt equity ratio improved from 53% in March 2020 to 23% as at March 2021 reflecting the financial stability of the Company and headroom for growth as we look to navigate another year of uncertainty.

### A STELLAR YEAR FOR THE GROUP

The Rocell Group also delivered top line growth of 43.17% to record Rs. 44,972Mn during the financial year due with all sectors contributing with the contribution from the Tiles sector accounting for 75.1% of the increase. Similarly, all sectors contributed to the improved profitability of the Group as profit before tax increased by a multiple of 2.68 to Rs. 9,860Mn as we worked together to overcome the wide-ranging challenges that converged in an extraordinary year.



## TILES SECTOR

The Tiles sector blazed a trail delivering 57.24% growth in the top line to reach Rs. 31,975Mn in sales with Rocell accounting for 39% while the Lanka Walltiles Group accounted for the balance 61%. Profit after tax of this sector improved by a multiple of 2.24 to Rs. 5,834Mn supported by high capacity utilisation, improved working capital cycles and decreased finance costs. Investments in expansion and modernisation at factories undertaken over the past three years enabled this sector to cater to the increased domestic demand while also moving to large format tiles and new designs in line with global trends. Net assets of the sector improved significantly as borrowings were repaid, strengthening the liquidity and financial stability of the companies in this sector.

## SANITARYWARE

Sanitaryware also delivered a strong performance with top line growth of 32.11% to Rs. 3,317Mn supported by strong demand from exports as well as the domestic market. Profitability of the sector increased from Rs. 10Mn in 2019/20 to Rs. 303Mn due to high capacity utilisation, strong demand from both the export and domestic markets and a halving of finance costs. The sector continued to innovate introducing new products and have a strong pipeline of new products which will support performance in the year ahead. Repayment of borrowings improved the net assets of this sector, positioning it for growth.

## PLANTATIONS

Plantations recorded 20.61% top line growth with favourable prices for tea, rubber, oil palm and minor crops. Consequently, losses reduced from Rs. 497Mn in 2019/20 to Rs. 94Mn despite the drought which affected the tea in the early part of the year and infections which impacted the rubber plantations.

Government policy is unfavourable to the continuation of oil palm operations and we are deliberating our options in this regard. The government mandated wage hike of Rs.1,000 for plantation workers will be an added burden to the plantation sector as it is not linked to productivity.

## PACKAGING

The Unidil Packaging Group recorded modest top line growth of 3.5% to reach Rs. 4,182Mn for the financial year. Profitability improved by 64% to Rs. 345Mn supported by favourable raw material prices in the first half of the year, productivity improvements and minimisation of waste. Investments in printing machinery supported significant process efficiencies and capacity expansion supporting bottom line growth as well as strict control over discretionary costs. A culture of "Quality First" and awareness of sustainability underpins the performance of this Group.

## ALUMINIUM PRODUCTS

Swisstek Aluminium delivered a strong performance, recording top line growth of 20% to Rs. 3,894Mn and turning around from a loss of Rs. 40Mn in 2019/20 to a profit of Rs. 342Mn for the reporting year. Focus on increasing value addition in products supported the positioning of this Company to participate in large infrastructure projects and the construction of high rise buildings. Winning iconic projects such as Cinnamon Life has supported the rebound of this innovative Company which continues to uphold its focus on quality as its main competitive edge.

## FINANCE

LB Finance which is an Associate Company of the Group contributed Rs.1,775 Mn to the Group's Profit After Tax which amounted to 20% of the total. This was an increase of 30% over the previous year despite the concessions

on overdue interest for six months and moratoria extended to support customers through the economic hardships experienced during the year. Additionally, import restrictions on motor vehicles led to the degrowth of the Leasing portfolio although this was largely offset by the increase in Loans and advances. An agile Company with an island-wide footprint and a visible brand, L B Finance continues to be the leader in the country's Non-Bank Financial Institutions sector and a stable contributor to the Group's bottom line.

## VALUE TO SHAREHOLDERS

Exceptional performance in a year of uncertainty strengthened the consolidated balance sheet of the Group. Total equity increased by 21.5% to Rs. 41,978Mn reflecting increased value to shareholders as net assets per share increased from Rs. 22.69 in March 2020 to Rs. 27.44 in March 2021 (Adjusted post share split status). This reflects the increased financial stability of the Group as overall debt equity improved from 60% to 25% as the Group reduced interest bearing borrowings by Rs. 10.1Bn. Working capital management improved significantly as evidenced by the improvement in the current and quick asset ratios from 1.2 to 1.54 and 0.33 to 0.77 respectively largely due to movement of inventory by the Tiles sector. Consequently, the Group is well positioned to navigate another year of uncertainty and volatility as the pandemic continues to disrupt lives a year after its onset.

Stable cashflows and a strong financial position enabled the Group to declare two interim dividends of Rs. 0.30 and Rs. 1.10 post split per share and the final dividend of Rs. 1.20 per share amounting to a total of Rs. 2,880Mn.



## MANAGING DIRECTOR'S MESSAGE

Market capitalisation of the Group increased by 360% to Rs. 28.4Bn as at 31st March 2021 with the renewed interest in the Colombo Stock Exchange by investors. The share price moved from Rs. 55.90 at the beginning of the year to a high of Rs. 439.50 and a low of Rs. 47.00, closing the year at Rs. 257.00. The sub-division of shares in April 2021 has enhanced the value further with market capitalisation increasing to Rs. 38.7Bn by 30th April 2021.

### A SUSTAINABLE MINDSET

The Rocell Group continues to integrate sustainability into its operations with a philosophy that long-term growth and profitability and sustainability are aligned. Investment decisions evaluate the impact on people and the planet while productivity and efficiency initiatives are mainly focused around responsible consumption. A number of environmental certifications support our commitment to the planet while significant investments in renewable energy, energy efficiency initiatives, improving yields and minimisation of waste enabled savings of over Rs. 725Mn in the reporting year.

The Group's commitment to people is evinced by the decision to provide job security and maintain salaries of all employees, a decision made during the lowest sales for the Group with showrooms closed. All businesses have undertaken community projects in areas where the businesses are located, supporting local communities through a difficult year.

During the year the group of companies collectively invested on a land with rich ball clay deposits with an investment of Rs. 340Mn ensuring sustainability of the tile manufacturing operation.



### OUTLOOK

We expect the macro environment to remain resilient despite concerns on sustainability of debt servicing and the moratoriums extended which prevented a number of business failures. Corporate performance has been good and the paddy farmer is also doing well supporting food security and a resurgence of the agriculture sector. The export sector is also doing very well and imports restrictions are being eased gradually. The main sectors impacted are Tourism and Travel, which continue to be beset with uncertainty. However, the recent wave of the pandemic with new strains and delayed access to vaccines poses a threat.

Sri Lanka's demand for tiles and sanitaryware exceeds production while China and India produce in excess of their domestic requirement. Large manufacturing countries normalising will pose a threat as it may lead to dumping as competition among nations intensifies. Subdued demand in key markets for these countries may also result in excess, although production may have slowed for COVID. Consequently, we expect the demand dynamics to remain fluid in the year ahead as the path of the pandemic continues to blur forecasts.

We will pursue export opportunities to support growth of the Export sector as the recent investments in modernizing our plants have increased our ability to compete in international markets. A strong order book for sanitaryware is encouraging and plans to roll-out antibacterial and hydrophobic lines and new finishes which are now in trials strengthen our proposition.

The Group will continue its expansion with 10-20% capacity and increasing focus on value addition. However, we will take a cautious approach to further capacity expansion through new lines as demand factors remain uncertain with high levels of potential volatility. Establishing a new warehouse as a backup location for our Meegoda warehouse is also on the cards.

Main warehouse in Meegoda is a nerve centre. We are looking at establishing another similar warehouse as a backup location. We will continue to pursue sustainable innovations to reduce impacts on the planet and have identified solar rooftops, recycling waste gas from kilns as potential investments for the next year. Integration of new technology is key to minimising our carbon footprint and we are constantly on the look out for solutions.



The Group invested in a large property as a buffer for raw materials. Projects are there to look at alternative materials and technology to address materials issues. Changes need to be done under highly controlled conditions as our productivity depends on yields which is impacted by variability of inputs. We are also working with suppliers and consultants to enhance efficiency of bathware line and working towards solutions to drive energy efficiency.

### **UNCERTAINTY, RISKS & OPPORTUNITY**

Considerable uncertainty surrounds the forecasts for growth of both the local and global economies. However, as every crisis comes with its own opportunities, we remain optimistic that we will be able to compete effectively with more headroom to pursue market development.

Government policy will be a key factor as its impact is multifaceted. The import restrictions were a positive factor and easing will change the dynamics. Plantations are impacted by several policies including the ban on agrochemicals and oil palm which will have long term consequences for the sector on productivity and profitability. Policy interest rates have remained low but we expect an increase as economic conditions ease barring a prolonged wave of the pandemic.

External factors that are of concern include the volatility of the exchange rate which has inclined by 6.5% for the first quarter of 2021 as the Group's has a considerable quantum of imported raw materials. Unidil has already witnessed an increase in raw materials prices by 70% towards the close of the year and expect this to increase in the year ahead with little headroom to pass on increases to customers. Aluminium also will be impacted by the exchange rate and increasing prices of metals which will exert pressure on margins.

Despite these potential risks, we see opportunity due to the US - China decoupling and a strong financial position for investing in market development, hedging the exchange rate risks through increased exports. Our domestic market also presents a lucrative market with room for growth and capture of market share as import restrictions ease.

### **ACKNOWLEDGEMENTS**

Firstly, I must thank the staff of the entire Rocell Group who upheld our confidence and trust and delivered a performance that was hard to imagine at the start of the financial year. I commend the leadership provided by the CEO's of the Rocell Group who upheld our values and provided the leadership necessary to navigate a disruptive year, making it one to be remembered.

I thank the Chairman and the Board for their foresight, counsel and increased oversight during the year. My senior staff showed leadership to activities they control and a significant strength to me as Managing Director. To our customers I extend my sincere thanks for your enthusiastic response during the year. I thank our business partners for working together with us in a difficult year. In conclusion, I thank our shareholders for their trust and confidence and look forward to delivering increased value in the year ahead.



**Aravinda Perera**  
Managing 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, Plantations, 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 Limited, 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 LB Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya 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 is presently the Chairman of Singer Finance Lanka PLC. He is also a Director of Pan Asia Banking Corporation PLC, Rocell Bathware Ltd and 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 the 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 Post 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 Jayewardenepura University. He was honoured with the “Award for the Outstanding Contribution to the Banking Industry – 2015” by the Association of Professional Bankers and was also awarded an Honorary Life Membership by the Association of Professional Bankers in October 2018.





### **MR. A M WEERASINGHE**

#### **Deputy Chairman**

Founder of Royal Ceramics Lanka PLC in 1990. A gem merchant by profession. Mr. Weerasinghe has been in the business field for more than 37 years involved in Real Estate, Construction, Transportation and Health Care industries and has been a Landed Proprietor. In addition to the above, he is the Chairman of Lanka Ceramics 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 Ceramics 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 AMARASEKARA**

#### **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.



## BOARD OF DIRECTORS



### **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, Dankotuwa Porcelain PLC, Colombo City Holdings PLC, Three Acre Farm PLC, Ceylon Grain Elevators PLC, Yaal Hotels Private Limited and Renuka Hotels Private Limited. Mr. Asirwatham also serves as a Member of the Board of 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 from January 1997 to June 2008 and also held Senior Management positions at Aitken Spence & Company, Brooke Bonds Ceylon Ltd and Zambia Consolidated Copper Mines Ltd.

He also served as a 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.

#### **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 currently serves on the Board of Directors of Delmege Limited, Fly Lankan Asia (Pvt) Ltd. and Media Monkey (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. SAJEEWA 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 was part of the core team in the highly successful entry of the John Keells Group Hotel sector entry to the Republic of Maldives in 1996, the turnaround of the Keells Super Market chain 2012-2013 and the exponential growth in revenue and profitability of Ceylon Cold Stores PLC resulting in a 250% growth in share price over two years in 2015-2017.

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



## BOARD OF DIRECTORS



### 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 Ceramic Lanka PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Lanka Ceramics 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**  
General Manager Manufacturing



**Anura Jayatissa**  
Head of Bathware Factory Complex



**Kumudu Keerthirathna**  
Head of Eheliyagoda Factory Complex



**Dhammika Ranaweera**  
Head of Horana Factory Complex



**Wasantha Sarathchandra**  
Group Finance Controller



**Sidath Rodrigo**  
Head of Retail



## THE CORPORATE MANAGEMENT



**Chathura Wijesuriya**  
Head of Human Resources



**Thilini Guneratne**  
Chief Internal Auditor



**Nalin Fernando**  
Head of IT



**Sudeeptha Seneviratne**  
Head of Brands



**Rohan Mendis**  
Senior Export Manager

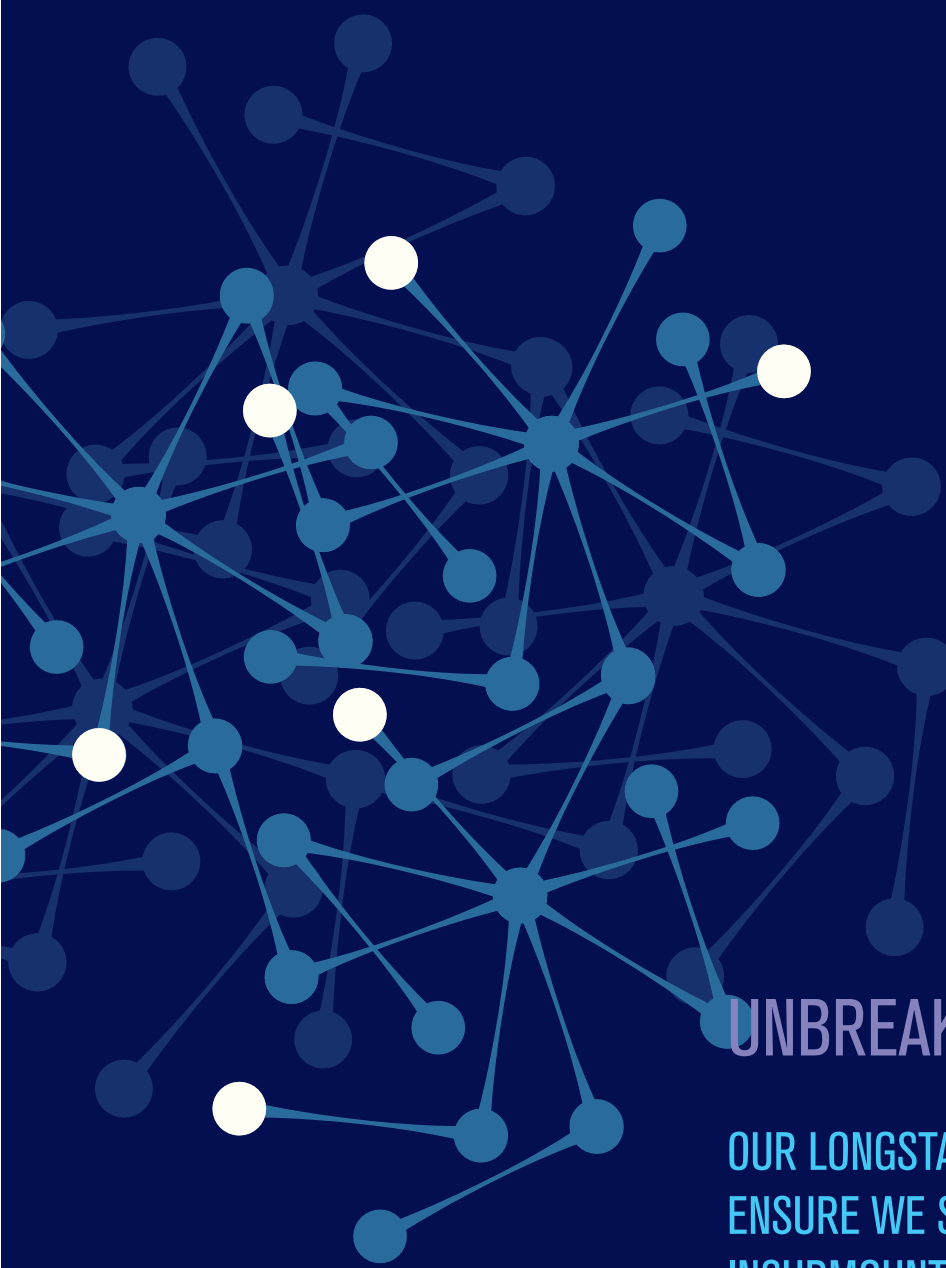


**Shammika De Silva**  
Head of Warehouse Operation



**Upul Disanayake**  
Senior Manager - Logistics





# UNBREAKABLE BONDS

OUR LONGSTANDING PARTNERSHIPS  
ENSURE WE STAND STRONG AGAINST  
INSURMOUNTABLE ODDS.

*Atoms often share bonds with neighbouring atoms to  
achieve an ideal state of stability and strength.*

## Strategy

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# THE STRATEGIC REPORT

## VALUE CREATION

This section describes how our business model creates value to our stakeholders. We summarize our key challenges, how we managed our business model and the KPIs used to measure the value created.

### OUR RESOURCES

We depend on our resources and relationships to create value to our stakeholders.



#### Financial Resources

- Equity Rs: 41,978 Mn
- Debt Rs: 10,688 Mn



#### Our Infrastructure

- Manufactured Capital - Rs. 17,258 Mn



#### Our Stakeholders

Relationships with consumers, business partners and local communities



#### Our People

- 9,424 Employees



#### Our Intellectual Capital

- Product brands



#### Natural Resources

- Mining and silica land

### WHAT WE CREATE

#### PRODUCTS



##### Tiles and Associated Products

The Rocell Group is renowned as a design icon in the surface coverings industry.



##### Sanitaryware

Our products meet global certifications.



##### Plantations

We own 6,159 hectares of diverse crops.



##### Aluminium

We manufacture aluminium profiles.



##### Packaging

We supply corrugated packaging material to diverse industries.



##### Other

We provide raw materials to ceramic industry

#### ACCESS POINTS

##### Own Showrooms

59

##### Franchise Showrooms

73

##### Factory Outlets/Hybrid showrooms

35

##### Dealers

383

##### Distributors

123

##### Digital access points such as

- Tilers app
- Facebook
- Corporate website

#### FULL FLEDGE VALUE CHAIN

1

**We source our raw materials** from own clay mines and well-established supplier network.

2

**Manufacture.**  
The Rocell Group owns eight manufacturing facilities.

3

**Design and develop** designs to suite both niche and mass consumer markets.

4

**Brand and sell**  
Eight flagship brands of which two brands belong to our core Tiles sector

5

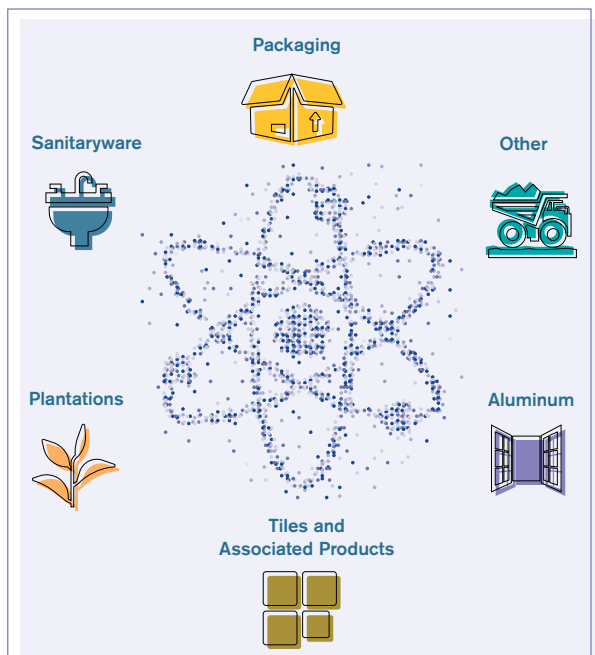
**Diverse access points.**

6

**Serve and Engage with consumers**



## OUTPUTS



### Tiles and Associated Products

- 16,027,000 SQM of tiles
- 1,208 MT of grouts
- 38,837 MT of motor

### Sanitaryware

- 242,600 pieces of bathware
- 239,600 pieces of bathware accessories

### Plantations

- 2,469 MT of tea
- 890 MT of rubber

### Aluminium

- 4,588 MT of aluminium products

### Packaging

- 26,990 MT of corrugated cartons
- 3,698 MT of paper sacks

### OTHER

- 27,609 MT of raw materials

### Social

Community development projects  
Employment opportunities

### Economic

Economic value added by the Group was Rs. 22,430 Mn.  
Tax payments both direct and indirect amounted to Rs. 4,330 Mn

### Environmental

35,119 MT waste discharge  
9,485 MT renewable energy

Reforestation

## IMPACTS



### Shareholders

Rs. 5.54 - Earnings per share  
Rs. 2.60 - Dividend per share  
Ensure financial stability



### Employees

Rs. 5,839 Mn - Salaries and benefit payments  
Rs. 3 Mn - Training spend  
Healthy and safe workplace



### Customers

Delivery of high quality products and services in seven Segments.  
Revenue from external sales amounted to Rs. 44,972 Mn  
Innovation



### Suppliers

Rs. 17,900 Mn - Payments to local suppliers  
Rs. 8,155 Mn - Payments to international suppliers.



### Communities

CSR spend of Rs. 20.6 Mn  
New recruits 1,486



### Government

Tax payments of Rs. 4,330 Mn

## VALUE DELIVERED



# STRATEGY

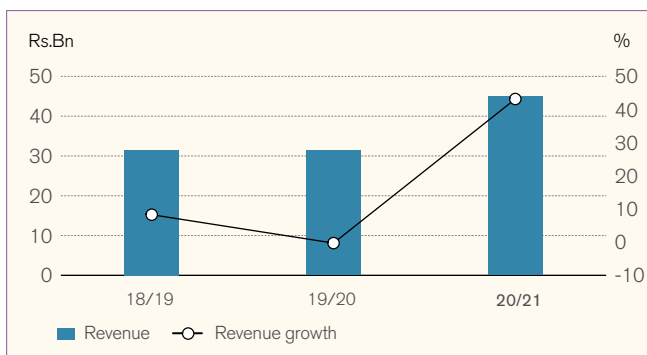
Our corporate strategy focused on four areas to enable the Group to embrace the changes witnessed in a challenging year impacted by COVID-19. We adapted fast to meet evolving consumer needs while caring for our people and communities to deliver value to all our stakeholders.

## GROWING REVENUE

We drove growth by focusing on innovation, high quality products and using digital means to connect with consumers.

### Strategy

- Introduce new products to suite consumer trends.
- Improve product quality through investments in plant and machinery, skilled labour, and compliance with quality standards.
- Improve connectivity through digital channels.



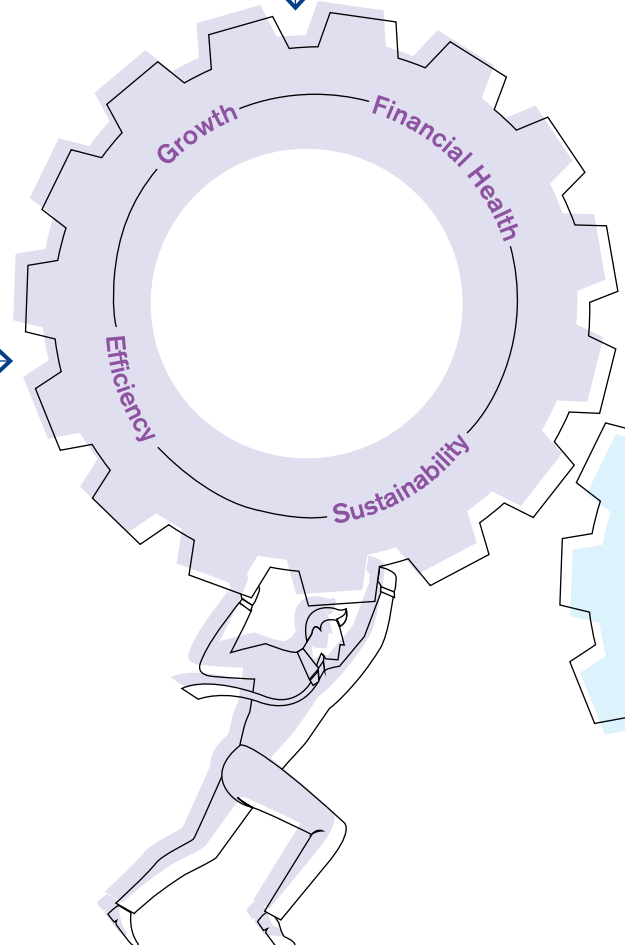
## EFFICIENCY

Operational efficiency through continuous improvements in processes, automation productivity and minimisation of waste.

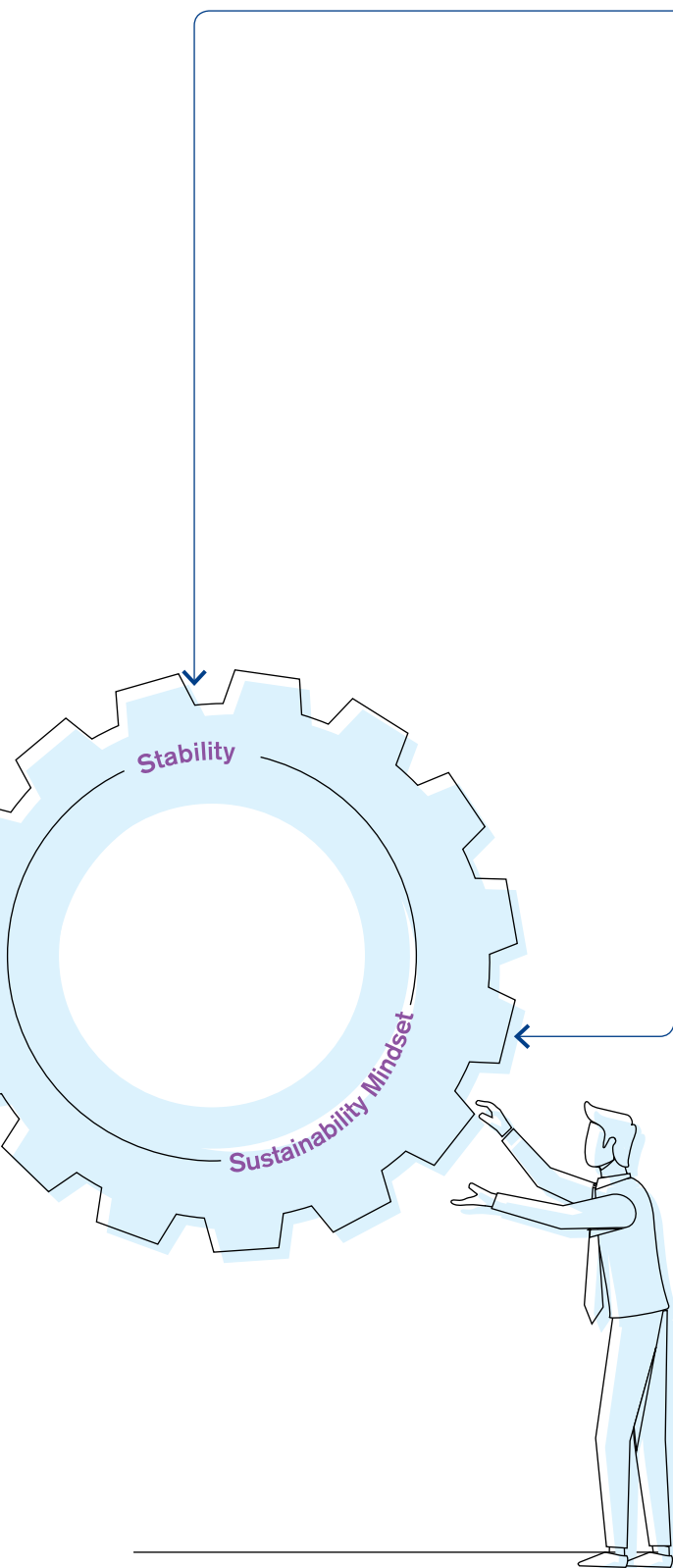
### Being operationally excellent in what we do

- Automation and streamlining processes.
- Increase employee productivity.
- Optimise on Group synergies.

KPIs	20/21	19/20
Cost Saving from TPM (Rs. Mn)	725	419
Cost to Income ratio (%)	85	95
Gross Margins (%)	37	33
Operating margins (%)	25	19
ROE (%)	20	8







## FINANCIAL STABILITY

Strategic asset allocation to maintain strong balance sheet and healthy cash flows.

### Strategy

- ☐ Maintain healthy liquidity levels through effective working capital management.
- ☐ Manage financial leverage

KPIs	20/21	19/20
Total Funds (Rs Mn) (Equity + Debt)	52,724	55,376
Cash cycle (No of days)	109	190
Gearing ratio (%)	20	38

## SUSTAINABILITY MINDSET

### Strategy

- ☐ Provide indirect employment opportunities.
- ☐ Create a platform to support the development of various small -scale businesses through tiler clubs, franchising and purchasing products from local suppliers.
- ☐ Strict environmental compliance
- ☐ Monitor and minimise consumption of non-renewable natural resources.

KPIs	20/21	19/20
CSR Investment (Rs. Mn)	20.6	6.1
Consumption of materials (MT)	325,828	362,954
Consumption of non-renewable Energy (Mn. Kwh)	69	70
Renewable energy sources used (Mn. Kg)	9	10



The input of multiple stakeholders is essential to operate our business model effectively and efficiently and Rocell actively engages with various stakeholders as healthy and mutually-beneficial relationships are important to sustain our value creation.

During the year, the Group economic value addition amounted to Rs. 22,430 Mn compared to Rs. 16,872 Mn last year.

## TOTAL VALUE ADDED BY THE GROUP Rs. 22,430 Mn

Gross Revenue  
**Rs. 47,993 Mn**

Purchase Costs  
**Rs. 28,436 Mn**

Other Operating Income  
and Finance Income  
**Rs. 402 Mn**

Share of Profits from  
Associate Company  
**Rs. 2,472 Mn**

Value Distributed	20/21 (Rs.Mn)	19/20 (Rs.Mn)
Government	4,330	4,791
Employees	5,839	5,287
Lenders	1,406	2,280
Shareholders	2,185	443
Retained for future use	8,670	4,071



## HOW WE CONNECT

In addition to the regular channels of communication, the emergence of COVID-19 changed the way we partner and serve our stakeholders via digital means.

- ❑ Virtual platforms such as corporate website and the Tilers app enabled us consistently meet consumer demand.
- ❑ Automated discount approval process through introduction of machine learning technology helped us to improve efficiency in sales order creation.
- ❑ TMS system integrated with Oracle ERP system provides on-time delivery experience to internal business units and external customers.

### Customers



- ❑ Concept stores
- ❑ Trade fairs
- ❑ Showrooms
- ❑ Direct visits
- ❑ Dedicated call centres
- ❑ Social media
- ❑ Tilers app
- ❑ Corporate website

### Employees



- ❑ Performance appraisals
- ❑ Welfare events
- ❑ Remuneration & benefits scheme
- ❑ Employee development
- ❑ Health & safety
- ❑ Fair & ethical work practices

### Capital providers (shareholders and debt providers)



- ❑ Annual General Meetings
- ❑ Press releases
- ❑ Reports and fillings

### Suppliers



- ❑ Direct meetings
- ❑ Telephone/email communication

### Business partners



- ❑ Dedicated service team
- ❑ Telephone/email communications
- ❑ Annual events
- ❑ Direct meetings

### Regulator



- ❑ Periodic fillings
- ❑ Meetings
- ❑ Compliance

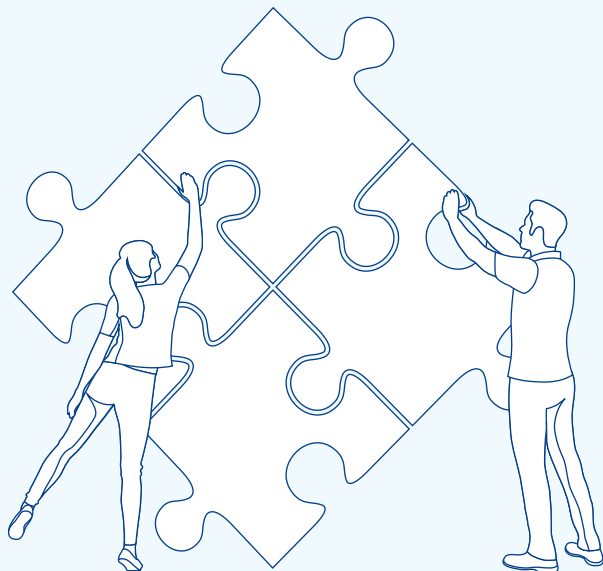
### Communities



- ❑ Community projects
- ❑ CSR projects
- ❑ Employment opportunities
- ❑ Community grievance



## UNDERSTANDING AND MEETING STAKEHOLDER PRIORITIES



### Performance

- ☐ Consistent growth in revenue and profits.
- ☐ Returns
- ☐ Stability

### Changing lifestyles and preferences

- ☐ Innovation
- ☐ Using digital means to connect with consumers.

### Remaining complete

- ☐ High product quality
- ☐ Manufacturing excellence and specialisation.
- ☐ Research and development.

### Sustainability

- ☐ Strict environmental compliance.

### Health and Safety

- ☐ Strict health and safety protocols maintained across the value chain.

### Employee wellbeing

- ☐ Remuneration
- ☐ Work ethics

### Regulatory compliance

- ☐ Strict environmental compliance.

## VALUE CREATED FOR OUR STAKEHOLDERS

### Customers



We provide high quality, trendy and affordable products to consumers. We sold 16 Mn.SQM of tiles 241,926 pieces of Sanitaryware, 4,588 MT of Aluminium products, 23,292 MT of corrugated boxes, 3,698 Mt of paper sacks, 2,469 Mt of teas and 890 MT of rubber during the year.

### Employees



We recruited 1,486 employees during the year and ensured a healthy and safe workplace to our employees.

### Capital providers (shareholders and debt providers)



We delivered consistent growth and profitability and earnings per share increased by 137.2% to Rs. 5.54.

### Suppliers



We supported local suppliers by purchasing Rs. 17,900 Mn of goods and services.

### Business partners



We partnered with various market intermediaries and helped them earn commissions income.

### Regulator



Rs. 4,330 Mn Taxes

### Communities



- ☐ 592 indirect employment
- ☐ Rs. 20.6 Mn on CSR projects
- ☐ Environmental management



# MATERIAL ISSUES

GRI - 102 - 47

The Annual report emphasizes on the material topics that have a significant impact on our business, economy, societies, and the environment. These are the priority factors that influence our ability to create value. During the year, the COVID-19 pandemic impacted our company and stakeholder needs. Health and safety concerns and the importance of digital transformation and disaster recovery increased during the year.

## OUR MATERIALITY MAP





# MANAGING RISKS

## RISK GOVERNANCE

Managing risks is a key responsibility of the Board and business interests across seven diverse sectors necessitates a structured process for this purpose. The Board is assisted in this by the Audit Committee which has oversight responsibility for risk management. Corporate Management of the Group and each strategic business unit is responsible for the identification, measurement, management and mitigation of risks as well as monitoring and reporting risks to Internal Audit and to the Board.

## A DYNAMIC RISK ENVIRONMENT

Onset of the COVID-19 pandemic and weakening economic conditions in the country had a dramatic impact on the risk landscape of the Group. Government policy and actions played a key role in shaping industries during the year. These covered a wide range, encompassing health and safety measures implemented, monetary policy, fiscal policy and agricultural policy.

Health and safety measures were imposed swiftly with island-wide lockdowns in March 2020 which saw the containment of the first wave by mid May 2020 supporting growth in the 3rd quarter. Throughout the second and third waves, there is an evident recalibration of economic priorities with health and safety risks which have led to different outcomes from the first wave. This remains a key risk for the Group even a year after the onset of the pandemic.

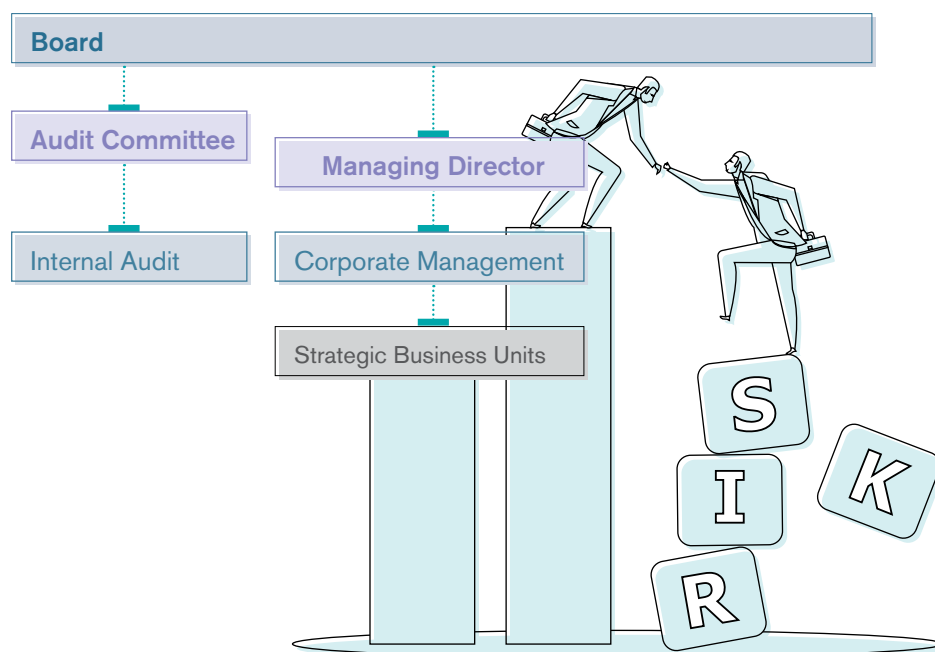
Monetary policy has remained supportive with lower interest rates which had a varying impact on the Group due to the impact on borrowing costs across the Group and net interest margins in the Financial Services sector. In the Tiles, Sanitaryware and Aluminium sectors, the import restrictions imposed proved beneficial to domestic producers, boosting demand for products. The Construction sector, which drives demand for these products, continues to be a large subsector in the country, contributing 6.2% to GDP despite a decline of 13.2% in 2020. While the exchange rate was managed during 2020 with the rupee devaluation limited to 2.5%, the first quarter of 2021 saw a 6.5% depreciation in the currency reflecting the pressure on the currency. This is widely forecast to be a concern in 2021.

Government policy plays a key role in the Plantations sector and a number of policies implemented during the year and thereafter have a significant adverse impact on the future of this sector. These include the Rs. 1,000/- wage hike mandated by the Government, directions to uproot 10% of palm oil plantations each year and the ban of agrochemicals in April 2021.

Accelerated digitalisation was another area of change. Digitalisation of the tea auctions proved to be a boost for Sri Lankan tea, positioning the country as a reliable supplier while other tea producing countries lagged. It also supported working from home during lockdowns and supported virtual meetings. While this supported continued economic activity, it also elevated the cyber risks and had the potential to compromise internal controls due to arrangements to ensure health and safety at the work place.

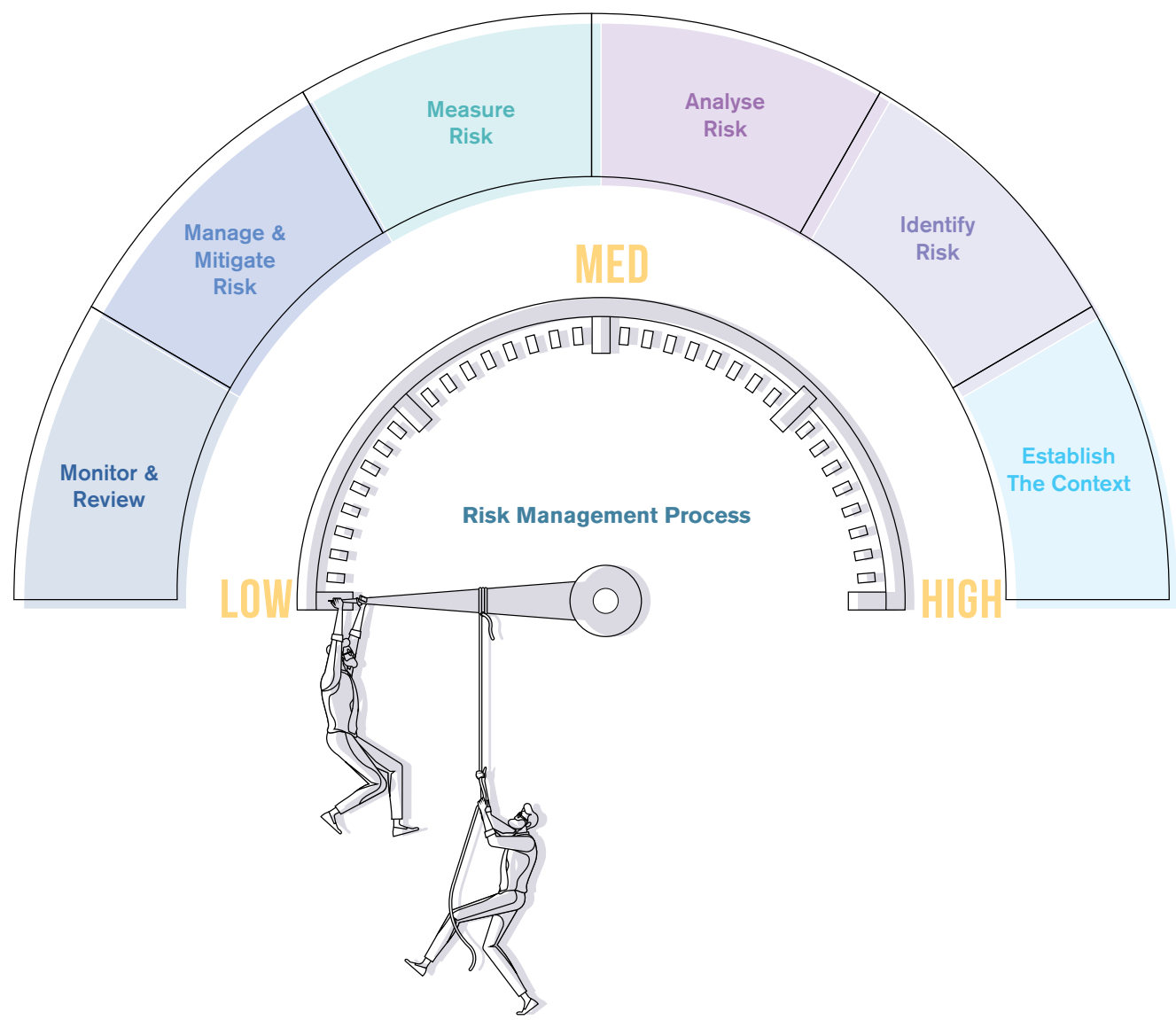
Commodity prices were low for most of the year due to drastic changes in demand and supply dynamics. However, these have stabilised and are forecast to increase in 2021 which will exert pressure on margins. Combined with the increased exchange rate risk, this is a potential area of concern moving forward.

Environmental risks has been a growing area of concern for all businesses. Compliance with the requirements of the various Environment Protection Licenses issued by the Central Environment Authority is a sine qua non for the manufacturing entities of the Group. Additionally, depletion of raw material resources is another area of concern, particularly for the Tiles sector.





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.

<b>Government Policy &amp; Pandemic</b>	Government policy has a significant impact on the operations of the Group, particularly in the context of managing the threat of a pandemic and weakened economic conditions. Key policies or actions that impacted the businesses of the Group have been discussed above in the Dynamic Risk Environment on page 48. Easing of supportive policies needs careful monitoring and a strategic response to mitigate the potentially adverse impacts.
<b>Consumer Behaviour</b>	Consumer behaviour remained favourable supported by relatively low interest rates supporting home ownership and home improvements driving demand. We also observed consumers seeking increased value for money as well as displaying an increasing interest in the aesthetic aspects. These trends were supported with an increase in the number of factory outlet stores and the launch of new designs.
<b>Digitalisation</b>	Digitalisation has transformed the way we work, particularly during the pandemic. It has also changed consumer behaviour as online shopping becomes more mainstream. The Group's technology platforms supported remote working during the pandemic.



## Financial Risks



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.

### 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

Declining interest rates had a favourable impact on all sectors except the Financial Services sector as borrowing costs declined. The Financial Services sector was impacted by lower net interest margins which were offset by growth due to the lower interest rates. It also had an indirect impact on the Tiles and Sanitaryware sectors as the demand for housing loans increased due to low interest rates supporting an uptick in demand for the products. However, rates are expected move up with easing of supporting policy stance.

#### Interest rate sensitivities

	Change in basis points	Company	Group	Mitigating Activities
2021	100 (1%)	Rs. 37.8Mn	Rs. 74.1Mn	☐ Repayment of Rs.10Bn in loans by Group
2020	100 (1%)	Rs. 77.2Mn	Rs. 152Mn	☐ Leverage of Group at a comfortable 25%

#### Currency Risk

The local currency depreciated significantly during the year 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.

	Further depreciation of rupee vs USD	Company Change in PBT	Group Change in PBT	Mitigating Activities
2021	5%	Rs. 11.2Mn	Rs. 74.3Mn	☐ Forward exchange contracts when appropriate
2020	5%	Rs. 15.4Mn	Rs. 53.3Mn	☐ Growth of exports

#### Commodity Price Risk

The Packaging sector is directly exposed to commodity risk as its primary input is paper pulp which is forecast to increase significantly. This is compounded by the currency risk as it is imported. The main mitigating activity will be to communicate with customers and share the increase in costs with customers which will impact profitability.

Tea, rubber and oil palm prices are commodities and therefore the Plantations sector revenue is subject to this risk. The sector is pursuing both agriculture based and non-agriculture based diversification.

#### Equity Price Risk

The value exposed to equity price risk of the Company and Group is Rs. 44.5Mn which is 0.27% and 0.11% of the net assets of the Company and Group respectively.

### Credit Risk

Total exposure to credit risk is Rs. 4,009Mn which relates to trade receivables of the Group which amounts to 9.55% of Net Assets of the Group. Strong credit control systems have been established across all sectors supporting recovery.

### Liquidity Risk

A comfortable leverage ratio of 25% provides sufficient headroom for securing further funding. This is supported by a Group quick assets ratio of 0.77% in 2021 and strong cashflows generated during the year.



## Strategic Risks

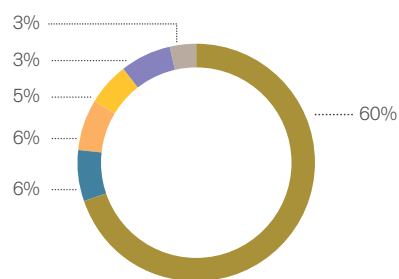


Strategic risk is the risk that failed business decisions may pose to a company.

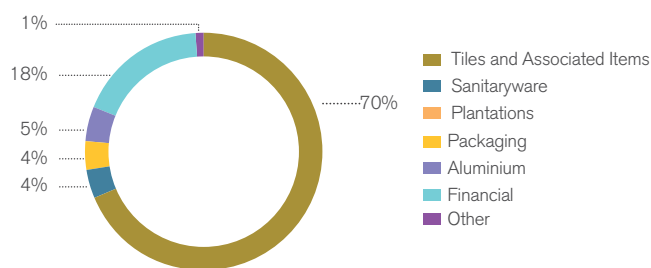
### Diversification

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 60% of assets and contributes 70% to profit before tax.

**Assets**



**Profit Before Tax**



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

### Technology

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 as well. Considering the continuous investment in capital expenditure over the years, the technology risk is assessed as minimal.

See Manufactured Capital on page 73 for further information.

### Innovation

Innovation is key to remain 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.



# MANAGING RISKS

## 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

<b>Health &amp; Safety</b>	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 staff at factories where necessary supporting safety at work.
<b>Quality</b>	Product quality is a key focus across all sectors. Total Productive Maintenance has been implemented across the factories (except Plantations), driving a product quality focus, efficient production and minimisation of waste.
<b>Cyber Security</b>	Cyber security threats increased with higher volumes of transactions migrating to digital platforms and more people accessing Group systems remotely to carry out their duties. All Group sectors strengthened Cyber security and increased employee awareness of the same. The Group has also invested in the latest technology to protect its systems and information assets. A Cyber security audit was conducted during the year and we are in the process of implementing the recommendations of the review.
<b>Fraud &amp; Error</b>	A comprehensive system of internal controls have been established and is subject to internal audit according to an agreed programme. Work from home arrangements which were hastily made may have resulted in compromising some of the controls and the Management has made efforts to identify and close potential gaps. We keep an open mind to the potential of fraud and error given the relatively fluid work arrangements and high levels of stress. The decision by the Group to pay salaries in full throughout the year has been a positive factor in mitigating this threat.
<b>Supply Chain &amp; Logistics</b>	A year of business disruptions did raise the spectre of delays in supply while health and safety concerns made logistics a challenge. Supply of raw materials were well managed with careful planning allowing for extended lead times. As the Meegoda distribution Centre proved a pressure point, we are now establishing another to serve as an alternative location to support smooth logistic support.

## Environmental Risks



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

<b>Compliance</b>	All factories are required to comply with requirements of the Environment Protection Licence obtained for operation of factories from the Central Environment Authority and clay mines are required to comply with the rules and regulations of the Geological Survey and Mines Bureau.
<b>Availability of Raw Materials</b>	<p>The Tiles sector uses ball clay which is mined from lands after securing a licence for the purpose from the Geological Survey and Mines Bureau. The Rocell Group works with suppliers whose licences 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 and driving productivity efficiencies.</p>
<b>Energy &amp; Emissions</b>	As a predominantly manufacturing-oriented Group, consumption of energy and emissions are common challenges across sectors. It has also been an area of investment and innovation to introduce energy efficient technology, conserve energy, reduce emissions and shift to renewable energy sources.





## STRENGTH IN DIVERSITY

OUR CAPABILITIES AND KNOWLEDGE SPAN  
MULTIPLE BUSINESS SECTORS, ENSURING WE  
SERVE THE PEOPLE IN ALL WE SET OUT TO DO.

*Atoms possess diverse properties, determined by their overall structure and composition. As humans, over the years we have adopted these properties to ensure our survival and well-being.*

### Stewardship and Accountability

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# OPERATING ENVIRONMENT

## WORLD ECONOMY

Global growth dropped by 3.3% during 2020 due to the severe impacts of COVID-19 on people, trade, and manufacturing activities across the globe. Lockdown measures, social distancing, severe human death toll, travel restrictions and rising health and safety concerns, led to the contraction.

However, the International Monetary Fund, predicts a recovery in global growth to 6% in 2021 and 4.4% in 2022, as vaccinations and treatments subdue the outspread of the virus and policymakers extend additional fiscal support to revive economies.

## DOMESTIC ECONOMY

Economic growth contracted by 3.6% during 2020.

- ❑ The Industrial sector contracted by 6.9% while Agriculture and Services sectors contracted by 2.4% and 1.5% during the year.
- ❑ The impact of the first wave of COVID-19 was felt during the first and second quarters of the year.
- ❑ Accommodative policies and strict measures to prevent the outspread of the virus supported economic recovery over the last two quarters of the year.

## OTHER KEY ECONOMIC VARIABLES

### Interest rates

- ❑ Market interest rates declined significantly to historical lows of 5.74% in 2020 compared to 10% last year.

### Domestic credit

- ❑ Low lending rates and the increase in lending to micro, small and medium size enterprises led to a 25% increase in domestic credit during 2020.

### External sector

- ❑ Exports dropped by 12% year on year while imports dropped by 16% compared to last year.
- ❑ Trade deficits narrowed to USD 1 Bn compared to USD 1.8 Bn last year.
- ❑ The Tourism sector was severely affected by the pandemic and the number of tourist arrivals dropped by 73% to 507,704. However, the Central Bank predicts a recovery of the sector with the gradual easing of cross border travel restrictions and the roll out of vaccines.

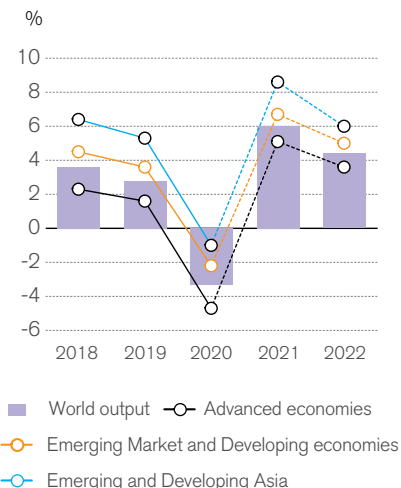
### Exchange rates

- ❑ The rupee depreciated by 3.8% during 2020 compared to 10% year before.

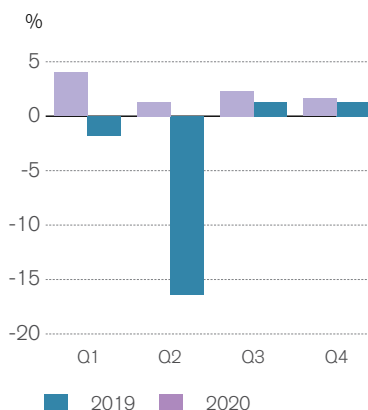
### Inflation

- ❑ Inflation continued to remain low throughout the year hovering at 4.6% by December 2020 compared to 6.2% in December 2019.

## Global growth



## Real GDP Growth - Sri Lanka



## Market interest rates



Sources: Central Bank of Sri Lanka and World Economic Outlook April 2021



## TILES AND SANITARYWARE SECTOR

### Demand drivers

The performance of the Construction sector declined by 13% during 2020. Several factors including declining disposable income, subdued economic growth, lack of mega projects, lockdown periods and social distancing measures affected construction activity.

Supported by low interest rates, domestic credit increased by 25% during 2020. As per latest available data as of September 2020, credit for personal housing increased by 7.3% compared to last year. However, the overall economic contraction and subdued consumer confidence weakened construction activity. Housing approvals dropped by 27% during the year.

Within this operating environment, demand for tiles in Sri Lanka in 2020 declined by 20% to 20.4Mn.SQM of which floor tiles formed 86% of demand while the remaining was attributable to wall tiles.

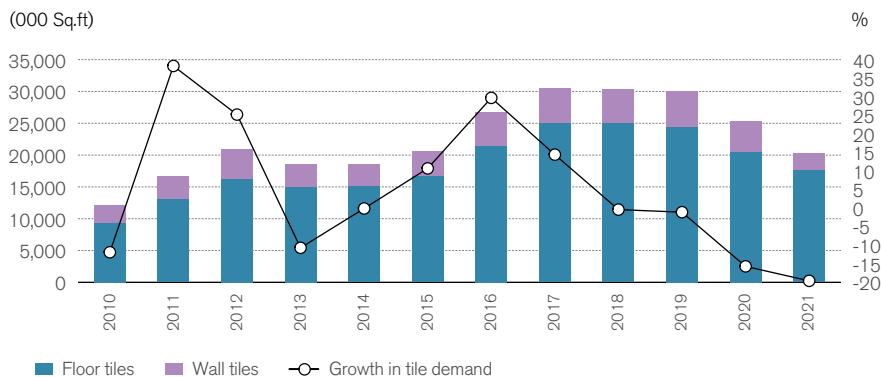
### Supply of tiles

The domestic tile industry is driven by four tile manufacturing companies namely Royal Ceramic Lanka PLC (Rocell), Lanka Tiles PLC, Lanka Walltiles PLC and Macktiles Lanka (Pvt) Ltd, in addition to several tile importers.

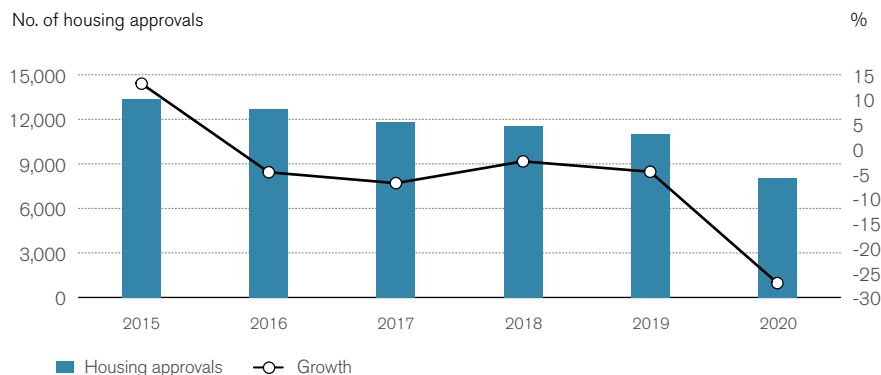
During the year, imports of tiles significantly dropped due to import ban imposed by the government. This had a positive impact on local manufacturers and supply was predominantly met through local manufacturing of tiles.

### Tile Demand

(000 Sq.ft)



### No. of housing approvals



## PLANTATION

The Plantation industry was no exception as it too was negatively affected by the ongoing pandemic. Measures undertaken to manage the contagion disrupted the business operations which resulted in restricted access to produce and lower production. Further, uncertain macro-economic conditions which resulted in fluctuations of demand and supply, currency depreciation and political climate at home and importing currencies and policy decisions also negatively affected the industry.

Total tea exports for the year contracted by 27Mn.kg to reach 265.6Mn.Kg with export earnings amounting to \$1.24Bn compared to \$1.35Bn of the previous year. Nevertheless, the total FOB value for the year was \$4.71/kg compared to \$4.62/kg of the previous year, recording the highest ever FOB value surpassing the previous best recorded in 2019.

Turkey emerged as the largest importer of Sri Lankan tea followed by Iraq, Russia and Iran. However, tea exports to Turkey, Iraq and Iran declined marginally while exports to Russia and China increased compared to 2019.



## OPERATING ENVIRONMENT

Globally, tea production for 2020 recorded a decline, reflecting a drop in production largely from India and Sri Lanka. Kenya recorded a significant year on year increase in production. Growth in Black tea over the recent years have mainly been from the African Region while Sri Lanka, India and China are renowned for Orthodox tea.

The Rubber industry continues its struggle amidst demand fluctuations, high cost of production stemming from minimum wages and upkeep of plantations and shortage of rubber tappers. However the favourable weather conditions that prevailed during the later part of the year pushed the production increase marginally by 4.6%. The production of sheet rubber, which accounts for nearly 50% of the total production, grew by 4.6%. However, the production of crepe rubber, which contributes 17% of the total rubber production, declined by 10.2% in 2020.

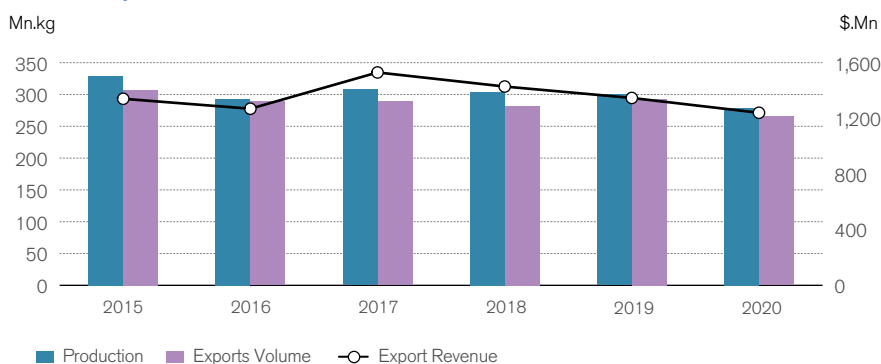
Rubber prices at the Colombo Rubber Auction witnessed a surge towards the end of the year, supported by the increase in natural rubber prices in the global market. Recovery in the Chinese market during the second half of 2020, lower production in Thailand due to mobility restrictions and spread of a fungal disease in rubber plantations in South East Asia were the key reasons for the escalation of natural rubber prices in global markets.

Oil palm cultivation first started in Galle District back in the 1960's and over the years it has grown rapidly covering Galle, Kalutara and Matara Districts, providing benefits to RPC's and plantation workers. This growth was fuelled by the global demand for palm oil which is around 70Mn tonnes per year, accounting for one-third of the world's annual vegetable oil production. Locally, the uncertain policy environment is having a negative impact on the industry. Formerly, oil palm cultivation was allowed up to a certain acreage but it was later changed to a total

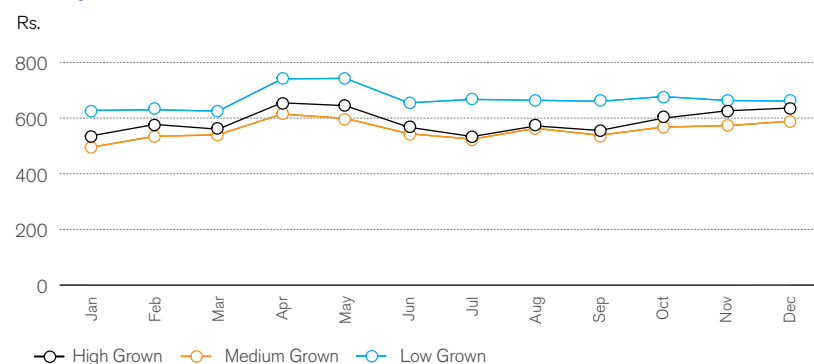
ban on cultivation based on environmental concerns. A directive requiring uprooting of 10% of oil palm cultivation has been issued in April 2021 which will have a significant impact on the Plantation sector.

The Government has also banned agrochemicals to the dismay of the Plantation sector and academics are warning of dire consequences stemming from this action. This exacerbates the impact of the Rs.1,000 wage hike mandated by the Government which has been appealed by the Plantation sector. The outlook for the Plantation sector has significant uncertainties with the downside potential heavily weighted due to imminent policy changes.

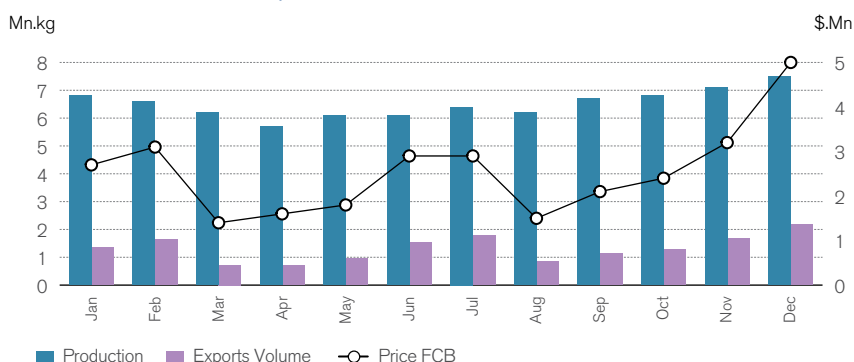
### Tea Industry Performance



### Monthly Tea Price Movement



### Rubber Production and Exports in 2020





## ALUMINIUM

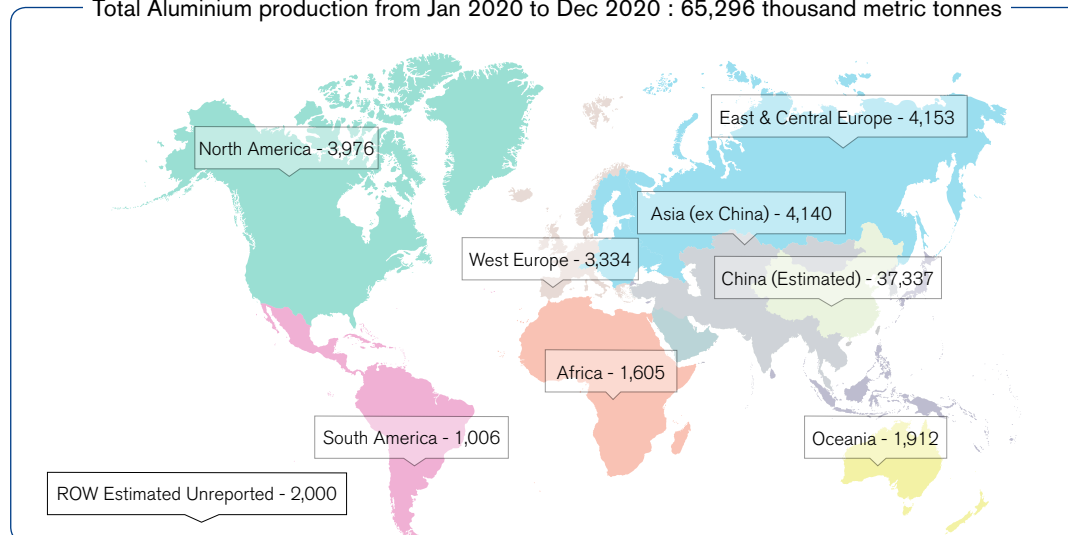
The Aluminium Extrusion industry in Sri Lanka is highly competitive with excess supply coming from over 1,500 fabricators with a total capacity of over 30,000MT catering to a total demand of just 15,000MT per month. Consequently, it is difficult to build brand loyalty amongst dealers and end customers.

The move to ban importation of aluminium by the Government provided much-needed relief to the local manufacturers. This combined with the lower billet prices had a positive impact on the local industry.

On the global front, aluminium usage declined by 4.1% in 2020 as demand was hindered by the COVID-19 outbreak.

Despite the lower demand production increased by over 65Mn tonnes, resulting in increased inventories due to the supply-demand gap. However, outlook for 2021 forecasts the demand for aluminium to rise by around 7.5% on the back of the high growth rate in China and rebound in other major markets across the world with improved global mobility and the release of pent-up demand.

Total Aluminium production from Jan 2020 to Dec 2020 : 65,296 thousand metric tonnes

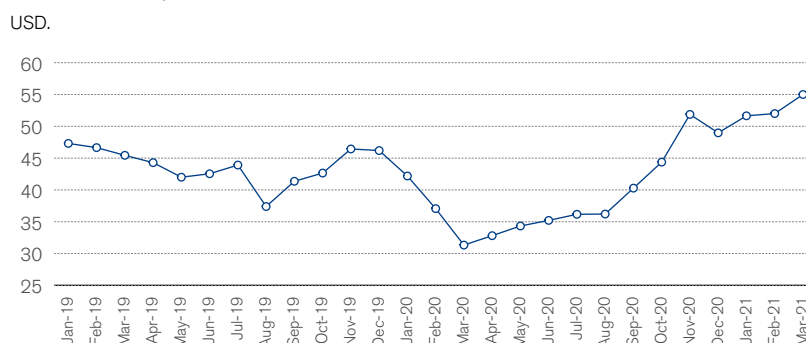


## PACKAGING

The Packaging industry in Sri Lanka largely dependent on the FMCG sector and exports such as garments, tea and rubber. Consequently, it was declared an essential service during the pandemic as packaging was required for these industries. The industry consists of over 40 manufacturers. However, it is highly competitive with a handful of players controlling over 70% of the market.

The profit margins of the local Packaging industry came under pressure due to the devaluation of the rupee as over 70% of the raw material is sourced from overseas. This negative impact was offset to a greater extent by the lower material prices during the beginning of the year. However, towards the end of the year margins were under pressure as paper prices increased due to escalating price of pulp and other chemicals used in paper production.

International Paper Price Movement

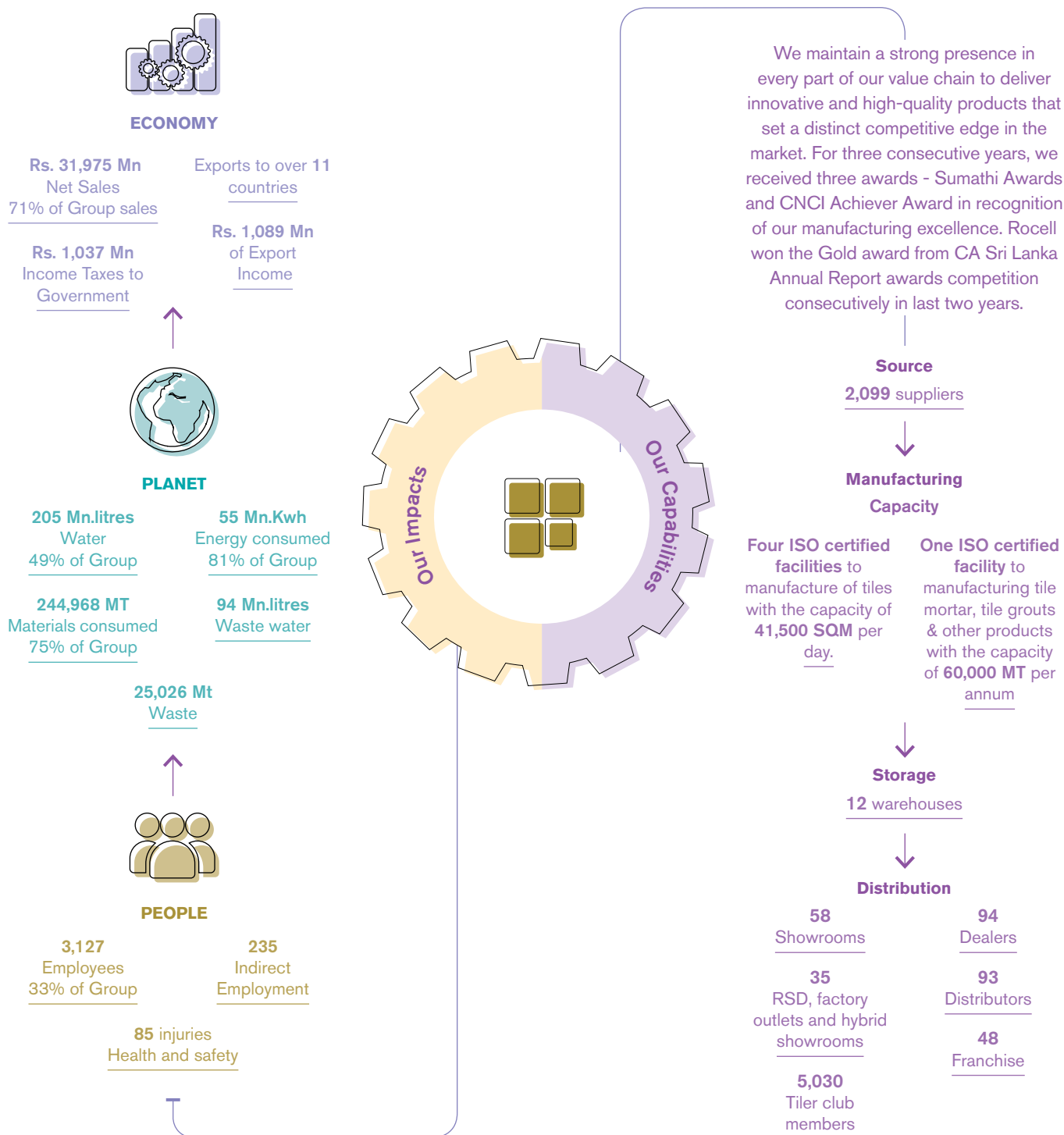




## BUSINESS LINE REVIEWS

### TILES AND ASSOCIATED PRODUCTS

Rocell, has been the largest manufacturer of porcelain and ceramic tiles in Sri Lanka for over 30 years with two flagship brands, 'Rocell' and 'Lanka Tiles', holding a market share of 29% and 37% in the floor tile market and 18% & 71% in the wall tile market.



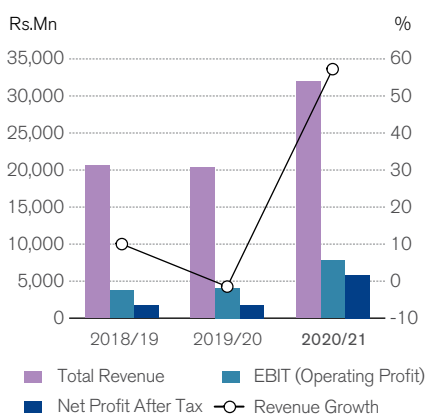


## STRATEGY AND PERFORMANCE

The Tiles and Associated Products sector performed commendably despite the challenging business environment. Revenue increased by 57.24% to Rs. 31,975 Mn and profit after tax increased by 224.21% to Rs. 5,834 Mn. During the year, we benefited from the declining international trade due to health and safety risks and significant drop in tile imports to Sri Lanka. Despite our showrooms, factories, warehouses, and head offices being closed during the lockdown periods, Rocell implemented several measures to normalise operations by following strict health and safety guidelines and opened two new showrooms to cater demand.

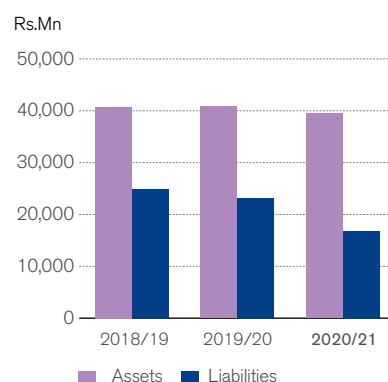
- Gross profits improved by 58.16% to Rs. 13,603 Mn. Despite the cost pressures due to import restrictions and currency depreciation the sector margins increased to 42.5% in 20/21 from 42.4% last year.

### Sector Performance



- Operating profits (EBIT) increased by 91.84% to Rs. 7,802 Mn while Operating margin increased to 24% from 20% last year.
- Profit before tax increased by 176.76% to Rs. 6,871 Mn with the 37.51% decline in finance costs.

### Sector Financial Position



- Profit after tax increased threefold to Rs. 5,834 Mn.

Assets declined by 3.32% to Rs. 39,431 Mn and liabilities declined by 27.46% to Rs. 16,815 Mn. Depreciation and amortisation of assets amounted to Rs. 1,413 Mn compared to Rs. 1,325 Mn last year.



## COVID-19 IMPACTS

People	Business activities	Supply chain	Demand
<ul style="list-style-type: none"> <li>Daily health checks</li> <li>Maintained remuneration levels with no layoffs reported during the year.</li> <li>Random PCR tests covering all physical locations including factories, head office, warehouses and showrooms.</li> </ul>	<ul style="list-style-type: none"> <li>Closure of factories, showrooms and warehouses during lock down periods.</li> </ul>	<ul style="list-style-type: none"> <li>Delays in raw material, consumable and spaces imports due to import restrictions.</li> <li>Currency depreciation</li> </ul>	<ul style="list-style-type: none"> <li>Lower tile imports increased the need for local tile manufacturing which was beneficial to the Group.</li> </ul>

## OUTLOOK

We will focus on strengthening our business model by building distribution capacity, enhancing productivity, and driving operational efficiencies while consistently delivering an innovative range of products that set new trends in the industry.

## RISKS

- Currency depreciation.
- Delays in raw material imports.
- Health and safety risks due to COVID-19.
- Government policy uncertainties.

## OPPORTUNITIES

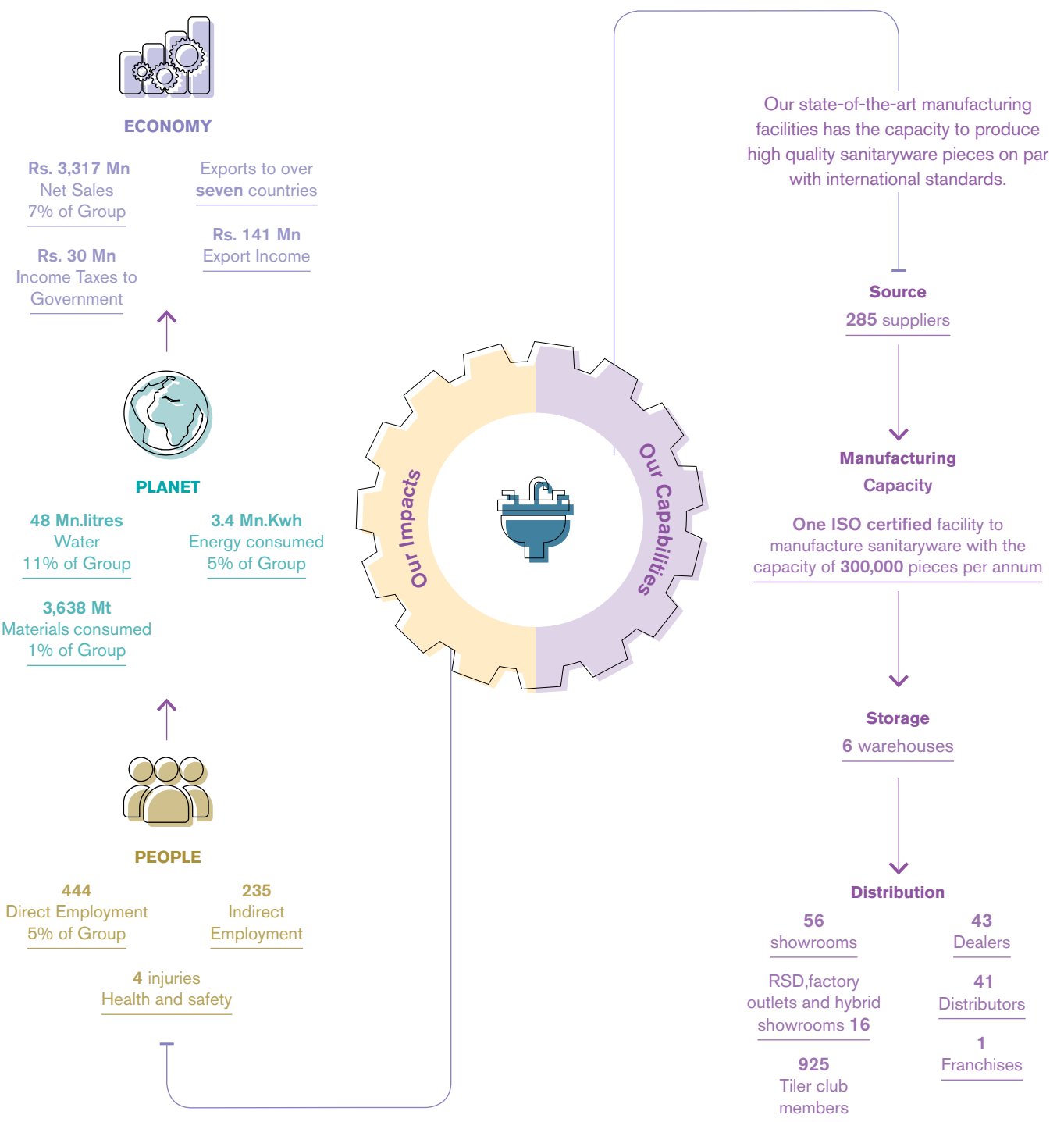
- Limited tile imports due to import restrictions.



# BUSINESS LINE REVIEWS

## SANITARYWARE

Rocell Bathware is a premier sanitaryware manufacturer holding a 67% market share in the domestic market and reaching seven countries through exports.





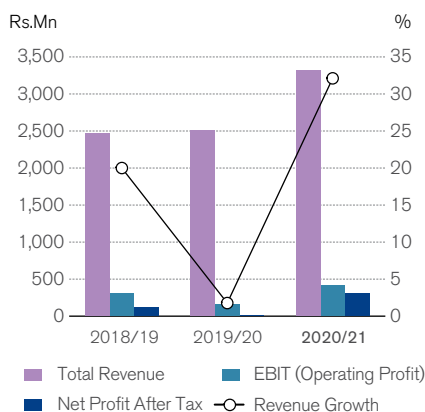
## STRATEGY AND PERFORMANCE

Despite a challenging year, the sector performance improved with revenue increasing by 32% and profit after tax reaching Rs. 303 Mn compared to Rs. 10 Mn last year. The significant decline of sanitaryware imports post COVID-19 for a limited period had a positive impact on Rocell as demand for locally-manufactured products increased during the year. We implemented strict health and safety measures, optimised capacity utilisation and extended our distribution points to cater customer needs.

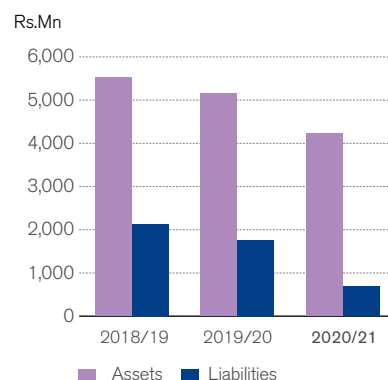
Gross profits increased by 51.3% to Rs. 1,144 Mn while margins increased to 34% from 30% last year.

Earnings Before Interest and Tax (EBIT) increased by 158.8% to Rs. 416 Mn. Operating margins improved to 13% compared to 6% last year.

### Sector Performance



### Sector Financial Position



Profit before tax amounted to Rs. 375 Mn compared to Rs. 28Mn last year supported by revenue growth and 56.3% decline in finance costs. With this, the profit after tax reached Rs. 303Mn compared to Rs. 10Mn last year.

Value of assets dropped by 18% to Rs. 4,226Mn and liabilities significantly reduced by 61.35% to Rs. 682Mn.



## COVID-19 IMPACTS

People	Business activities	Supply chain	Demand
<ul style="list-style-type: none"> <li>□ Daily health checks.</li> <li>□ Maintained remuneration levels with no layoffs reported during the year.</li> <li>□ Random PCR test covering all physical locations including factories, warehouses and showrooms.</li> </ul>	<ul style="list-style-type: none"> <li>□ Closure of factories, showrooms and warehouses during lockdown period.</li> </ul>	<ul style="list-style-type: none"> <li>□ Currency depreciation.</li> <li>□ Delays in raw material, consumable and spares imports due to import restrictions.</li> </ul>	<ul style="list-style-type: none"> <li>□ Temporary suspension of sanitaryware imports increased opportunities for local manufacturers.</li> </ul>

## OUTLOOK

Rocell will continue to focus on delivering high quality products to cater domestic demand and drive exports through customised orders for global clients. We consider operational efficiencies and cost management initiatives as key to steer a sustainable model in today's fast changing operating environment. Rocell will continue to focus on TPM initiatives and talent management to enhance the efficiency of our business model.

## RISKS

- Currency depreciation.
- Health and safety risks due to COVID-19.
- Government policy uncertainties.

## OPPORTUNITIES

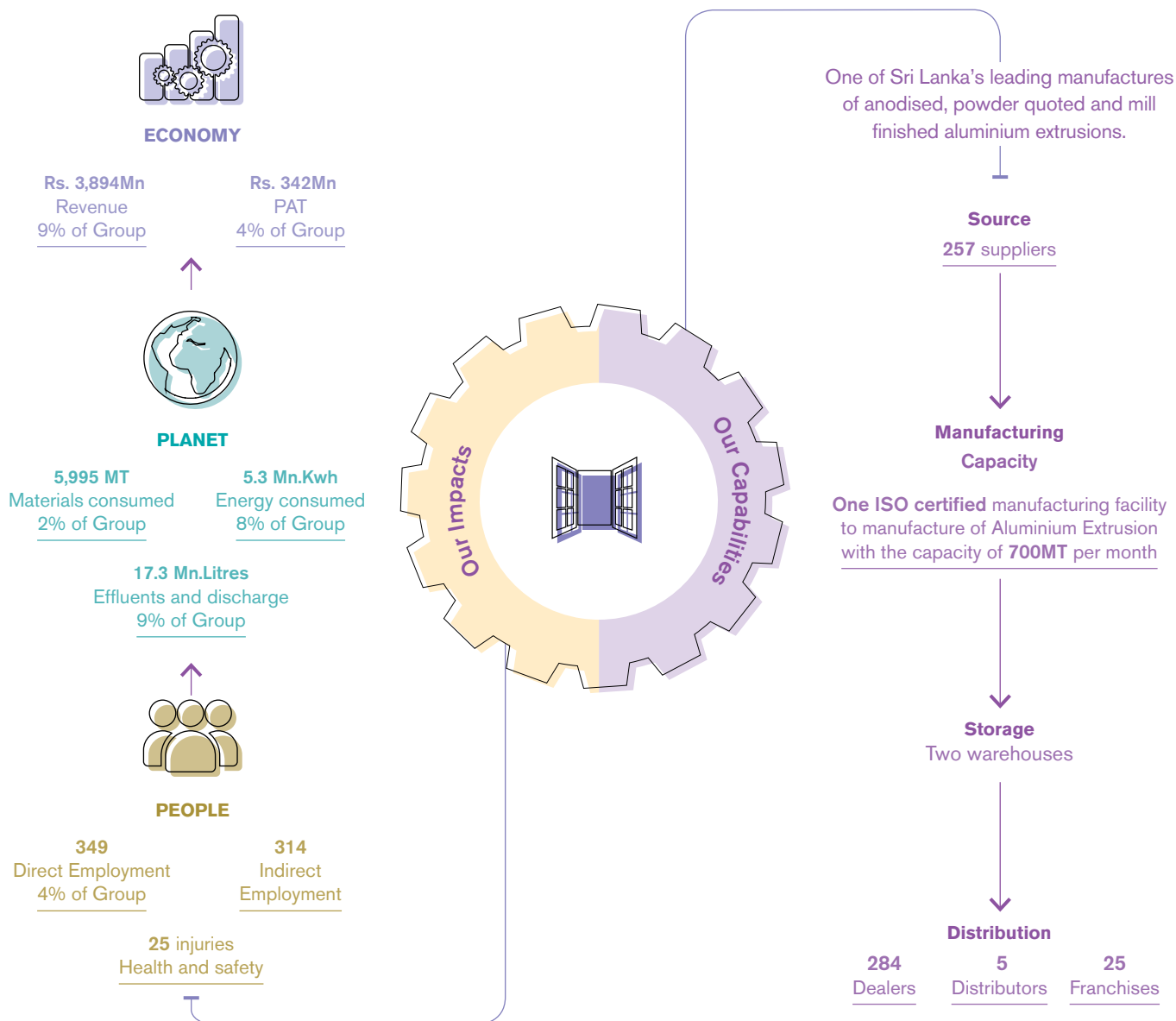
- Limited Sanitaryware imports due to import restrictions.
- Change of import tariff structure to be competitive with local products



## BUSINESS LINE REVIEWS

### ALUMINIUM

Swisstek Aluminium Ltd is a leading player in the aluminium extrusions market in Sri Lanka. A strong focus on innovation supports a growing portfolio of products to cater to a diverse customer base. Collaboration with Etem, a global player in the industry, has supported increased value addition and extension of our capabilities to cater to the growing demand for supply of aluminium products for high rise buildings and infrastructure projects. Intense competition in the local industry has driven us towards new product development and diversification strategies.



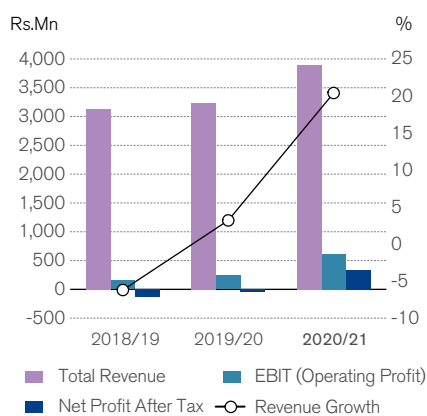
Swisstek Aluminium focused on market penetration through product development with increased focus on pricing strategy. Company continued to focus on cost savings by implanting Swisstek Operating Excellence Projects (SOEP). Import restrictions imposed by the Government with the onset of the pandemic increased demand for finished aluminium products and Swisstek was able to cater to the shortage of supply. Profitability improved with the decline in aluminium prices and the use of recycled material such as aluminium scrap which also had a positive impact on environmental sustainability. The product portfolio was expanded by the launch of our high quality plug-in doors and windows range "Allura".



## STRATEGY AND PERFORMANCE

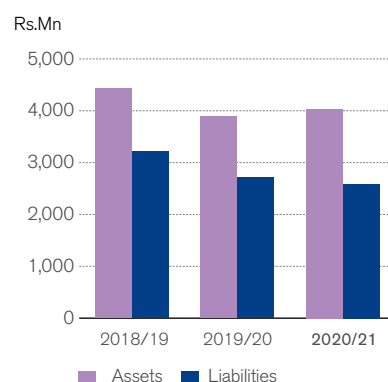
- The sector revenue grew by 20.4% to reach Rs. 3,894 Mn. This growth was on the back of the shortage of aluminium products created by the import ban.
- Gross profit margin improved to 27.6% from previous year's 17.8% with the favourable billet prices. Consequently, gross profit increased by an impressive 86.50% to reach Rs. 1,075 Mn.
- Operating expenses increased by 34.8% mainly due to increased staff cost. Despite this, the sector reported an operating profit growth of 155.30% to reach Rs. 620 Mn.

### Sector Performance



- The sector managed to curtail operating expenses despite the inflationary pressure which resulted in a 155.30% increase in operating profit, reaching Rs. 620Mn.

### Sector Financial Position



- Profit after tax reported by the sector reached Rs. 342Mn, compared to a loss of Rs. 40Mn reported in the previous year as finance costs came down by 42.22% on the back of reduced borrowings.



## COVID-19 IMPACTS

### People

- Maintaining social distancing.
- Provision of PPE.
- Workers split to groups.
- Random PCR testing every week.

### Business activities

- Disruptions to the distribution channel during the first quarter.

### Supply chain

- Currency depreciation.
- Delays in raw material imports.

### Demand

- Import restrictions of finished aluminium increased opportunities for local manufactures.

## OUTLOOK

- Focus given to increasing capacity utilisation.
- Continued focus on increasing productivity through process improvements and TPM initiatives.

## RISKS

- Increase in aluminium prices combined with the devaluation of the rupee will have a negative impact on our cost.
- Easing of import restrictions on finished aluminium products by the Government.
- Subdued performance of the Construction sector in Sri Lanka in the wake of the pandemic.

## OPPORTUNITIES

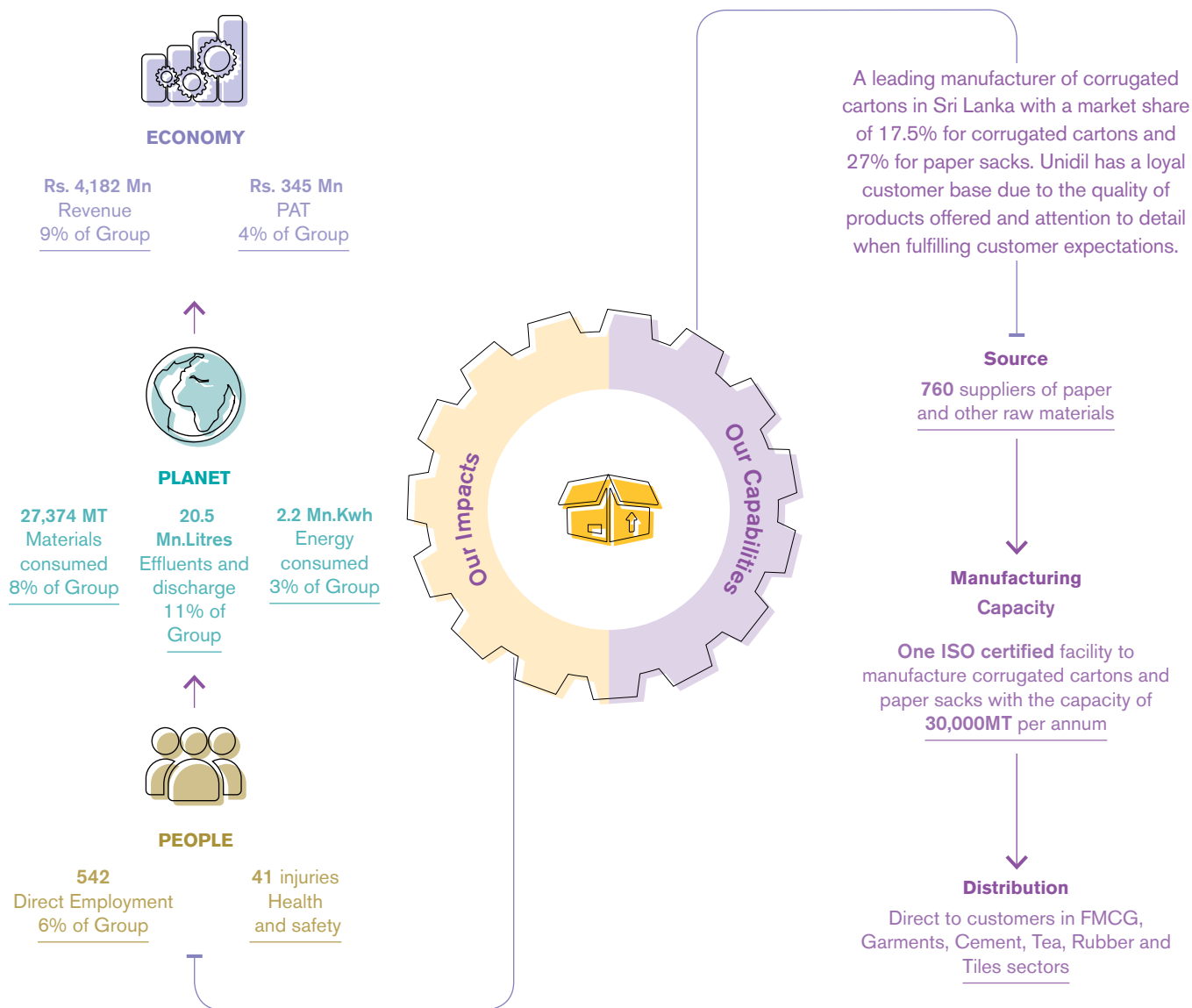
- Continued ban on finished aluminium products by the Government to defend the rupee.
- Focus given to leveraging more on Group synergies.



## BUSINESS LINE REVIEWS

### PACKAGING

Established in 1994, Unidil is one of the country's premier manufacturers of corrugated cartons and paper sacks. The Company has a strong brand presence within the packaging industry due to the superior quality of its products and customer service. At present we serve a strong customer base with a market share of 17.5% for corrugated cartons and 27% for paper sacks.



The Company was in operation throughout the pandemic as we were supplying packing material to industries that were operating. However, infections, absenteeism and quarantine factors hindered business activities. Despite this, we continued to expand our operations with the acquisition of new printing machinery, which had a positive impact on productivity.

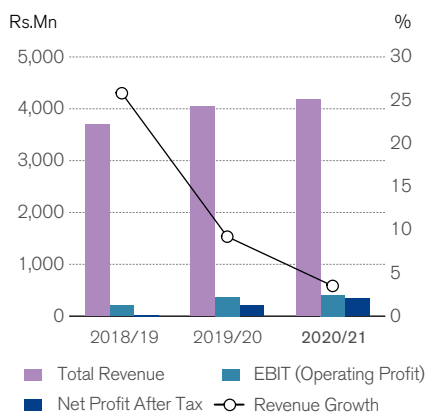
Focus on improving productivity and enhancing quality continued in line with responsible consumption practices. Deployment of new technology supported waste minimisation and resulted in both increased profitability and reduced consumption.



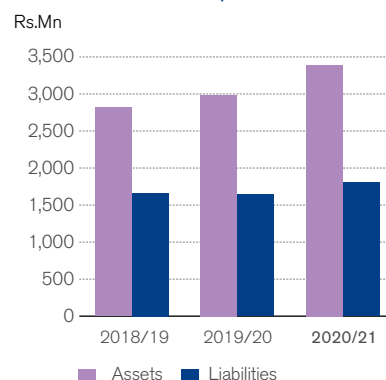
## STRATEGY AND PERFORMANCE

- Revenue grew by 3.5% to reach Rs. 4,182 Mn while the gross profit margin grew marginally by 1.3% to 19.4% on the back of improved productivity. Consequently, the sector reported a gross profit of Rs. 728Mn, a 11.60% growth compared to the previous year.
- Operating profit increased by 10.53% to reach Rs. 408 Mn while a 33% reduction in finance costs supported growth in profit before tax which increased by 21.90% to reach Rs. 357 Mn.
- The Packaging sector reported a net profit of Rs. 345 Mn, reporting an impressive 64% increase compared to the profit of Rs. 211 Mn reported in the previous year.

### Sector Performance



### Sector Financial Purpose



## COVID-19 IMPACTS

People	Business activities	Supply chain	Demand
<ul style="list-style-type: none"> <li>Transport provided.</li> <li>Carried out routine testing as a precaution.</li> <li>Daily health checks.</li> <li>Random PCR testing.</li> </ul>	<ul style="list-style-type: none"> <li>Complete closure for 3 days due to infection.</li> <li>Operations on limited capacity due to absenteeism and quarantine factors.</li> </ul>	<ul style="list-style-type: none"> <li>Currency depreciation.</li> <li>Delay in raw material imports.</li> </ul>	<ul style="list-style-type: none"> <li>Negligible impact as most customers were in operation throughout the pandemic.</li> <li>Increase in raw material price due to surge in material shortage.</li> </ul>

## OUTLOOK

- Expansion plans underway in line with potential market growth.
- Investment made in new machinery and this will have a significant impact on reducing delivery lead times.

## RISKS

- Increasing paper prices.
- Impact of the rupee devaluation on raw material prices.
- Shortage of raw materials
- Increase in new players in market.

## OPPORTUNITIES

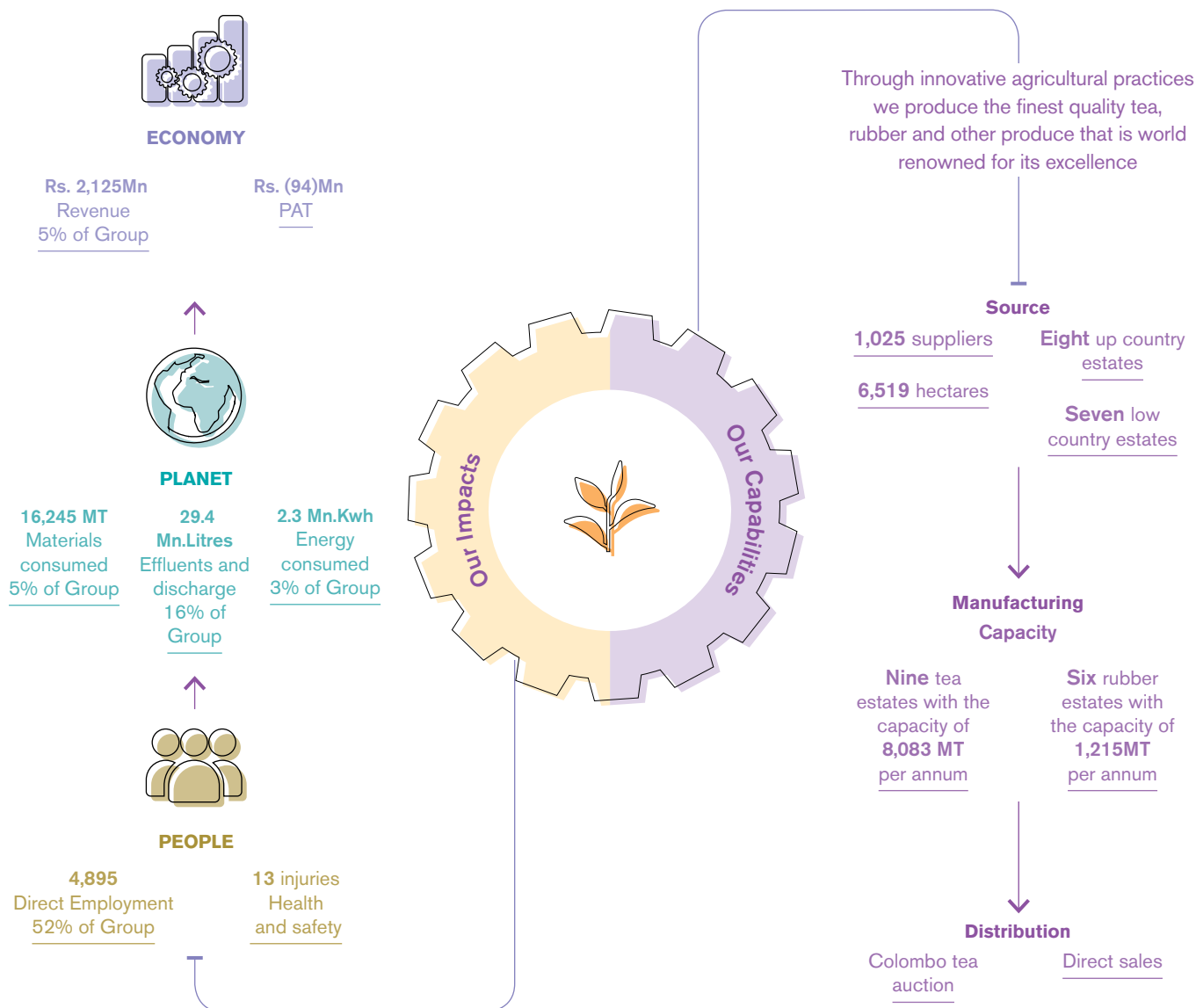
- Potential growth of Tea, Garments, Tile and FMCG industries.



## BUSINESS LINE REVIEWS

### PLANTATIONS

With 15 estates, spanning over 6,519 hectares in the Central and Western Provinces, Horana Plantations PLC is one of Sri Lanka's leading plantation companies. Incorporated in 1992, after the privatisation, Horana Plantations has gained the reputation of producing the finest tea, rubber and other agricultural produce in the country, with most estates having internationally-certified quality standards.



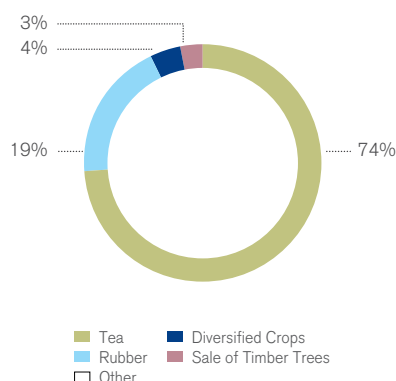
Tea produce from upper county estates was negatively affected by the dry weather that prevailed during the beginning of the year. However, it attracted better prices as supply was low. The tea factory in Bambarakelle was converted from rotovate orthodox tea to leafy tea as there is a strong demand for this from China. Rubber prices increased during the year due to high demand as it was required to manufacture protective gloves. Prices were also driven by the lower supply due to the impact of diseases in some of the key markets.

Horana Plantations saw a growth in rubber crop by over 47% with the used of rain guards and increased labour productivity.



In oil palm, value of the plant in nursery had to be written off as the Government imposed a ban on expansion of acreage. Produce from the existing plantations grew by 26% due to increased productivity which resulted in better yield. Land that was previously allocated for expansion in oil palm (80 hectares) was used to cultivate coconut and this was done on an out grower model. People from surrounding villages were given plots and supplied with plants, fencing and posts and are expected to look after the plantation for three years. Out growers can grow and sell other crops in between the coconut trees. A minor crop department office supports the villagers with the requisite knowledge.

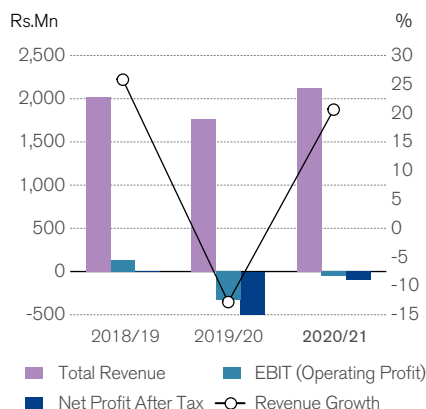
#### Revenue Contribution



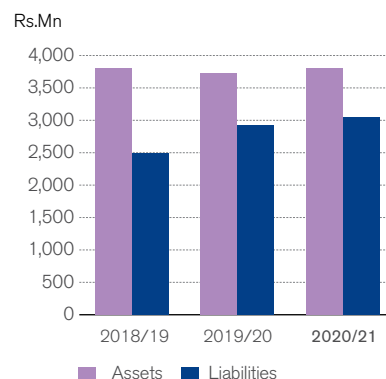
## PERFORMANCE

- Despite the uncertainties, the sector performed well compared to the previous year with a revenue growth of 21%. Revenue reported for the period amounted to Rs. 2.1Bn with tea contributing by 74%, recording a growth of 12%. Revenue from rubber grew by 51% due to increased demand while making a topline contribution of 18%. Income from oil palm saw a growth of 51% while revenue from minor crops grew by 4%.
- Regardless of the improved topline and productivity, the Plantation sector reported a net loss of Rs. 94 Mn as the finance expenses amounting to Rs. 138Mn eroded the improved operating profit.
- The Plantation sector reported a gross profit of Rs. 200Mn amidst favourable prices and improved productivity in comparison to the gross loss of Rs. 217 Mn made during the previous year.
- Administrative expenses for the year amounted to Rs. 192Mn while operating profit reported amounted to Rs.56Mn, against a loss of Rs. 324Mn reported in the previous year.

#### Sector Performance



#### Sector Financial Performance



## COVID-19 IMPACTS

People	Business activities	Supply chain	Demand
<ul style="list-style-type: none"> <li>Transport provided.</li> <li>Carried out routine testing as a precaution.</li> </ul>	<ul style="list-style-type: none"> <li>Complete closure for 3 days due to infection.</li> <li>Operations on limited capacity due to absenteeism and quarantine factors.</li> </ul>	<ul style="list-style-type: none"> <li>Currency depreciation.</li> <li>Delay in raw material imports.</li> </ul>	<ul style="list-style-type: none"> <li>Negligible impact as most customers were in operation throughout the pandemic.</li> </ul>

## OUTLOOK

- Replanting of tea to continue with plans to replant 11 hectares of tea, 130 hectares of coconut and 12 hectares of cinnamon.
- Automate the largest tea factory situated in Bambarakelle to reduce dependency on labour.

## RISKS

- Government's decision to increase the minimum wage to Rs. 1,000 became effective at the end of the year but has been appealed through the legal process by the RPC's.
- Deforestation has become a concern as it affects the upstream water sources and has a negative impact on weather patterns which is vital for the industry.
- Uncertainties related to manure subsidies.
- Ban on agrochemicals by Government

## OPPORTUNITIES

- Better prices can be expected for Ceylon Tea as supply from India and the African continent will be affected by the pandemic.
- Strong demand coming from China for leafy tea produced in the Bambarakelle tea factory.



# CAPITALS CAPITAL

THE SUCCESS OF OUR VALUE CREATION MODEL DEPENDS ON THE EFFICIENT AND EFFECTIVE USE OF OUR RESOURCES. THIS SECTION OF THE REPORT DESCRIBES THE INITIATIVES OF THE GROUP TO OPTIMISE AND GROW THE POOL OF RESOURCES WHICH IS KEY TO BUILDING SUSTAINABLE VALUE FOR OUR STAKEHOLDERS.

Intellectual  
Capital  
Pg 88



Financial  
Capital  
Pg 63

Natural  
capital  
Pg 84



Human  
Capital  
Pg 66

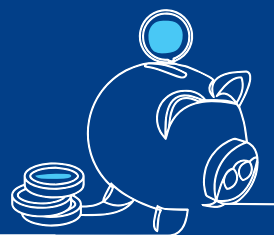
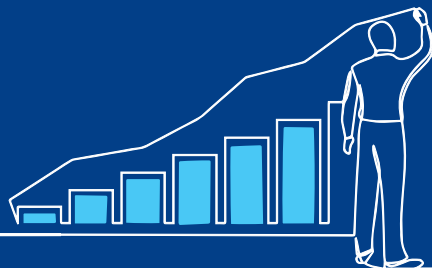
Social and  
Relationship capital  
Pg 80



Manufactured  
Capital  
Pg 73



# FINANCIAL CAPITAL



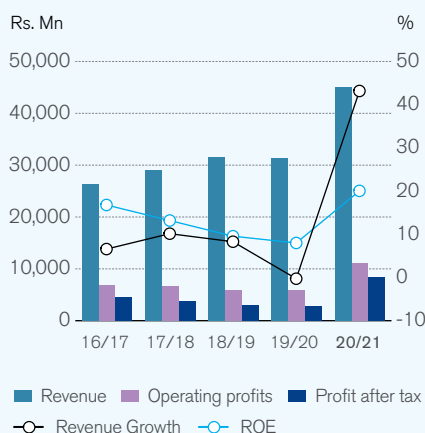
Group revenue significantly increased by 43.2% to Rs. 44,972Mn despite severe pressures faced during the year due to the pandemic which impacted demand, supply chain and manufacturing activities. The Company (Royal Ceramics Lanka PLC) too continued to deliver strong revenue growth and reached Rs. 12,524Mn in revenue.

## FINANCIAL PERFORMANCE

The group performed commendably with revenue growing by 43.2% to Rs. 44,972Mn and profit after tax reaching Rs. 8,418Mn compared to Rs. 2,761Mn last year.

Growth was primarily driven by the core sector of the Group - the Tiles and Associated Products sector which benefited from import restrictions due to COVID-19. Despite the severe pressures, we remained agile and flexible to meet consumer demand to drive growth and profitability of the Group.

### Financial Performance



## FINANCIAL POSITION

The Group assets remained in line with last year while liabilities declined by 21% to Rs. 24Bn.



### Assets

**Rs. 66,140Mn**

Current : Rs. 22,305Mn  
Non-current : Rs. 43,835Mn



### Liabilities

**Rs. 24,163 Mn**



### Interest bearing liabilities

**Rs. 10,688 Mn**

Short term : Rs. 5,751 Mn  
Long term debt : Rs. 4,937 Mn

## STABILITY

### The capital structure of the Group

Equity accounted for 63.5% of Group funding while liabilities accounted for 36.5%.

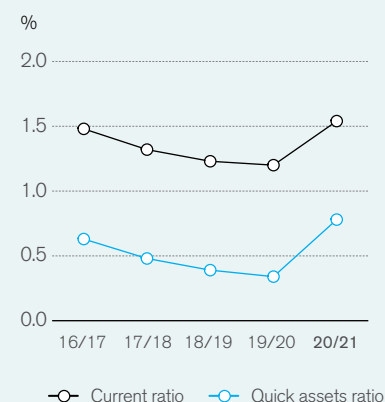
### Liquid assets of the Group

Cash and cash equivalents significantly increased during the year to Rs. 4,925 Mn compared to Rs. 1,005 Mn last year.

### Working capital management

The working capital of the group Increase by 101.2% to Rs. 7,794Mn.

### Asset Efficiency





# CAPITALS REPORT

## FINANCIAL CAPITAL

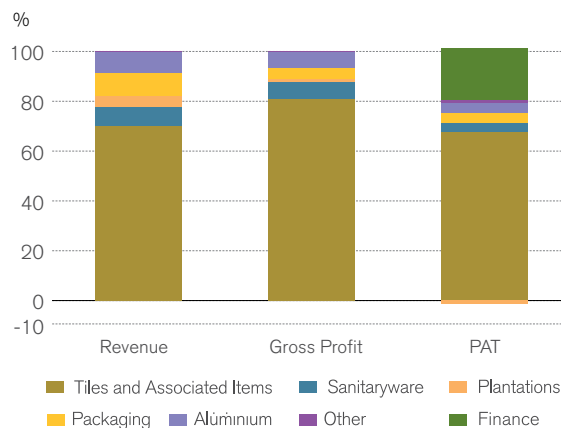
### FINANCIAL PERFORMANCE

#### Revenue

Group revenue significantly increased by 43.2% to Rs. 44,972Mn despite severe pressures faced during the year due to the pandemic which impacted demand, supply chain and manufacturing activities. The Company (Royal Ceramics Lanka PLC) too continued to deliver strong revenue growth and reached Rs. 12,524Mn in revenue.

The Tiles and Associated Products sector being the single largest contributor, accounted for 71% of Group revenue with revenue increasing by 57% compared to last year. The import restrictions benefited the sector as demand was primarily catered to by local manufacturing. The other sectors of the group also performed commendably with revenue of most sectors growing above 20% compared to last year except for Packaging grew at 4% compared to last year.

#### Performance by Sectors



#### Profitability and Margins

Group gross profits increased by 61% to Rs. 16,803Mn and margins expanded to 37% from 33% last year. Revenue growth and cost savings of Rs. 725Mn from various cost management and productivity enhancement measures such as Total Productive Maintenance (TPM), enabled us deliver profitable growth despite several pressures faced during the year. The recovery of the Plantation sector driven by increased revenue of tea and rubber further supported Group performance. The gross margins of our core sector, the Tiles and Associated Products remained broadly in line with last year at 43%. The gross margins of Sanitaryware increased to 34.5% compared to 30% last year.

Earnings before interest and tax (EBIT) of the Group increased to Rs. 11,183Mn compared to Rs. 5,929Mn last year. The operating expenses of the Group increased by 27% to Rs. 7,753Mn primarily due to higher distribution costs and other operating expenses including fixed cost charge to Profit & Loss account during the factory closure period as a

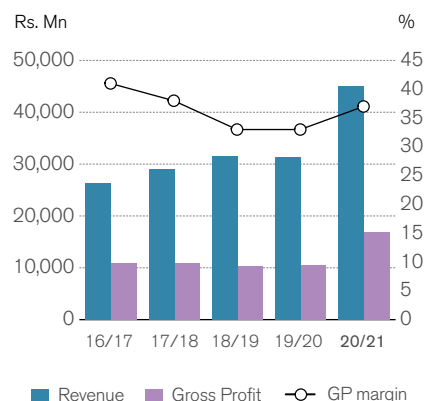
result of the country lockdown. during the year. However, strong revenue growth cushioned the impact and the operating margins increased to 25% from 19% reported last year.

Profit before tax increased to Rs. 9,860Mn compared to Rs. 3,679Mn last year. The decline in group borrowings led to 48.7% drop in finance costs, further strengthening Group profitability, Income from associate companies also increased during the year by 32% to Rs. 1,814Mn.

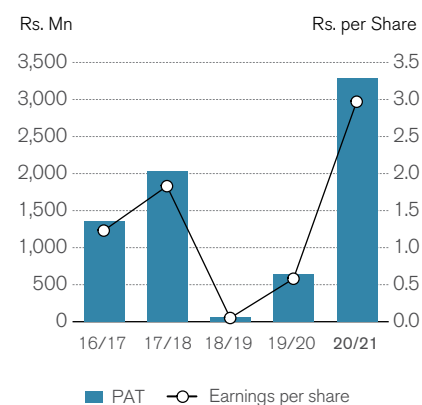
The profit after tax improved to Rs. 8,418Mn compared to Rs. 2,761Mn last year. Basic earnings per share improved to Rs. 5.54 compared to Rs. 2.33 last year after adjusting the share split. The ROE of the group was 20.1% (8% in 19/20).

The Company, Royal ceramics Lanka PLC, delivered profit after tax of Rs. 3,285Mn, a five-fold increase compared to last year's profit after tax of Rs. 646Mn primarily driven by revenue growth.

#### Group profit Analysis



#### Performance of the Company - RCL





## FINANCIAL POSITION

### Assets

Group assets remained broadly in line with last year at Rs. 66,140Mn. Non-current assets formed 66% of group assets and increased by 5% compared to last year primarily driven by the value of Associate Companies which increased during the year.

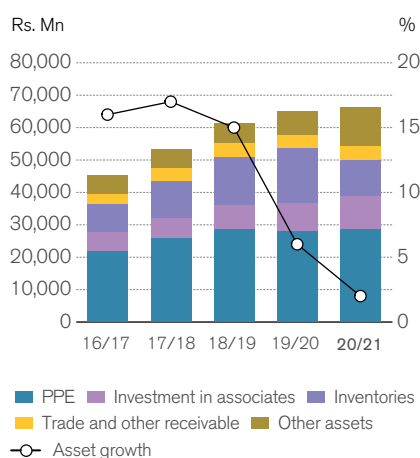
Capital investments increased by 29% to Rs. 1,961Mn with investments in the Tiles and Associated products accounting for 59% of the Group capital expenditure.

The current assets of the Group declined by 5% to Rs. 22,305Mn as inventories significantly dropped by 35% to Rs. 11,101Mn at the end of the year. With this, the cash and cash equivalents increased significantly to Rs. 4,925Mn compared to Rs. 1,005Mn last year.

- Cash flows from operating activities amounted to Rs. 18,440Mn (Rs. 1,308Mn in 2019/20).

- Cash outflows from investing activities amounted to Rs. 2,166Mn.
- Cash outflows from financing activities amounted to Rs. 8,224Mn.

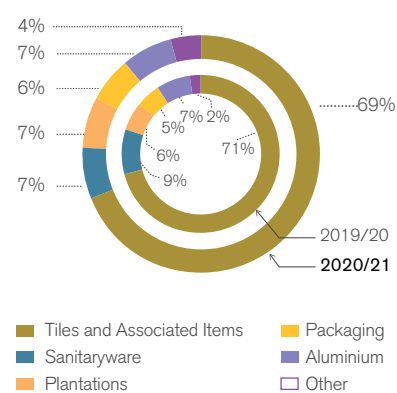
#### Asset Growth



#### Working capital management

The group current ratio improved to 1.54 times compared to 1.2 times reported last year.

#### Asset by Sector



### Funding structure

Group liabilities declined by 21% to Rs. 24,163Mn. With the repayment of borrowings, the group interest bearing debt which accounts for 44% of Group liabilities, declined to Rs. 10,688Mn from Rs. 20,833Mn.

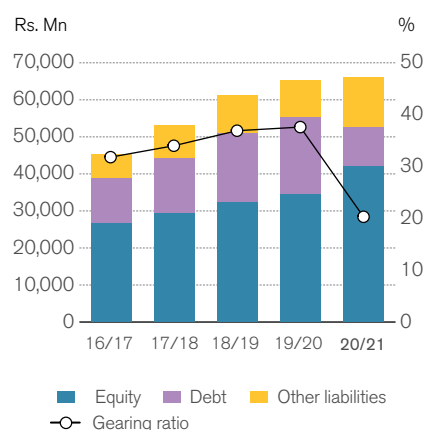
- Short term debt declined by 61% to Rs. 5,750Mn.
- Long term debt declined by 17% to Rs. 4,937Mn.

The current liabilities of the Group declined by 26% to Rs. 14,511Mn and formed 60% of group liabilities, Trade and other payables increased by 48% to Rs. 5,359Mn.

The equity of the group amounted to Rs. 41,978Mn, 21.5% higher than last year as the improvement in group profitability added to the Group equity balance. The equity of the Company increased by 13% to Rs. 16,513Mn.

The gearing ratio of the group reduced to 20.3% from 37.6% last year along with the decline in interest bearing debt.

#### Funding profile





# HUMAN CAPITAL



Human capital is our main value creator, driving growth through expertise, knowledge, and performance excellence. Over the years Rocell has developed a holistic employee value proposition which has enabled us to attract and retain top talent, allowing us to operate in a high performing culture.

## GOALS FOR 2020/21

- Keeping our workforce safe amidst the pandemic
- Facilitating remote working to ensure minimal disruption to business operations.
- Facilitating a performance-driven culture.

## HIGHLIGHTS FOR THE YEAR



**1,486**  
new recruits



Labour retention  
rate of **82%**



**9,021**  
training hours



Investment of  
**Rs. 3Mn**  
in training  
and development



**Rs. 27Mn** spent on  
ensuring employee  
health and safety

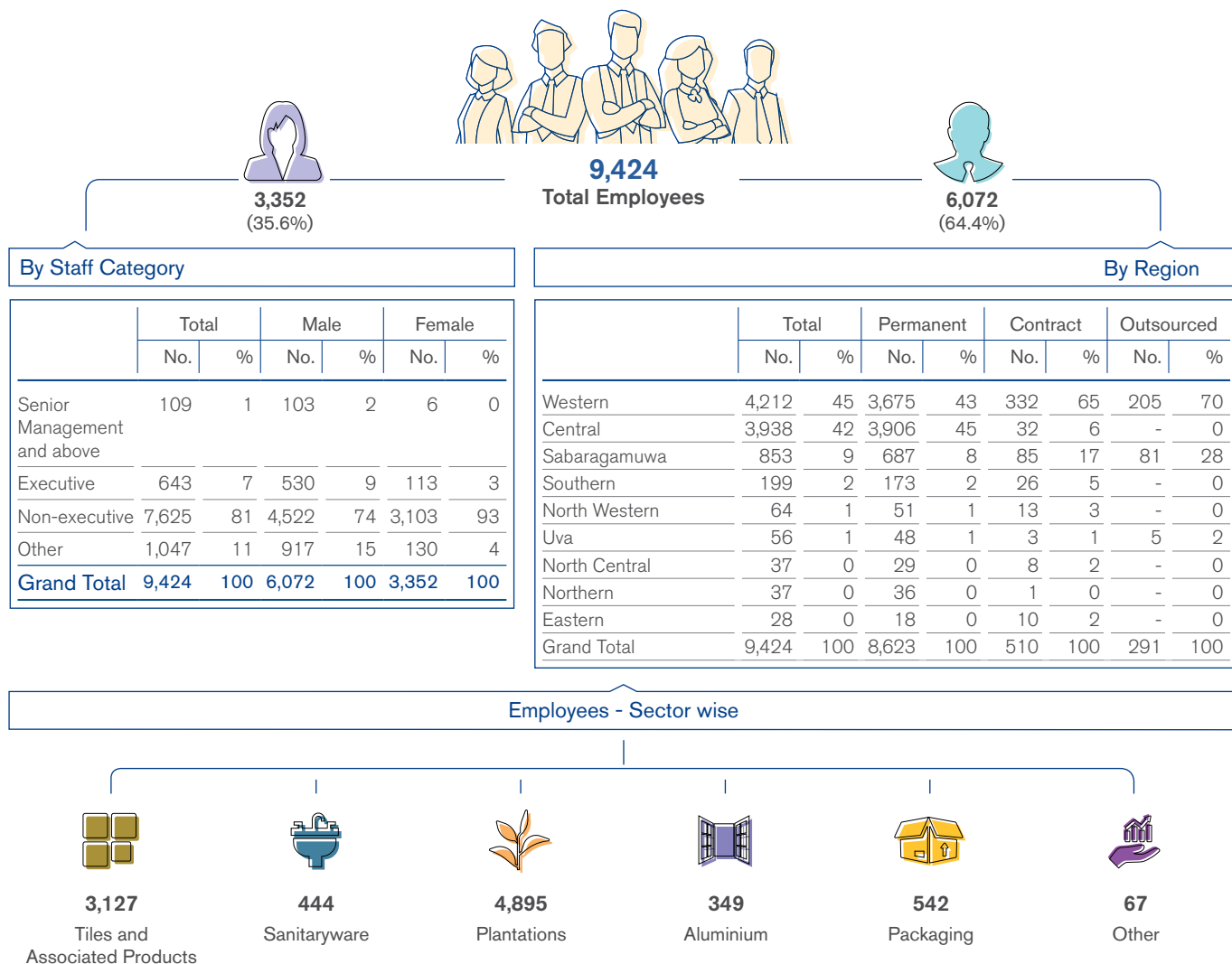
## GOALS FOR 2021/22

- Driving efficiency by upskilling staff through training and development.
- Providing new employment opportunities with proposed capacity expansions.
- Enhancing employee engagement.



## ABOUT OUR TEAM

Rocell Group has a diverse team of employees across all sectors. At the end of the financial year the Group had a total of 9,341 employees with the Tiles and Associated Products sector having the highest number of recruitments within the year.



## GOVERNANCE

GRI - 403-1

Human resource strategy and policies are approved by the Board and with the assistance of the Board Remunerations Committee (REM), which monitors compliance with all the regulatory requirements. The centralised human resources management for Rocell is carried out by the REM Committee while the day-to-day activities are overseen by the HR departments of each subsidiary. Monthly meetings are conducted with divisional managers to discuss employee related matters. Further meetings with the REM Committee are held every year in addition adhoc meetings held when required.

Our HR policies and procedures are developed to reflect our culture and values while promoting employee rights and freedom of association. The Group maintains healthy relationships with trade unions as our factory workforce across the Group are covered by collective bargaining agreements.





# CAPITALS REPORT

## HUMAN CAPITAL

### TALENT ACQUISITION AND ATTRITION

GRI - 401-1

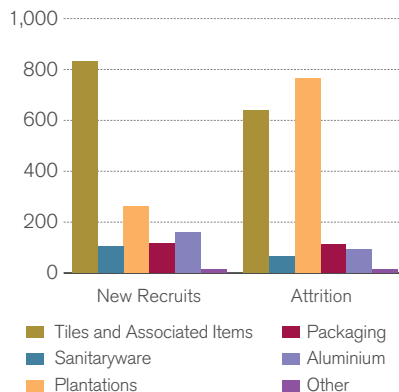
During the year we acquired 1,486 new employees across the Group while maintaining diversity in terms of gender, experience, age and region. Our recruitment process is designed to ensure transparency and objectivity while facilitating career progression and mobility within the team.

We aim to establish long-term relationships with our team members by offering them a holistic value proposition. Despite our efforts high labour turnover in the Plantation sector continues to be a challenge. We have taken various measures such as to improve the satisfaction of Plantation sector workers to combat this industry-wide issue. The Group initiated a revenue sharing model to facilitate their entrepreneurial capabilities while implanting programmes to increase the nutrition levels of the workers and their families.

Despite the difficulties faced during the year with the ongoing pandemic Rocell safeguarded employment of all team members. No redundancies or pay cuts were made during the year.

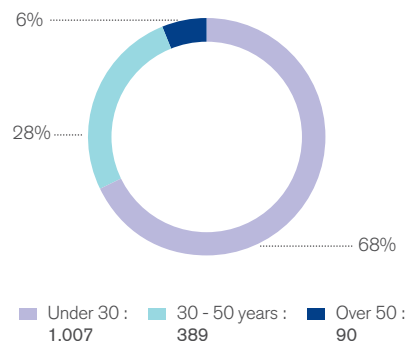
### Recruitment and Attrition

No.

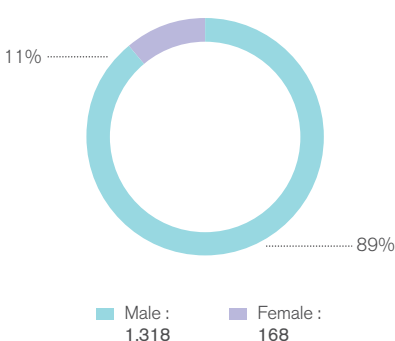


### New Recruits

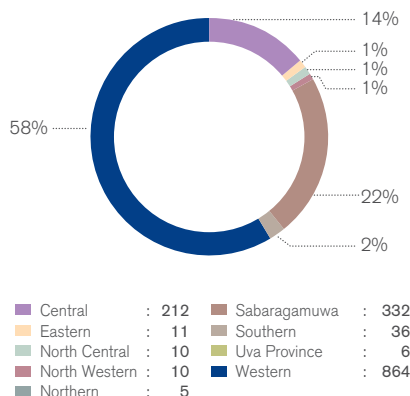
#### By Age



#### By Gender

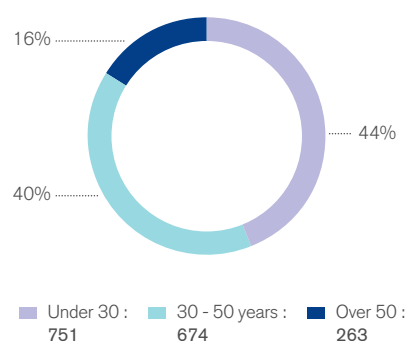


#### By Region

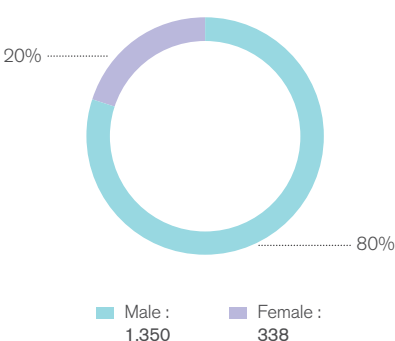


### Attrition

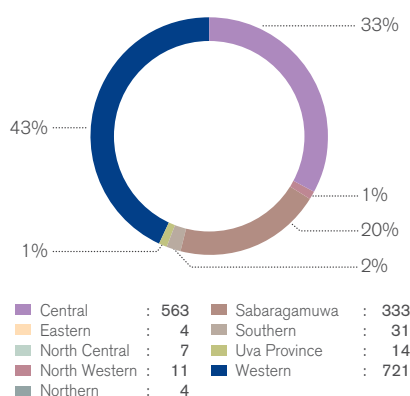
#### By Age



#### By Gender



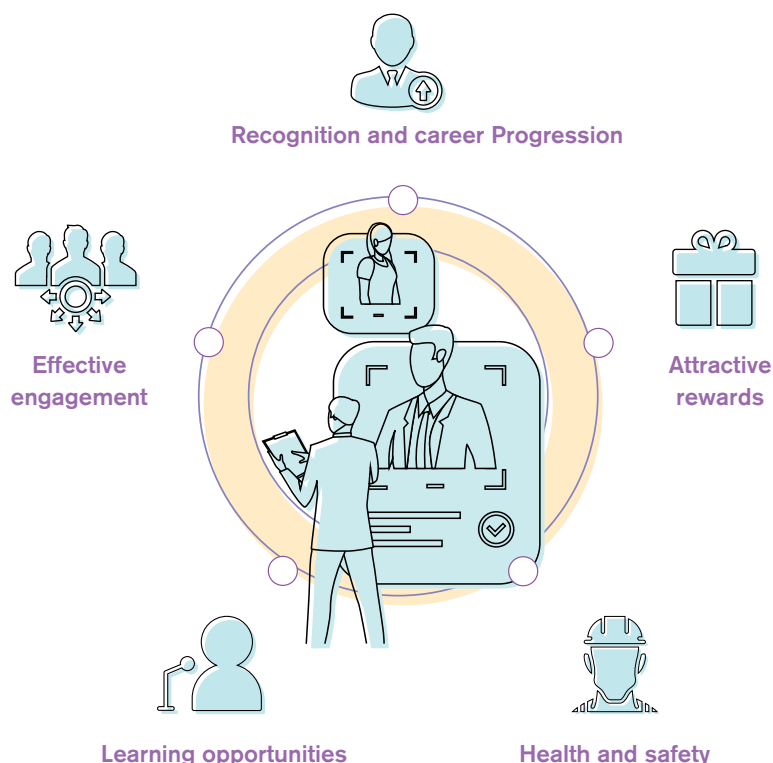
#### By Region





## NURTURING OUR TALENT

We strive to align employee's career aspirations to our business goals to create mutual benefits. A comprehensive value proposition allows us to build a healthy talent pipeline, enabling us to retain our competitive edge.



### RECOGNITION AND CAREER PROGRESSION

GRI - 404-3

Employee recognition schemes create high levels of morale and help align personal career goals to organisational goals. All employees participate in the performance appraisal system of the Group, which is designed to recognise and reward top performing talent. The key performance indicators set in line with the corporate strategy are communicated with the employees and evaluated based on their contribution. During the year 147 employees were promoted.

### EMPLOYEE COMPENSATION AND BENEFITS

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

We offer competitive remuneration to all our employees, thus enabling us to retain top talent. All compensation packages across the Group meet regulatory requirements while being on par with the industry players. The fixed pay includes basic salary, allowances, and statutory pension contributions while the variable component consists of both monetary and non-monetary benefits, which include:

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Health insurance               | <input type="checkbox"/> Financial assistance for education qualifications | <input type="checkbox"/> Foreign trips to for top performing employees |
| <input type="checkbox"/> Reimbursement of medical costs | <input type="checkbox"/> Subsided meals                                    | <input type="checkbox"/> Housing for plantation workers                |
| <input type="checkbox"/> Parental leave                 |  |  |

During the year, we did not face any penalties due to non-compliance with labour laws and regulations. Rocell safeguarded all remuneration, allowances and benefits 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 to become effective from March 2021 is now being appealed through the legal process by the Regional Plantation Companies (RPC) together with the private holders and factory owners.



# CAPITALS REPORT

## HUMAN CAPITAL

### HEALTH AND SAFETY

GRI - 403-2

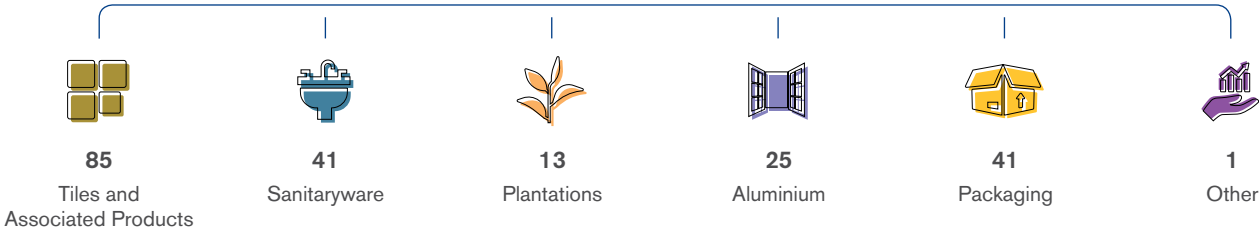
The COVID-19 pandemic highlighted the importance of health and safety practices at the workplace. We took all necessary precautions to manage the contagion at all manufacturing plants and showrooms while head office and some of the logistic staff were provided with facilities to work from home. Listed below are some of the steps taken to minimise any exposure.

- ❑ Renting separate premises for quarantine purposes.
- ❑ Splitting the senior factory staff in to three teams to manage contagion.
- ❑ Encouraging and facilitating head office staff to work from home.
- ❑ Reinforcing good hygiene practices at all premises.
- ❑ Providing staff accommodation.
- ❑ Adhering to all safety protocols stipulated by the authorities.

As a manufacturing organisation, health and safety plays an important role in day-to-day operations. Factory level employees are subjected to monthly health checks while stringent safety standards that are on par with international best practices are maintained across all manufacturing plants. During the year we spent Rs. 27Mn to ensure health and safety of our employees. Lanka Tiles PLC and Lanka Wall Tiles PLC are certified by the Occupational Health and safety Assessment Series (OHSAS).



#### Incidences of Occupational Injuries



#### Key initiatives taken to manage safety standards



- ❑ Regular monitoring of physical and mental healthcare of employees.
- ❑ Maintaining health records.



- ❑ Provision of necessary safety gear.
- ❑ Safety committed.
- ❑ Safety audits.
- ❑ Ensuring safety of all machinery and equipment.



- ❑ Creating awareness on safety standards.
- ❑ Safety training programmes.



- ❑ Monitor incidents such as injuries.
- ❑ Hazard analysis programs.



## LEARNING OPPORTUNITIES

GRI - 404-1

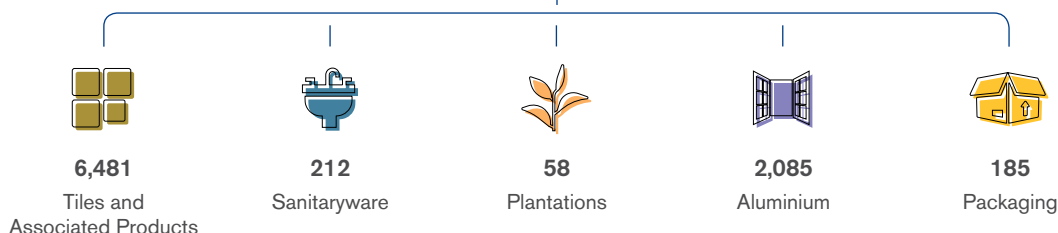
The Group continued to upskill its talent pool through various internal and external resources. However due to the need for social distancing some of the planned programmes were shifted to virtual platforms while several programmes were put on hold.

Training and development cost for the year amounted to Rs. 3Mn with 9,021 training hours. Given below is a summary of programmes conducted during the year,

- ❑ 5S training
- ❑ ISO training
- ❑ TPM training
- ❑ IT training
- ❑ Forklift training
- ❑ Health and safety training
- ❑ Leadership developments
- ❑ Tiler Training Programmes



### Training Hours



Category	Tiles and associated products	Sanitaryware	Packaging	Aluminium - Rocell Group	Plantations - Rocell Group	Total
<b>Training hours by gender</b>						
Male	6,066	182	163	1,894	52	8,357
Female	415	30	22	191	6	664
<b>Total</b>	<b>6,481</b>	<b>212</b>	<b>185</b>	<b>2,085</b>	<b>58</b>	<b>9,021</b>
<b>Training hours by employee category</b>						
Senior Management and above	45	9	7	1	4	66
Executive	2,123	169	7	1	54	2,354
Non-executive	1,785	30	171	2,083	-	4,069
Other	2,528	4	-	-	-	2,532
<b>Total</b>	<b>6,481</b>	<b>212</b>	<b>185</b>	<b>2,085</b>	<b>58</b>	<b>9,021</b>



# CAPITALS REPORT

## HUMAN CAPITAL

### EMPLOYEE ENGAGEMENT

We maintain an Open Door Policy to encourage effective engagement and inspire collaboration and inclusivity. Input received from our team members are valued and considered in the decision-making process.

We also promote work life balance which is vital for employee satisfaction. We have several annual welfare events to promote networking amongst the employees. However, this year the Group decided to limit such functions due to the need for social distancing.

### Employee Grievances

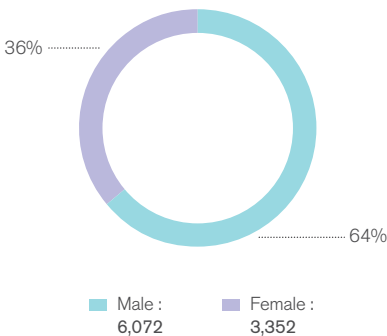
We encourage employees to come forward with their grievances by maintaining an open door policy and whistleblowing policy. Employees can report such grievances to their line managers but they also have access to the HR department or to the Managing Director.

### DIVERSITY AND INCLUSION

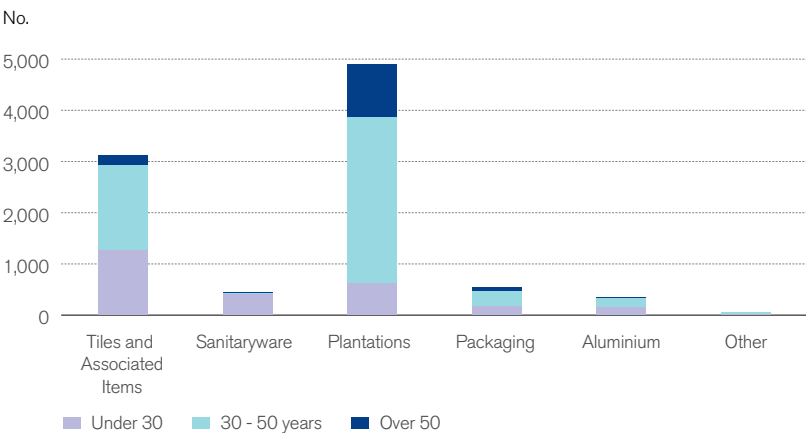
GRI - 405-1

Our Human Resource Management Framework ensures equal opportunity and non-discriminative work place for all employees. Consequently, we maintain a Zero Tolerance Policy on racism this is reflected in our recruitment, talent development and career progression processes. Further, Grievances, Open Door and Whistle Blowing Policies encourages employees to report discrimination.

Diversity and Inclusion by Gender

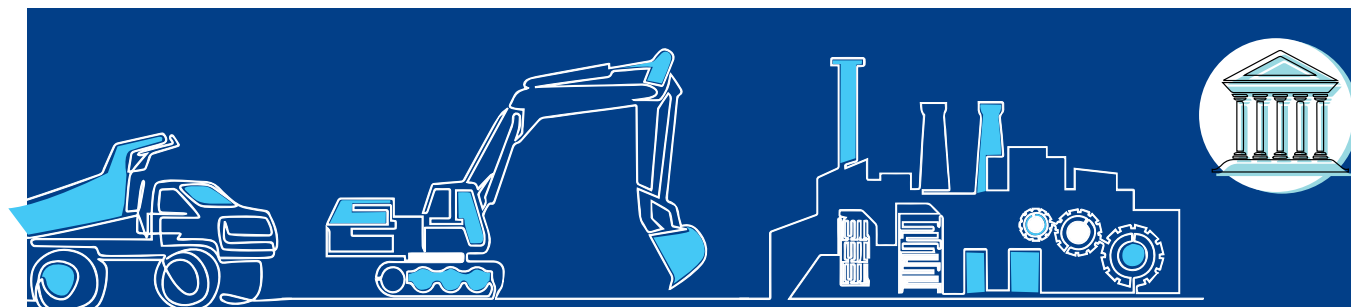


Diversity and Inclusion by Age





# MANUFACTURED CAPITAL

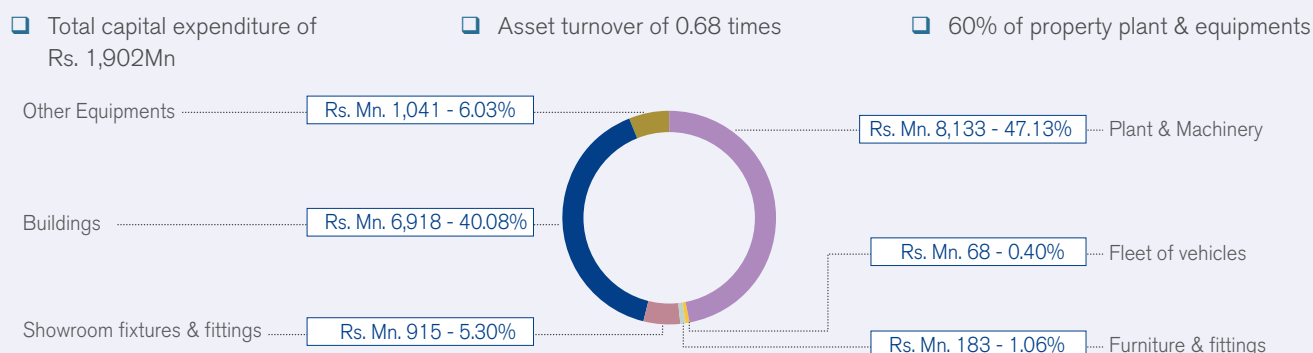


**Manufactured Capital** is the collection of physical, material, and technological objects that a business employ in delivering value to its stakeholders. Our manufactured capital comprises highly specialized assets which necessitates substantial capital infusions. During the year the Group incurred a total capital expenditure of Rs. 1,902Mn while the total manufactured capital as of the year end amounted to Rs. 17,258Mn, net of depreciation.

## GOALS FOR 2020/21

- To reach optimal capacity utilization to ensure effective and efficient use of resources.
- Implement/complete proposed capacity expansion programmes/ upgrades to cater to the increasing and evolving customer demand.
- Ensure continued operations amidst the ongoing pandemic.

## HIGHLIGHTS FOR THE YEAR



## GOALS FOR 2021/22

- Proposed capacity expansion in Eheliyagoda and Meepe manufacturing plants.
- Sanitaryware factory capacity will be increased by 23%
- Horana factory increase capacity by 600 Sqm/day from the extended klin capacity
- Using technology to drive efficiency and effectiveness in our manufacturing plants.
- Unidil factory will be increased corrugated cartons printing capacity by 6,000 MT per annum.



# CAPITALS REPORT

## MANUFACTURED CAPITAL

### MANUFACTURING FACILITIES

#### TILE & ASSOCIATED PRODUCTS

##### Horana – Royal Ceramics Lanka PLC



#### Description

Produces glazed tiles in the porcelain, vitrified and ceramic categories.

#### Current Capacity

10,500 m<sup>2</sup> /day

#### Capacity Utilisation

100%

##### Eheliyagoda – Royal Ceramics Lanka PLC



Produces homogeneous full body porcelain tiles and glazed porcelain tiles. Introduced double charge tiles this year for the first time in Sri Lanka.

6,500 m<sup>2</sup> /day

91%

#### SANITARYWARE



##### Panagoda – Rocell Bathware Limited



#### Description

Produces vitreous China and fine fire clay sanitaryware products.

#### Current Capacity

300,000 pieces/annum

#### Capacity Utilisation

88%

#### ALUMINIUM



##### Dompe – Swisstek Aluminium Limited



Produces aluminium profiles to fabricate all types of doors, sliding doors, windows, shop fronts, partitions, curtain walls, roller shutters, ladders and tile beading.

700 MT/month

60%





#### Ranala – Lanka Tiles PLC



Produces glazed, vitrified wall tiles and floor tiles with double firing technology.

16,500 m<sup>2</sup> /day

99%

#### Meepe – Lanka Walltile 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 m<sup>2</sup> /day

100%

#### Ballummahara – Swisstek (Ceylon) PLC



Produce tile grouts, tile mortar and decorative pebbles

60,000 MT/annum

97%

#### PACKAGING



#### Dekatana – Unidil Packing



Produces corrugated packaging and paper sacks for various industry requirements.

26,400 MT corrugated packaging and 3,600 MT paper sacks per annum

84% of corrugated cartons and 57% of paper sacks

#### PLANTATIONS



#### Horana Plantations



8 estates in Nuwara Eliya & 1 estate in Kalutara District producing tea and 6 estates in Kalutara District producing rubber.

Tea - 8,083 MT/annum, Rubber – 1,215MT/annum



# CAPITALS REPORT

## MANUFACTURED CAPITAL

Ongoing capital infusions are a necessity to ensure our continued leadership in business segments in which we operate. Our manufacturing plants are equipped with the latest technology to cater to evolving customer preferences while driving operational efficiencies which ensures optimal usage of raw material and environmental sustainability.

Several of our tile manufacturing plants have undergone recent capacity expansion projects to cater to the increased demand for locally manufactured tiles which arose due to the recent import restrictions. These expansions have also enabled us to expand our product portfolio in terms of the product range to offer more innovative products and size range while keeping up with the global trends.

### ROCELL SHOWROOM PRESENCE

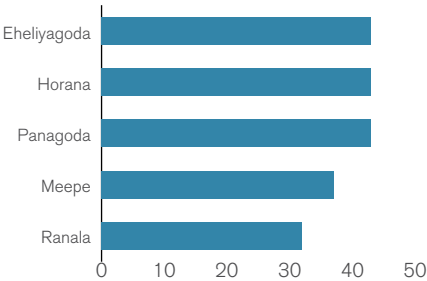
Despite the ongoing pandemic we expanded our reach by opening two new showrooms in Kundasale and Kaduruwela. Further, several showrooms carried out necessary maintenance work, upgrading and re-locations during the year and these were completed during the lockdown period, which ensured minimal disruption to business operations. The entire showroom network was closed down during the island-wide lockdown. The outlets out of the Western Province were the first to resume business while the show rooms in Colombo and Gampaha Districts remained closed during lock down periods.

A total of Rs. 65Mn was spent during the year on expanding, upgrading and relocating the showroom network.

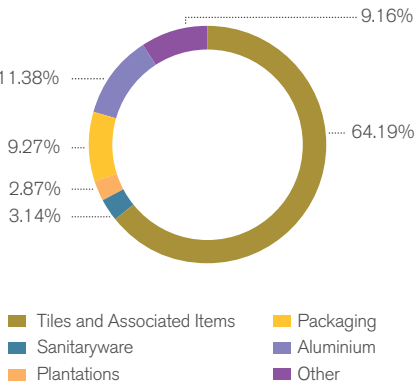
The nationwide lock down that was imposed to control the pandemic forced Rocell to cease operations in all our manufacturing plants and thereafter all such plants gradually began operations as the restriction eased, amidst strict health and safety protocols and by May 2020 all facilities were back in operation.

### No. of days lost due to Pandemic

Lost No. of Days



### Segmental Analysis of Capital Expenditure





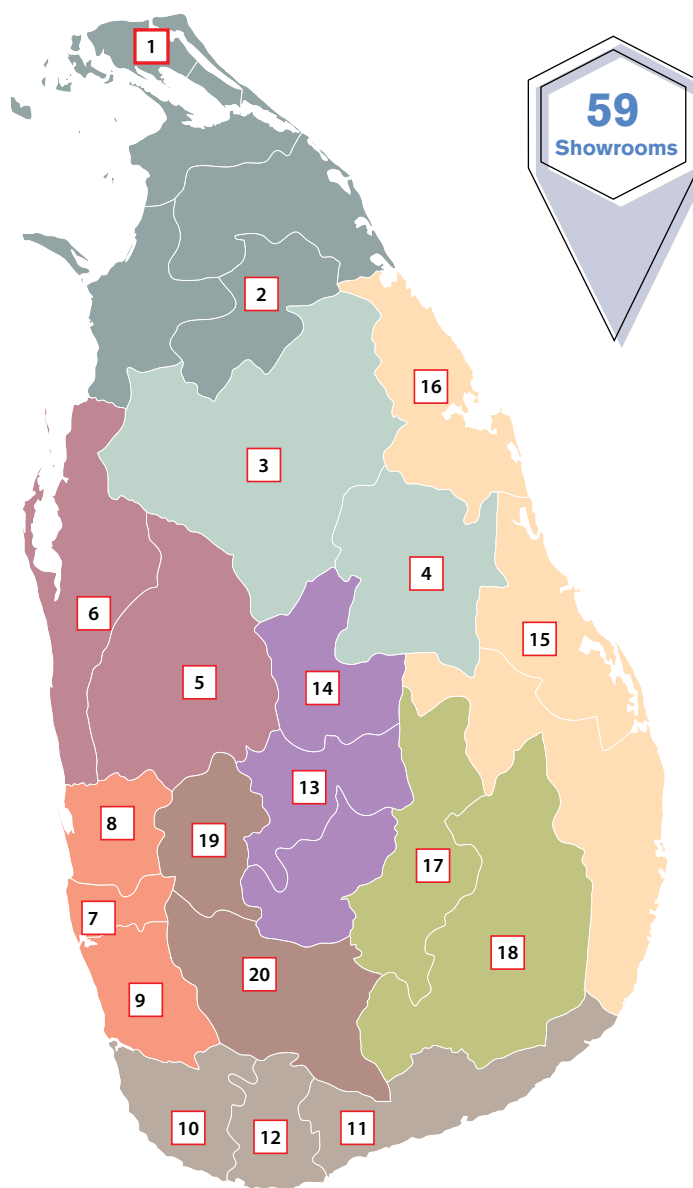
## OUR SHOWROOM NETWORK

Despite the subdued economic activities Rocell expanded its footprint by opening 2 new showrooms in Kaduruwela and Kundasale. A further Rs.65Mn was spent on upgrading existing showrooms to increase our brand visibility.

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

### New Showroom Openings

District	
Kandy	1
Polonnaruwa	1





## CAPITALS REPORT

### MANUFACTURED CAPITAL

	Showroom	Address	Telephone
1	Ambalangoda	745, Galle Road, Randube, Ambalangoda.	091-4944731/091-2253263
2	Ambalanthota	76 A, Tangalle Road, Thavaluwila, Ambalanthota.	047-4932446
3	Anuradhapura	521/5, 2nd Stage, Maithreepala Senanayaka Mawatha, Anuradhapura.	025-4580294
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, Massale, Galle Road, 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 Center	106, Galle road, Dehiwala North, Dehiwala.	011-7024748
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	169, Panadura Road, Horana.	034-4283403
19	Ja-Ela	Ja Ela Concept Centre, 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" Wellawaya Road, Monaragala.	055-4936169
41	Moratuwa	477/1, Galle Road, Rawathawatte, Moratuwa.	011-4210726
42	Nawala	101, Nawala Road, Nawala.	011-4311311
43	Nawala	30, Narahenpita Road, Nawala.	011-4651000
44	Nawala	Design Hub, 100, Narahenpaita Road, Nawala.	011-4691705/06



	Showroom	Address	Telephone
45	Nawala	98, Nawala Road, Nugegoda.	011-4405160
46	Negombo	206, Chilaw Road, Negombo.	031-4922192
47	Nittambuwa	52, Kandy Road, Nittambuwa.	033-4929681
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.	045-4360297
52	Seeduwa	587, Negombo Road, Liyanagemulla, 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	031-7634003
57	Nawala - Lanka Tiles	215, Nawala Road, Narahenpita	011-4526700
58	Perceptions Tile Gallery - Lanka Tiles	133, Jawatta Road, Colombo 5	011-3883510
59	Swisstek Aluminium Ltd	23, Narahenpita Road, Nawala	011-7807120

## OUTLOOK

We continue to explore avenues to increase capacity to cater to the demand in the domestic market and to drive growth in export markets. We will also expand our portfolio, introducing new designs in keeping with market trends. Further we remain committed to responsible consumption of resources, enhancing productivity through continuous improvements and investing in technology to increase the effectiveness of the use of raw material while driving efficiencies to increase production. The proposed factory expansions set out alongside will further enhance the efficient utilisation of existing resources, supporting significant economies of scale, which is a significant competitive advantage.

## Proposed Factory Expansions 2021/22

### Royal Porcelain - Horana

Proposed expansion of the existing kiln with 5% increase in capacity.

### Royal Ceramics - Eheliyagoda

Proposed expansion under review, to double the capacity with an estimated investment of Rs. 3Bn.

### Lanka Tiles - Ranala

Currently at full capacity and studying the possibility of expanding the existing kiln.

### Lanka Wall tiles - Meepe

Proposed expansion under review, to add 11,000 m<sup>2</sup> /day with an estimated investment of Rs. 4Bn.

### Rocell Bathware - Panagoda

Proposed expansion to increase the monthly capacity to 28,000 pieces.

### Unidil Packaging - Dekatana

Proposed expansion to increase the monthly corrugated cartons printing capacity by 500 MT.



# SOCIAL AND RELATIONSHIP CAPITAL

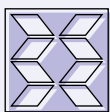


Our growth and sustainability of our market position is dependent on relationships we maintain with our stakeholders. A reliable supplier base is key to continuous operations and superior quality products. This will enable us to retain a loyal customer base to purchase our products and support our cash flows. Effective and favourable relations with the regulators is vital for smooth operations while community we operate in is key for our sustainability. During this difficult year we played our part in serving the community by donating much needed ventilators to Kurunegala Teaching Hospital and Ragama Hospital.

## GOALS FOR 2020/21

- Continuing our market dominance by expanding our product range
- Exploring avenues to increase export sales

## HIGHLIGHTS FOR THE YEAR



**200+**  
New tiles designs



**10**  
New bathware designs



**Rs. 4,330 Mn**  
Taxes



**1,486**  
New recruits



CSR spend of  
**Rs. 20.6Mn**

## GOALS FOR 2021/22

- To maintain market dominance in Sri Lanka while looking at expanding export sales.
- Expand our product portfolio with innovative products
- Increase number of showrooms and concept centres





### Customers

- Consumers
- Distributors
- Franchisees and retailers
- Brokers

- Architects
- Tilers
- Fabricators

### Suppliers

- SME suppliers
- Large-scale suppliers
- Overseas suppliers
- B2B suppliers
- Others

### Regulators

- Government

### Community

- People
- Charitable Institutions

### Value Delivered

- 16,027,000 SQM of tiles
- 241,900 pieces of bathware
- 239,190 pieces of bathware accessories
- 2,469 MT of tea

- 890 MT of rubber
- 23,292 MT of corrugated boxes
- 3,698 MT of paper sacks
- 4,588 MT of aluminium products

- Rs. 17,900Mn paid to local suppliers
- Rs. 8,155Mn paid to overseas suppliers

- Rs. 4,330 Mn direct & indirect taxes
- Export revenue of Rs. 1,230 MN

- Direct and indirect employment opportunities
- CSR spend of Rs. 20.6Mn

## CUSTOMER ENGAGEMENT

Comprised of a diverse range of customers such as commercial and residential direct users, franchise network, distribution network, architects and tilers, our customer base has an evolving and wide range of requirements and preferences. Consequently, communication with them is key to understanding demand patterns which in turn will help us to maintain our competitive advantage. During the year we added several products to our tile and bathware products and also introduced several larger sized tile to cater to the evolving customer preferences. Delivering products of superior quality has always been a top priority of Rocell and over the years we have gained the confidence of customers in providing products that are of exceptional quality.

### Customer satisfaction



### Superior Quality

- Continuous monitoring.
- Compliance with international best practices.
- All processes and products subjected to quality assurances.



### Customer Support

- Well-trained sales staff.
- Customer satisfaction surveys.
- Call centre for customer assistance and to handle complaints.
- Use of social media.



### Innovation

- 200+ new designs launched during the year.
- Product portfolio to cater to diverse customer preferences.

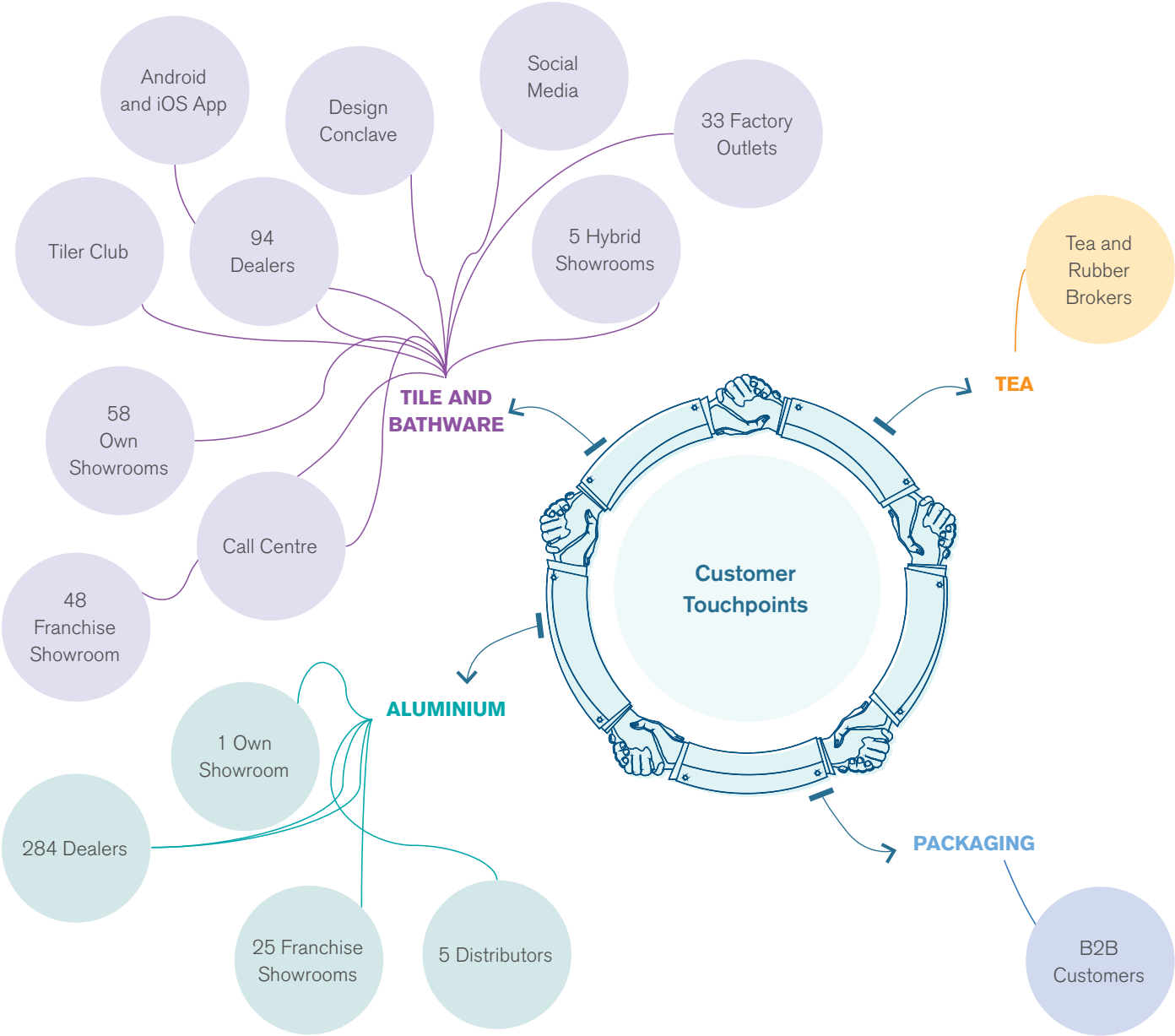


# CAPITALS REPORT

## SOCIAL AND RELATIONSHIP CAPITAL

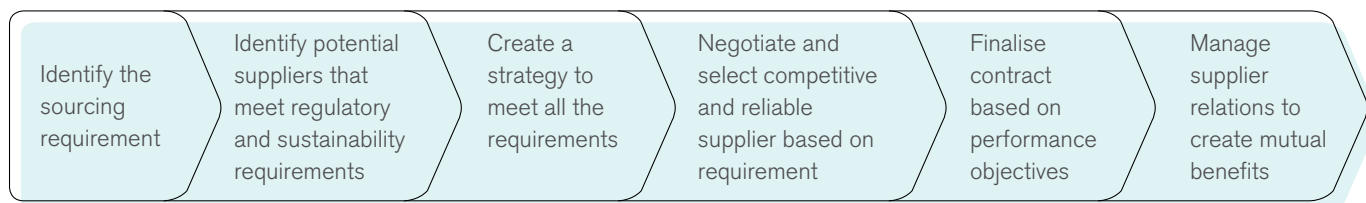
We engage with our customers via multiple channels. Sales staff in our stores have direct access to customers while we communicate with intermediaries such as architects and tilers through initiatives such as Colombo Design Conclave, a platform to bring the architecture and design fraternity together with the Rocell Group with the objective of collaboration. Tilers Club is another initiative instigated to create a relationship with tilers where members are provided with technical support through various training programmes. Social media platforms are used to educate customers about new product launches and promotions while also allowing customers to provide feedback. Rocell Tile Visualizer, an app available in both Android and iOS platforms, enables customers to virtually design their space using our products without having to visit our showroom.

Customer satisfaction is key for our business sustainability and for maintaining our competitive advantage. We aim to achieve this by providing our customers with value for money without compromising on the quality of the products offered. We maintain stringent quality control measures throughout the entire process from procurement to finished tiles. Further, our ever-expanding product portfolio provides customers with a wide range to choose from regardless of their preference and requirement.





## RELATIONSHIP WITH OUR SUPPLIERS



Positive supplier relationships are vital for uninterrupted business operations. We focus on maintaining mutually-beneficial relationships with a structured approach that ensures efficiencies for both parties.

We source raw materials from both local and foreign suppliers that comply with all regulatory and environmental requirements and are selected based on the product quality and their reliability.

Periodic assessments are carried out to ensure quality and conformity to all requirements.



## STRATEGIC PARTNERSHIPS

Knowledge sharing is key for our growth. Through partnerships with suppliers, industry experts and world-renowned brands we continuously aim to improve our products and business processes. This has enabled us to strengthen the brand presence of Rocell while establishing our competitive advantage.

## INDUSTRY COLLABORATIONS

GRI - 102-13

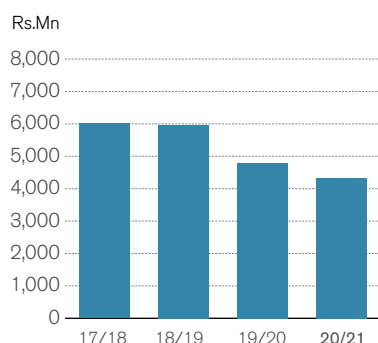
We engage in proactive collaborations with the following professional bodies while encouraging employees to actively get involved in professional forums to contribute their ideas and perceptions to the betterment of the overall industry.

- ☐ 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

## RELATIONSHIP WITH REGULATORS

The Government is a key stakeholder for any business organisations. We work closely with the regulators to support sustainable growth within the industry. We drive Government revenue by paying direct and indirect taxes that are stipulated by the Department of Inland Revenue.

### Taxes Paid to the Government



## COMMUNITY ENGAGEMENT

GRI - 413-1

Our business sustainability depends on the long-term well-being of the community in which we operate. Rocell believes in fulfilling our social responsibility as a good corporate citizen. We believe in playing


an active role within the community by supporting their development and proactively tackling their issues. The ongoing pandemic affected some of the planned CSR activities. The projects conducted during the year are as follows:

- ☐ Donation of four ventilators to the Kurunegala and Ragama hospitals for the treatments of Covid-19 patients.
- ☐ Donation of floor and wall tiles to temples and other charitable institutions.
- ☐ Donation of wall clocks to pre-schools as a part of pre school development project.
- ☐ Construction of waiting area for patients in Dompe hospital.





# NATURAL CAPITAL



Natural resources such as ball clay, feldspar, silica sand, aluminium and paper are vital for sustainability of our business. Further, we source raw material from mines located in Owala, Dediawala and Meeliyagoda. We are conscious of the impact our manufacturing process has on the environment and constantly explore avenues to minimize any negative impact.

GOALS FOR 2020/21

☐ Successful implementation of waste heat recovery project in Horana factory.

☐ Encourage reusing and recycling.

HIGHLIGHTS FOR THE YEAR



Energy savings of **759,129 Kg of LPG** through various energy saving initiatives



Reduction in carbon foot print via **waste heat recovery project**

GOALS FOR 2021/22

☐ Implement heat recovery projects in Ranala and Eheliyagoda factories.

☐ Implement solar energy projects in all Tile manufacturing factories, Bathware factory, Horana Plantation, Swisstek Aluminium and Unidil factories to generate 12 MW at an investment of Rs. 1.2Bn.



## MONETIZED NATURAL CAPITAL

The Group's land bank consists of agricultural land, clay mining land and other freehold property used for commercial purposes such as manufacturing plants, showrooms and warehouses.

Access to mining lands is crucial for our business sustainability and Rocell holds over 118 acres of mining land from which we procure our part of the raw material requirements.

During the year, bearer of biological assets consisting of investments in tea, rubber, oil palm and other diverse crops amounted to Rs. 2,156Mn, 3.26% of the Group's total assets. Consumable biological assets were valued at Rs. 631Mn, amounting to 0.95% of total assets.

## MATERIALS

GRI - 301-1 | 301-2

Tile production requires finite resources such as ball clay, feldspar and kaolin. Consequently, we strive to minimise wastage and reuse these resources. Through effective implementation of TPM and several other initiatives we have been successful in reducing wastage and reusing material. During the year we consumed 274,610 MT of non-renewable material including clay, silica sand, Feldspar and cement. Majority of minerals used in tile manufacturing is recycled while the balance is used to refill the clay mines. During the year the Group reused 11,043MT of materials.

### Material Consumed By Segment

Segment	2020/21	2019/20
Tile	244,968	276,925
Sanitaryware	3,638	2,856
Packaging	27,374	26,626
Aluminium	5,995	5,371
Plantation	16,245	13,185
Other	27,608	37,991
<b>Group</b>	<b>325,828</b>	<b>362,954</b>

### Material Consumption by Type (MT)

Type	2020/21	2019/20
<b>Renewable</b>		
Billet	5,522	4,943
Chemicals	1,720	1,785
Field latex rubber	3,925	2,118
Green leaf	12,319	11,067
Ink	357	104
Paper	26,796	26,084
Powder	94	123
Other	485	460
	<b>51,218</b>	<b>46,684</b>
<b>Non-renewable</b>		
Ball clay	76,512	93,671
Feldspar	127,641	145,576
Cement	16,503	13,715
Kaolin	18,279	17,723
Silica sand	27,565	39,294
Other	8,110	6,291
	<b>274,610</b>	<b>316,270</b>



# CAPITALS REPORT

## NATURAL CAPITAL

### ENERGY

GRI - 302-1 | 302-3 | 302-4

The Group's efforts to manage the consumption of non-renewable energy is continued through various energy saving initiatives. During the year we consumed 68.7Mn. Kwh of energy compared to 70 Mn.Kwh utilised previous year. This decrease was mainly due to the cost reduction initiatives during the year. The Group was successful in saving 1.7 Mn.Kwh of electricity through various energy saving initiatives during the year. These initiatives include:

- ❑ Successful implementation of waste heat recovery project in the Horana factory which resulted in a saving of Rs. 65 Mn. Same to be implemented in Ranala and Eheliyagoda factories.
- ❑ Shifting to renewable energy sources where possible. Our corrugated packaging plant has replaced furnace oil with firewood.
- ❑ Planting of trees for fuel wood by Horana Plantation.
- ❑ Installation of capacitor banks.
- ❑ Encourage off-peak electricity usage and reduce usage during peak hours.
- ❑ Using energy saving LED lights in showrooms and replacing air conditioners with inverter type.
- ❑ Installation of skylights to save electricity consumption during day time.
- ❑ Reducing the thickness of wall and floor tiles by 5% and thereby reducing firing time to save energy in Lanka Walltiles plant.
- ❑ Increasing refining yield to 65% in Homagama factory.
- ❑ Reduction of LP gas consumption by 5% in Kilns in Eheliyagoda plant.
- ❑ Reducing cycle time from 72 to 68 in one of the kilns in Eheliyagoda plant.
- ❑ Replacing tube lights and sodium vapour street lights with LED lights in Lanka Walltiles and Unidil plants.

### WATER

GRI - 303-1 | 303-3

Tiles and associated products segments accounts for 48.5% of the Group's total water consumption while the rest is consumed by the rest of the Group for various other operational needs; 64.8% of the water consumed is sourced through ground water withdrawals.

#### Energy Consumed By Segment (Kwh)

Segment	2020/21	2019/20
Tile	55,441,841	57,658,608
Sanitaryware	3,465,768	3,574,405
Packaging	2,196,631	2,185,231
Aluminium	5,276,028	4,775,926
Plantation	2,318,581	2,200,161
Other	78,213	99,211
<b>Group</b>	<b>68,777,062</b>	<b>70,493,542</b>

#### Material Consumption by Type (MT)

Type		2020/21	2019/20
<b>Renewable</b>			
Firewood/Biomass	000kg	9,485	10,233
Hydro Power	000 Kwh	-	532
<b>Non-renewable</b>			
Diesel	000 litres	926	1,350
Furnace oil	000 litres	256	329
LPG	000 kg	22,912	24,371
Electricity	000 Kwh	68,777	70,494
Kerosene	000 litres	349	900

#### Water Consumed by Segment (Litres)

Segment	2020/21	2019/20
Tile	204,658,918	175,581,654
Sanitaryware	48,308,440	43,851,420
Packaging	29,158,679	34,269,748
Aluminium	25,717,398	26,000,000
Plantation	112,461,339	91,398,498
Other	997,561	999,796
<b>Total</b>	<b>421,302,335</b>	<b>372,101,116</b>

#### Water consumption by source (Mn Litres)

Type	2020/21	2019/20
Ground water	273.0	219.0
Municipal water	84.8	77.4
Rainwater harvested	2.3	2.2
Surface water	59.1	63.7
Third party supply	2.1	9.8
<b>Total</b>	<b>421.3</b>	<b>372.1</b>



## EFFLUENT DISCHARGE

GRI - 306-1 | 306-2

The Group complies with all environmental regulations while ensuring safe disposal of solid waste after segregation. Periodic internal audits are carried out to ensure conformity to guidelines stipulated by the Central Environmental Authority (CEA). Total solid waste discharged during the year was 35,119 MT with Tiles and Associated products segment accounting for 71% of it.

Any hazardous waste was given to cement manufacturers while, paper waste, organic waste and waste material were sold to third parties or reused in the manufacturing process. During the year 1,043 MT was converted to reusable forms. Segregated food waste is used as animal food.

Effluent water treatment plants are installed at all factories to ensure all waste water is treated prior to being discharged.

## CARBON FOOTPRINT

The following initiatives are carried out to reduce our carbon footprint.

- ☐ Implementation of waste heat recovery project in Horana. Same to be implanted in Ranala and Eheliyagoda.
- ☐ Assessing the clay mines of suppliers to ensure mines are adequately back-filled.
- ☐ Use of heat exhaust chimneys and other energy saving initiatives.

## PRECAUTIONARY PRINCIPLE

We are committed towards minimising the unfavourable impacts on our environment. We assess our new suppliers for environmental compliance and implement several initiatives to minimising unfavourable impact to our environment.

## Waste discharged by Segment (MT)

Segment	2020/21	2019/20
Tile	25,026	28,845
Sanitaryware	1,965	2,175
Packaging	2,470	499
Aluminium	85	-
Plantation	37	24
Other	5,536	6,792
<b>Group</b>	<b>35,119</b>	<b>38,335</b>

## Disposal of solid waste (MT)

Segment	2020/21
Composting	24
Inclination	72
Landfill	9,447
O-site storage	6,632
Other	22
Recycled	7,879
Reused	11,043
<b>Total</b>	<b>35,119</b>

## Waste water (Mn Litres)

Segment	2020/21
Municipality sewerage	5.2
Recycled	128.8
Soakage pits	21.2
Rivers, lakes and wetlands	27.4
Other	4.8
<b>Group</b>	<b>187.4</b>

## ENVIRONMENTAL COMPLIANCE



### Certification



Green SL  
Labelling system

ISO -14001

Tiles and  
Associated Products



WELS Certification y

Green labelling  
certification

Sanitaryware



Ethical Tea  
Partnership y

Rainforest Alliance

Plantations



ISO -14001

Aluminium



ISO -14001

Packaging



All factories comply with  
the requirements of the  
Central Environmental  
Authority



# INTELLECTUAL CAPITAL



Intellectual Capital is the collection of our intangible assets comprising skills and expertise, capabilities, brand value and processes. These assets set us apart from other players in the industry, giving us a competitive edge.

GOALS FOR 2020/21

☐ Driving automation to achieve operational efficiency.

HIGHLIGHTS FOR THE YEAR



**Rs. 3Mn** investment in training and development

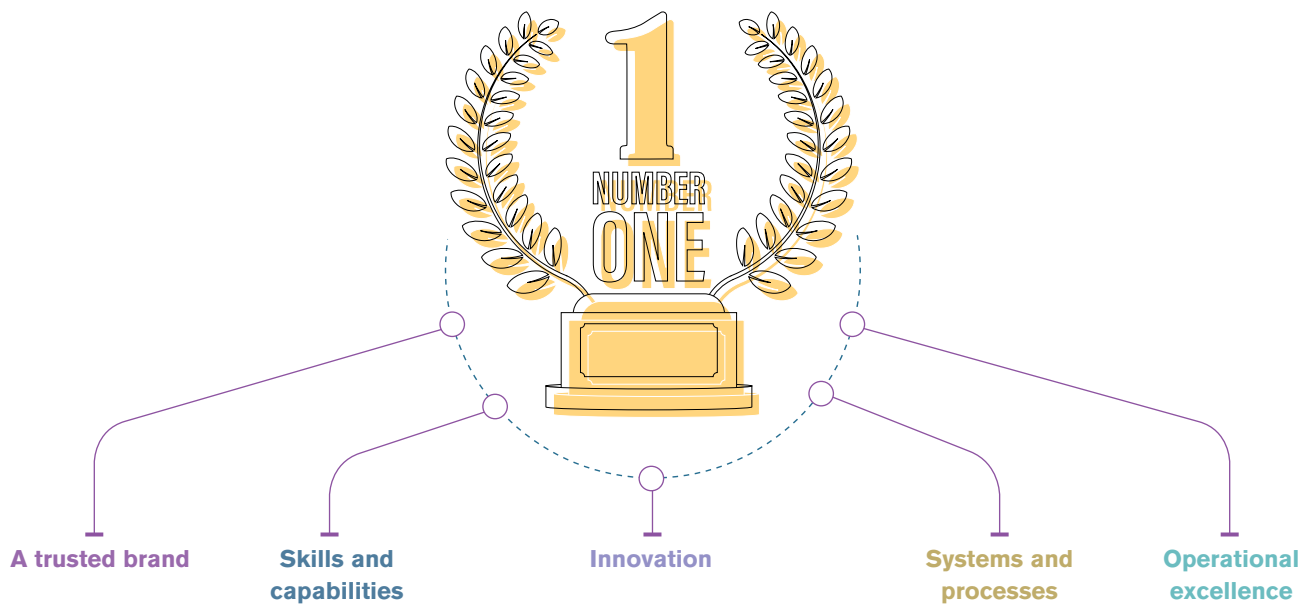


Redesign of **Unidil** brand with a new logo.

GOALS FOR 2021/22

☐ Continue to drive total productive maintenance principles and increase cost savings across all functions.





## A TRUSTED BRAND

Our flagship brand Rocell is built on superior product quality and an innovative product portfolio designed by renowned architects in Italy. Our aesthetically pleasing designs have won us customers both locally and internationally. Our other brands Rocell Bathware and Lanka Tiles are also known for their high quality standards and functionality and has a strong brand presence locally. Rocell together with Lanka Tiles dominates the local floor and wall tile market by holding more than 68% of the market share in terms of volume while Rocell Bathware caters to 67% of the local demand. Swisstek is ranked amongst the top aluminium fabricators in the country while Unidil is a leading contender in the Corrugated Packaging industry. Our plantation subsidiary, Horana Plantations PLC attracts top prices at the Colombo Tea Auction for its finest quality high grown tea.



## SKILLS AND CAPABILITIES

Sustainability of our business is dependent on the quality of products we deliver to our customer. Over the years, through our effective recruitment process and holistic value proposition, Rocell has been able to acquire and retain a strong skill set that has enabled us to deliver innovative products of superior quality. The tried and tested recipes we have developed over the years together with the industry know-how have made us leading contender in industry with a strong competitive edge. We have commenced OEM manufacturing of tiles for local market to gain competitive advantage.



# CAPITALS REPORT

## INTELLECTUAL CAPITAL

### INNOVATION

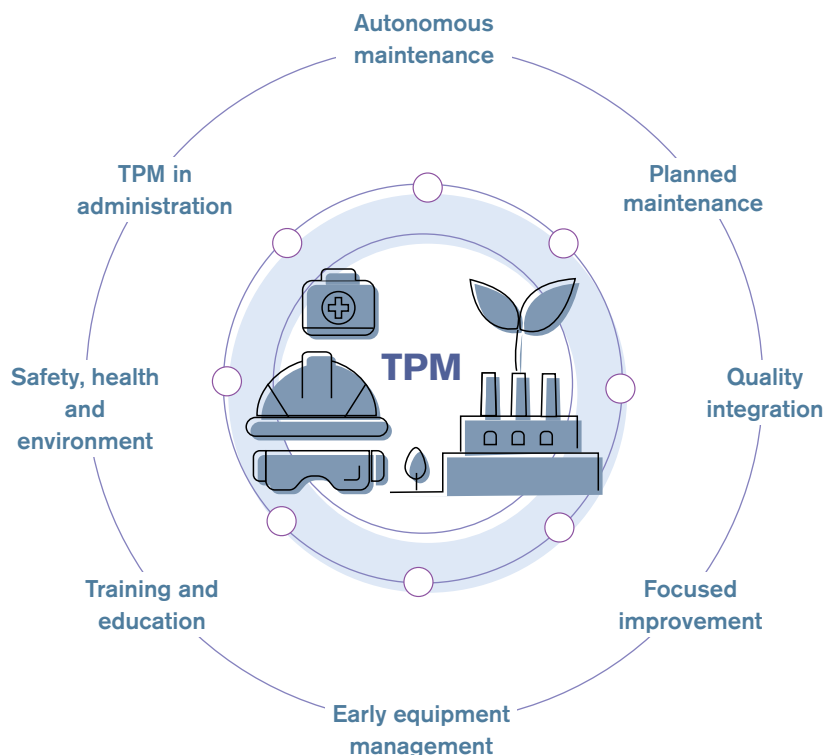
Over 200 new designs were added to our diverse product portfolio during the year. Rimless water closets were introduced by Rocell Bathware during the year while several new products such as hydrophobic and anti-bacterial WC's are in the pipeline. These innovative designs were developed by top architects in Italy to suit the current market trends. We have a dedicated research and development team with specialised skills.

Innovation is also used in our manufacturing process to utilise resources in a more sustainable manner and reduce any adverse impact to the environment we operate in. Research and development personnel dedicated to each manufacturing plant work closely with their respective raw material suppliers in this regard.

### SYSTEMS AND PROCESSES

We continue to drive efficiency and productivity in our operations by having robust systems and processes in place. These processes have been developed and fine-tuned over the years through continuous invests in technology and learning and development. These systems include:





- ❑ Employee performance management system implemented across the Group. Through this system we are able to identify training requirements and give due recognition to top performers. This also facilitates succession planning and career development.
- ❑ A production quality system implemented at all manufacturing plants where best practices for workflows, health and safety and environmental safety are applied.
- ❑ Total Productive Maintenance (TPM), a Group wide in-depth and wide-reaching productivity improving initiative. TPM emphasises on proactive and preventative maintenance to maximise the operational efficiency of equipment. The implementation of this programme creates a shared responsibility for equipment that encourages greater involvement by plant floor workers. During the year total savings of Rs. 725Mn were achieved through implementation of TPM.





## 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	Description
<b>Royal Ceramics Lanka PLC</b>		
	SLS ISO 14001	Certificate of the Environmental Management System by the Sri Lanka Standards Institution.
	SLS ISO 9001	Authorised Schedule and Certificate of Conformity to ISO 9001 standards, issued by the Sri Lanka Standards Institution for Glazed Ceramic Floor Tiles, Glazed Vitrified Tiles, Glazed Porcelain Floor Tiles.
	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 Labelling System	Certificate for Environmental Performance issued by the Green Building Council of Sri Lanka.
<b>Rocell Bathware Ltd.</b>		
	SLS ISO 9001	Authorised Schedule and Certificate of Conformity to ISO 9001:2008/SLS ISO 9001:2008 standards, issued by the Sri Lanka Standards Institution for Glazed Ceramic Floor Tiles, Glazed Vitrified Tiles, Glazed Porcelain Floor Tiles.
	SLS ISO 14001	Certificate of the Environmental Management System by the Sri Lanka Standards Institution
	CE Marking	Certificate of Conformity to European standards issued by Euro Veritas Limited for Glazed Vitrified Tiles.
	Watermark Certification	Watermark certification of conformity level 1 and 2.
	Green SL Labelling System	Certificate for Environmental Performance issued by the Green Building Council of Sri Lanka.
	WELS	Water Efficiency Labelling Scheme, Australia - 4 Star rating.






## CAPITALS REPORT

### INTELLECTUAL CAPITAL

	Certification	Description
<b>Lanka Tiles PLC/Lanka Walltiles PLC</b>		
	Green SL Labelling System	Certificate for Environmental Performance issued by the Green Building Council of Sri Lanka.
	SLS ISO 14001	Certificate of the Environmental Management System by the Sri Lanka Standards Institution.
	SLS ISO 9001	Authorised Schedule and Certificate of Conformity to ISO 9001:2008/SLS ISO 9001:2008 standards, issued by the Sri Lanka Standards Institution for Glazed Ceramic Floor Tiles, Glazed Vitrified Tiles, Glazed Porcelain Floor Tiles.
	SLS ISO 18001	Occupational health and safety assessment series.
<b>Swisstek Aluminium</b>		
	SLS ISO 9001	Certification of Quality Management System for manufacturing process quality.
	SLS 1410	Certificate of Conformity issued by the Sri Lanka Standards Institution for Swisstek Aluminium brand extruded aluminium alloy profiles.
	Qualicoat Certification	Authorisation to use the quality sign of 'Qualicoat'
<b>Unidil Packaging (Pvt) Ltd.</b>		
	HACCP	Certification by SGS Lanka for food safety.
	ISO 22000	Certification of Quality Management System for food safety.
	ISO 9001	Certification of Quality Management System for manufacturing process quality.
	ISO 14001	Certification of Quality Management System for environmental management.
	WRAP Certification	Worldwide Responsible Accredited Production.
	SMETA Certification	Sedex Members Ethical Trade Audit.



	Certification	Description
<b>Horana Plantations PLC</b>		
	Ethical Tea Partnership	Certification of Internationally Recognised Social and Environmental Standards.
	Rainforest Alliance	Certified of 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.

## OPERATIONAL EXCELLENCE

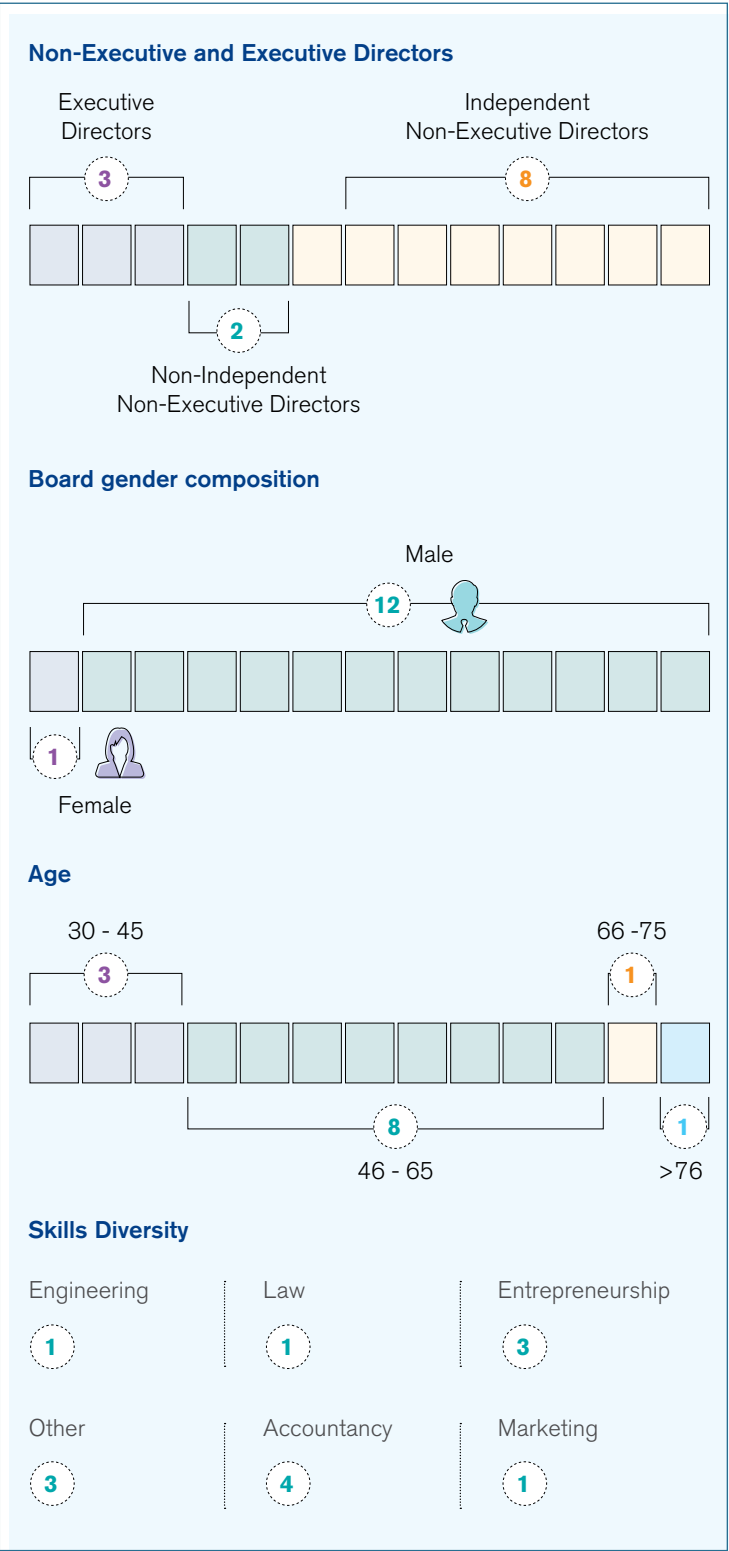
We continuously strive to drive operational efficiency by streamlining processes. Automation of processes was carried out while minimising any wastage, achieved through various cost saving mechanisms. These initiatives include:

- ❑ Efficiency improvement of High Pressure Casting (HPC) water closets by reducing green damages by 30% in Bathware plant.
- ❑ Increasing capacity at Bathware plant by 23% through process improvements.
- ❑ Reducing the thickness of wall tiles and floor tiles by 5% in wall tile plant.
- ❑ Improved kiln efficiency in Eheliyagoda and Horana plants.
- ❑ Improved yield and reduced damages in wall tile manufacturing plants.

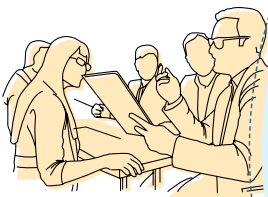


# CORPORATE GOVERNANCE

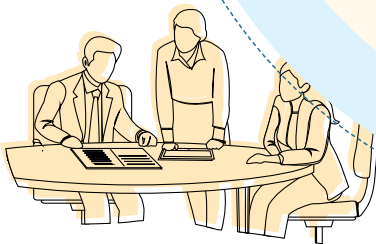
## COMPOSITION



Nomination Committee of the Parent Company Vallibel One PLC



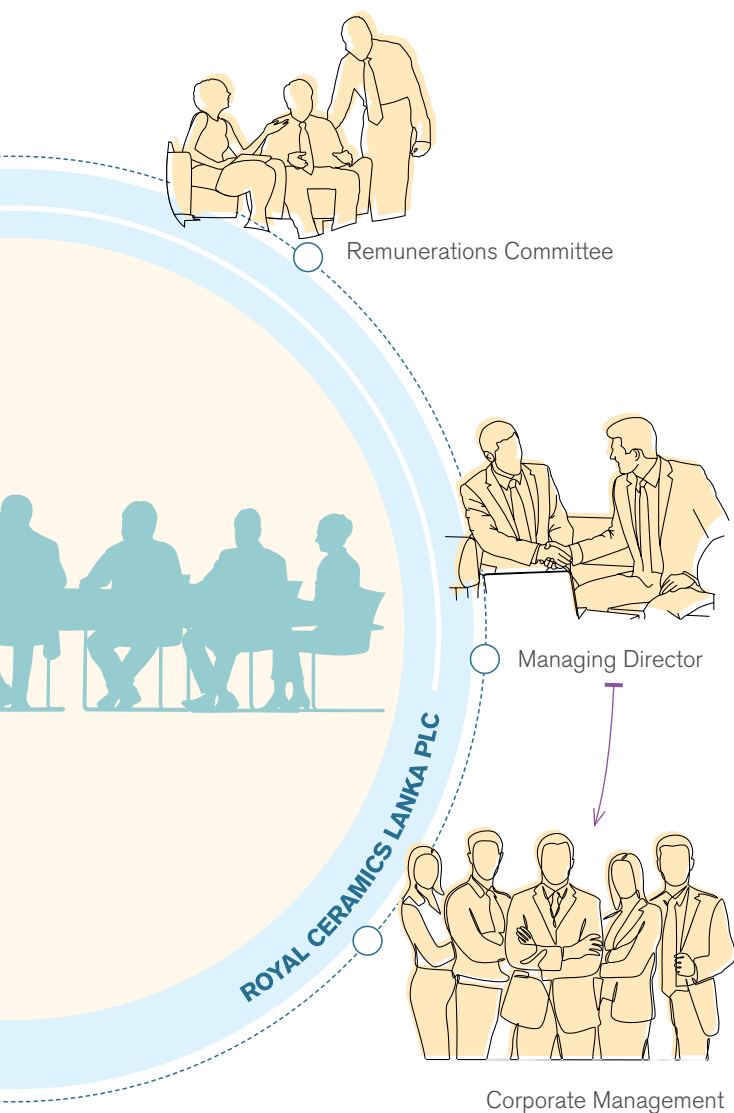
Audit Committee



Related Part Transactions Review Committee

BOARD OF DIRECTORS





## COMPLIANCE FRAMEWORK

Refer page 06 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 2021, shares of Royal Ceramics PLC were held among 13,557 shareholders with our parent Company, Vallibel One PLC holding 55.96%.

## SHARE SUB-DIVISION

Subsequent to the adoption of new Articles of Association of Royal Ceramics Lanka PLC, based on the shareholding as of 19th April 2021, every existing share was sub-divided into 10 ordinary shares. Consequent to the sub division the number of issued shares was increased from 110,789,384 shares to 1,107,893,840 shares.



# CORPORATE GOVERNANCE

## AN EFFECTIVE BOARD

The Board is responsible for establishing a sound framework for governance of the Rocell Group including management of risks. The Board provides guidance and leadership to determine the strategic direction of the Group and resource allocation to facilitate achievement of strategic goals. Consequently, composition of the Board is vital for its effectiveness and determines the strategic direction of the Company.

## BOARD COMPOSITION

Our Board consists of the Chairman, who is one of the two Non-Independent Non-Executives Directors, three Executives Directors and eight Independent Non-Executive Directors. (Refer pages 26 to 30 for their profiles). Collective skills and experience encompass fields of engineering, marketing, law, accountancy and entrepreneurship, facilitating relevant perspectives in deliberations of the Board.

## ROLE OF THE CHAIRMAN AND MANAGING DIRECTOR

Our Company acknowledges and respects the clear distinction between the roles and responsibilities of the Chairman and the Managing Director. 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 new Directors to the Board, the Company informs the Colombo Stock Exchange with a brief resume of the Directors, 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.

## GOVERNANCE IN 2020/21

The Board played a key role in guiding the Rocell Group through a year of unprecedented uncertainty to seize the opportunities and manage the risks stemming from the COVID-19 pandemic that saw economies go into recession across the world.

The Board increased its scrutiny and oversight of the operations of the Company with particular emphasis on health and safety of employees and other stakeholders, managing cashflow and managing the supply chain. Interaction between Management and Board members increased to support the increased oversight, establishing strong communication lines supporting a flexible strategy. The Board was supported by the Audit Committee in enhanced scrutiny of financial matters including management of cashflows and risks.

The Board provided the disclosures required by the Colombo Stock Exchange about the impacts of the pandemic on the Group.

The year also witnessed the first virtual Annual General Meeting with active participation by shareholders who were concerned about the impact of the pandemic on the operations of the Group. The Deputy Chairman of the Board and the Chairmen of the Board Committees were present and responded to the questions raised.



## BOARD COMMITTEES

Three Board Committees are established by the Board to assist with discharging its duties and responsibilities effectively and efficiently - namely, the Audit Committee, Related Party Transactions Review Committee and Remuneration Committee. The committees are provided with all essential resources to empower them to undertake their duties in an effective manner. The Company Secretaries act as secretaries to the committees, and the recorded minutes of each committee meeting are circulated to all Directors on completion.

Audit Committee	Remuneration Committee	Related Party Transaction Review Committee
<b>Composition</b>		
Four Independent Directors, all of whom have experience and financial background.	Three Independent Directors	Three Independent Directors
<input type="checkbox"/> Mr. L N De S Wijeyeratne - Chairman <input type="checkbox"/> Mr. R N Asirwatham <input type="checkbox"/> Mr. N.J Weerakoon <input type="checkbox"/> Mr. S R Jayaweera (appointed w.e.f 03rd May 2021)	<input type="checkbox"/> Mr. S H Amarasekera - Chairman <input type="checkbox"/> Mr. R N Asirwatham <input type="checkbox"/> Mr. L N De S Wijeyeratne	<input type="checkbox"/> Mr. R N Asirwatham - Chairman <input type="checkbox"/> Mr. N J Weerakoon <input type="checkbox"/> Mr. L N De S Wijeyeratne
<b>Mandate</b>		
Monitor and supervise Management's financial reporting process in ensuring: <ol style="list-style-type: none"> <li>1. The integrity of Financial Statements in accordance with Sri Lanka Financial Reporting Standards.</li> <li>2. The compliance with legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements.</li> <li>3. The External Auditors' independence and performance.</li> <li>4. Review of the adequacy and effectiveness of the Company's Internal Control and Risk Management systems, over the financial reporting process.</li> <li>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.</li> </ol>	The Committee focuses on and is responsible for ensuring that the total package is competitive to attract the best talent for the benefit of the Company.  Recommend the remuneration payable to the Executive Directors and Senior Management.	To ensure on behalf of the Board, that all Related Party Transactions of Royal Ceramic PLC and its subsidiaries are consistent with the Rules issued by the Colombo Stock Exchange. <ol style="list-style-type: none"> <li>1. Ensure that the Company complies with the rules set out in the Listing Rules</li> <li>2. Subject to the exceptions given under Section 9.5 of the Listing Rules, review, in advance all proposed related party transactions</li> <li>3. Perform other activities related to the Charter as requested by the Board.</li> <li>4. Have meetings every fiscal quarter and report to the Board on the Committee's activities</li> <li>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.</li> <li>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.</li> </ol>
Refer page 116 for Audit Committee Report	Refer page 118 for Remuneration Committee Report	Refer page 119 for Related Party Transactions Review Committee Report



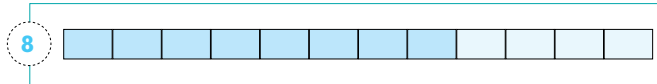
## CORPORATE GOVERNANCE

## MEETINGS AND ATTENDANCE

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

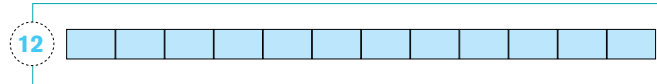
Dhammika Perera

Chairman



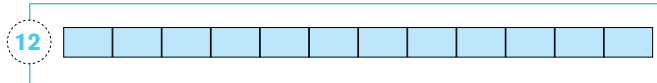
A M Weerasinghe

Deputy Chairman



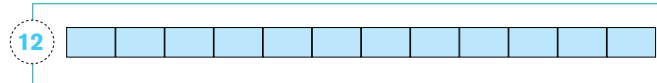
M Y A Perera

Managing Director



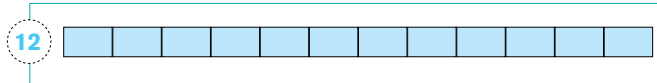
T G Thoradeniya

Executive Director



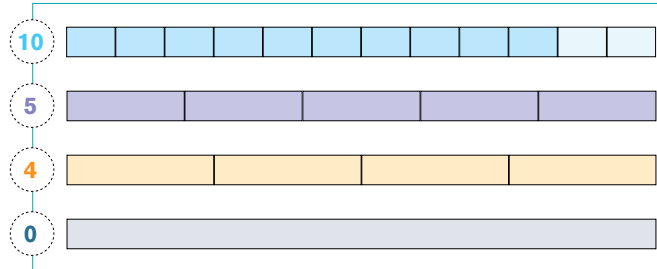
G A R D Prasanna

Independent Non-Executive Director



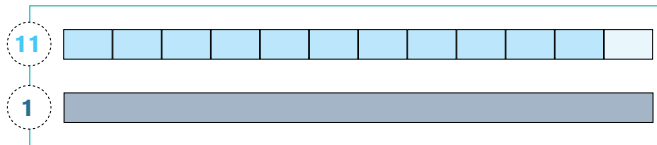
R N Asirwatham

Independent Non-Executive Director



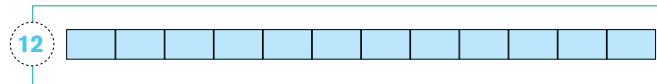
S H Amarasekera

Independent Non-Executive Director



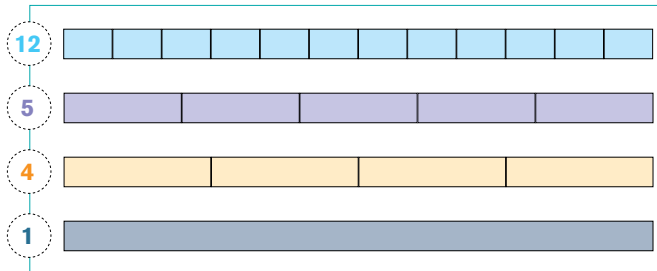
N R Thambiayah

Independent Non-Executive Director



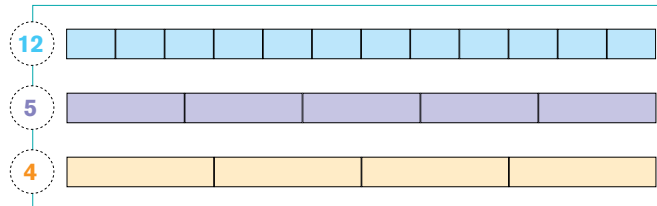
L N De S Wijeyeratne

Independent Non-Executive Director



N J Weerakoon

Independent Non-Executive Director

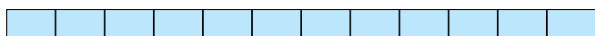




S M Liyanage

Non-Executive Director

12



Board Meetings

12 Meetings



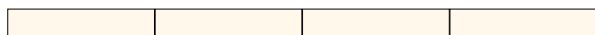
Audit Committee

5 Meetings



Related Party Transactions Review Committee

4 Meetings



Remunerations Committee

1 Meeting



## 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 its 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.



# 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
<b>A. Directors</b>			
<b>A.1</b>	<b>The Board</b>		
A.1.1	Board Meetings	Held every month and special meetings held as and when necessary	✓
A.1.2	Role of the Board	<input type="checkbox"/> Focus in on developing strategies for business development and to provide guidance to the management.  <input type="checkbox"/> Sets the budget for the financial year and reviews progress at the monthly meetings.  <input type="checkbox"/> Approving of major capital expenditure  <input type="checkbox"/> Ensures that effective internal control and risk management framework is in place	✓
A.1.3	Compliance with laws and access to independent professional advice	The Board seeks independent professional advice when deemed necessary, particularly before making any decisions which could have a significant impact on the Company.  Further the Board is always mindful of the new laws/ regulations which are implemented and ensures compliance with same.	✓
A.1.4	Access to advice from the Company Secretary	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 Director's Message on page 16 to 25.	✓
A.3	Chairman's Role	The Chairman ensures that meetings are conducted in an orderly manner and that each Board Member and Member of staff is given an opportunity to present his views/ concerns on matters.	✓
A.4	Financial Acumen	Members of the Board and Management have sufficient financial knowledge and thus are able to provide guidance on financial matters.	✓
<b>A.5</b>	<b>Board Balance</b>		
A.5.1 / A5.2/ A.5.3 & A.5.5 7.10.1 (a) 7.10.2 (a) 7.10.2 (a)	Presence of Non-Executive Directors  Independence of Non-Executive Directors	Please refer an Effective Board in page 107.	✓
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	Have not still appointed a Senior Independent Director	Working towards compliance
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.	✓
<b>A.6</b>	<b>Supply of Information</b>		
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
<b>A.7</b>	<b>Appointments to the Board</b>		
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.	✓
<b>A.8</b>	<b>Re-election</b>		
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.	✓
<b>A.9</b>	<b>Appraisal of Board Performance</b>		
A.9.1 / A.9.2 / A.9.3 / A.9.4	Appraisals of the Board and the sub committees		Working towards compliance
<b>A.10</b>	<b>Disclosure of Information in Respect of Directors</b>		
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 26 to 30.	✓
<b>A.11</b>	<b>Appraisal of Chief Executive Officer</b>		
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>B. Directors' Remuneration</b>			
<b>B.1</b>	<b>Remuneration Procedure</b>		
B.1.1	Set up a Remuneration Committee with agreed terms of reference	Refer Directors' Remuneration on page 225.  The Report of the Remuneration Committee on page 118 gives the composition of the Committee and a description of its activities during the year.	✓
B.1.2 7.10.5 (a)	Remuneration Committee to consist of Non-Executive Directors only	Consists of three Independent Non-Executive Directors	✓
B.1.3	List names of Remuneration Committee in Annual Report	Please refer page 118.	✓



Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
B.1.4 7.10.5 (b)	Determination of the remuneration of the Non-Executive Directors	Remuneration of the Non-Executive Directors is decided by the Board in consultation with the Chairman	✓
B.1.5	Consultation with the Chairman and the Managing Director	The Chairman/ MD are consulted when determining the remuneration to be paid to the Executive Directors and Management, respectively.	✓
<b>B.2</b>	<b>The Level &amp; Makeup of Remuneration</b>		
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 118.	✓
B.2.8/B.2.9	Early Termination of Directors	There in no compensation for early termination of Non-Executive Directors.	✓
<b>B.3</b>	<b>Disclosure of Remuneration</b>		
B.3.1	Disclosure of Remuneration	Report of the Remuneration Committee on page 118.	✓
7.10.5.(c)		Notes 34.2.1 in the Financial Statements on page 225.	
<b>C.</b>	<b>Relations with Shareholders</b>		
<b>C.1</b>	<b>Constructive use of AGM and Conduct of Meetings</b>		
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	Notice of Meeting, the Agenda for the Annual General Meeting and the Annual Report are circulated to shareholders prior to 15 working days prior to the date of their Meeting as required by the Articles of Association and the Listing Rules.	✓
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
<b>C.2</b>	<b>Communications with shareholders</b>		
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>	✓
<b>C.3</b>	<b>Major &amp; Material Transactions</b>		
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>	✓
<b>D. Accountability &amp; Audit</b>			
D.1.1	Annual Report	Refer Accountability & Audit on page 123 to 125.	✓
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"> <li>❑ Companies Act No. 07 of 2007,</li> <li>❑ Sri Lanka Accounting Standards and</li> <li>❑ Listing Rules of the Colombo Stock Exchange.</li> </ul> <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 & Managing Director and the Director Finance.	✓
D.1.4	Directors' Report declarations	Refer Annual Report of the Board of Directors on page 107.	✓



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"> <li>❑ Statement of Board responsibility for preparation of financial statements – page 115</li> <li>❑ Statement from Auditors on their reporting responsibilities – page 124</li> <li>❑ Statement on Internal Control – page 124</li> </ul>	✓
D.1.6	Management discussion & analysis	Refer annual report pages from 48 to 93 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"> <li>❑ Related Party Transactions Review Committee Report on page 119</li> <li>❑ Annual Report of the Board of Directors on page 108 to 110</li> <li>❑ Note 34 to the financial statements</li> </ul>	✓
<b>D.2</b>	<b>Risk Management &amp; Internal Control</b>		
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"> <li>❑ Risk Report on page 44 to 46</li> </ul>	✓
D.2.2	Confirm assessment of the principal risks of the company	<ul style="list-style-type: none"> <li>❑ Risk &amp; Internal Control on page 46</li> <li>❑ Directors' Statement on Internal Controls on page 115</li> </ul>	✓
D.2.3	Internal Audit	<ul style="list-style-type: none"> <li>❑ Audit Committee Report on page 116</li> </ul>	✓
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		✓
<b>D.3</b>	<b>Audit Committee</b>		
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 four non-executive directors of all of whom are independent. Refer Audit Committee on page 97.	✓
D.3.2 7.10.6 (b)	Written Terms of Reference for Audit Committee	The Audit Committee has a written Terms of Reference summarized in the Audit Committee Report on page 116.	✓



## CORPORATE GOVERNANCE

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
D.3.3 7.10.6 (c)	Disclosures	The Audit Committee Report with required disclosures are given on page 103.	✓
<b>D.4</b>	<b>Related Party Transactions Review Committee</b>		
D.4.1/D.4.2/ D.4.3 9.3.2	Related Party Transactions Review Committee	Refer <input type="checkbox"/> Report of the Related Party Transactions Review Committee on page 119.	✓
<b>D.5</b>	<b>Code of Business Conduct &amp; Ethics</b>		
D.5.1	Board declaration for compliance with Code	Refer Code of Ethics on page 100 to 106.	✓
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 119.	✓
D.5.4	Chairman's statement	Refer the Chairman's Message on Corporate Governance on page 18 and the Board of Directors' Statement on Internal Controls on pages 41 to 46.	✓
D.6	Corporate Governance disclosures	The Corporate Governance Report on pages 94 and 106 together with its Annexes comply with this requirement.	✓
<b>E. Institutional Investors</b>			
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.	✓
<b>F. Other Investors</b>			
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 250 and 251.	✓
<b>G. Internet of things and cybersecurity</b>			
G.	Internet of things and cybersecurity	Refer Internet of Things & Cybersecurity on page 46.	✓
<b>H. Environment, Society &amp; Governance</b>			
H	Environment, society and governance	Refer ESG Reporting from page 62 to page 106	✓



# 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 2021.

## 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 sale of wall tiles and floor tiles, sanitaryware, investments and management of subsidiary companies, cultivation and processing of tea and rubber, mining, processing and sale of raw materials for tiles and ceramic products, manufacture and sale of tile grout and mortar, manufacturing and trading of aluminum extrusions, manufacture and marketing of corrugated cartons, property holding. Operations carried out in Australia, through Rocell Pty Ltd, were discontinued during the year.

Rocell Ceramics Limited, a subsidiary of the Company, changed its name to "Biscuits and Chocolate Company Ltd" to reflect the nature of the new business proposed to be carried on through the said company investment and ownership of which is still under review.

A review of the business and performance of the Group during the year, with comments on financial results, future strategies and prospects are contained in the Chairman's Message, Managing Director's Message, Business Line Reviews and Capital Reports on pages 16,21 and 52 to 62 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 126 to 246.

## AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company and its subsidiaries is given on pages 123 to 246.

## ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 134 to 246 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 26 to 30.

## 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. N J Weerakoon retires by rotation in terms of Article 87(i) of the Articles of Association and being eligible is recommended by the Directors for re-election.

The Directors have recommended the re-appointment of Mr. R N Asirwatham who is 78 years of age and Mr. L N de S Wijeyeratne who is 71 years of age, as Directors of the Company; and accordingly resolutions will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the said re-appointments.

Mr. S R Jayaweera and Mr. J R Gunaratne who were appointed to the Board on 28th April 2021 shall retire in terms of Article 94 of the Articles of Association of the Company and being eligible are recommended by the Directors for re-election.

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.

Location	Name of Director	Relationship	Details	Balance Outstanding as at 31/03/2021
Rocell Bathware Limited	A.M. Weerasinghe	Director	Materials worth of Rs. 5,189,280/- were purchased	(176,288,372)
	M.Y.A. Perera	Director	Materials worth of Rs. 10,472,449/- were sold	
	T.G. Thoradeniya	Director	A sum of Rs. 214,628,047/- was received as reimbursement of expenses.	
	G.A.R.D. Prasanna	Director	A sum of Rs. 288,366,317/- was received as short term funds	
	R N Asirwatham	Director	A sum of Rs. 90,269,948/- was received as dividends	
	D.J. Silva	Director	A sum of Rs. 38,759,567/- was paid as Interest expense. A sum of Rs. 2,735,014/- was paid as rent. A sum of Rs. 304,333,369/- was received as service charges A sum of Rs. 156,335,777/- was received as pass through expenses.	
Royal Ceramics Distributors (Private) Limited	A.M. Weerasinghe	Director	A sum of Rs. 187,541/- was received as reimbursement of expenses.	1,870,655
	T.G. Thoradeniya	Director		
	G.A.R.D. Prasanna	Director		
Ever Paint & Chemical Industries (Private) Limited	A.M. Weerasinghe	Director	A sum of Rs. 766,230/- was received as reimbursement of expenses.	41,289,359
Rocell (Pty) Ltd	T.G. Thoradeniya	Director	A sum of Rs. 565,816/- was received as reimbursement of expenses.	-



Location	Name of Director	Relationship	Details	Balance Outstanding as at 31/03/2021
Lanka Ceramic PLC	T.G. Thoradeniya	Director	Materials worth of Rs. 12,740,169/- were purchased.	(222,952)
	A.M. Weerasinghe	Chairman	A sum of Rs. 5,184,559/- were received as reimbursement expenses.	
	S.M. Liyanage	Director	A sum of Rs. 5,737,407/- was received as dividends	
Lanka Tiles PLC	Dhammika Perera	Chairman	Materials worth of Rs. 8,790,668/- were purchased.	19,208,225
	T.G. Thoradeniya	Director	A sum of Rs. 21,416,686/- was received as technical fee.	
	A.M. Weerasinghe	Director	Materials worth of Rs. 7,586,831/- were sold.	
	G.A.R.D. Prasanna	Director	A sum of Rs. 6,241,159/- was received as reimbursement expenses.	
	S.M. Liyanage	Director	A sum of Rs. 22,423,998/- was received as dividends	
Lanka Walltiles PLC	Dhammika Perera	Chairman	Materials worth of Rs. 89,975/- were sold.	10,680,912
	T.G. Thoradeniya	Director	A sum of Rs. 5,177,540/- was received as technical fee	
	A.M. Weerasinghe	Director	A sum of Rs. 5,413,527/- was received as reimbursement expenses.	
	S.M. Liyanage	Director	Materials worth of Rs. 4,162,920/- were purchased. A sum of Rs. 405,065,364/- was received as dividends	
Unidil Packaging Limited	T.G. Thoradeniya	Director	A sum of Rs. 28,710,209/- were received as technical fees.	18,960,655
	S.M. Liyanage	Director		



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

Location	Name of Director	Relationship	Details	Balance Outstanding as at 31/03/2021
Swisstek (Ceylon) PLC	A.M. Weerasinghe	Director	Goods worth of Rs. 70,345,270/- were purchased.	(26,117,128)
	S.H. Amarasekera	Director	A sum of Rs. 9,589,019/- was paid as sales commission	
			A sum of Rs. 4,136,133/- was received as reimbursement expenses.	
			A sum of Rs. 12,707,607/- was received as dividends	
Swisstek Aluminum Limited	A.M. Weerasinghe	Director	A sum of Rs. 13,402,618/- was received as reimbursement expenses.	(2,136,600)
	T.G. Thoradeniya	Director	A sum of Rs 2,007,607/- were paid as rent	
	S.M. Liyanage	Director	A sum of Rs. 5,316,987/- was received as dividends	
	S.H. Amarasekera	Director		
Singer Sri Lanka PLC	Dhammika Perera	CO-Chairman	Goods worth of Rs. 32,359,125/- were purchased.	(5,540,645)
			Goods worth of Rs 3,986,998/- were sold	
Hayleys Aventura (Private) Limited	Aravinda Perera	Director	Goods worth of Rs. 7,796,472/- were purchased.	
Hayleys Agriculture Holdings Ltd	Aravinda Perera	Director	Goods worth of Rs. 118,653/- were purchased.	
The Kingsbury PLC	Dhammika Perera	Director	Goods worth of Rs. 128,763/- were sold.	-
Hayleys Fabric PLC	Dhammika Perera	Director	Goods worth of Rs. 58,524/- were sold.	-
Delmege Forsyth Co. Ltd	G.A.R.D. Prasanna	Director	Goods worth of Rs. 1,476,119/- were purchased.	(1,134,200)
Grip Delmege (Pvt) Ltd		Associate Company	Goods worth of Rs. 2,108,600/- were purchased.	(383,144)
Vallibel One PLC	Dhammika Perera	Director	A sum of Rs. 868,036,400/- was paid as dividends.	
	S.H. Amarasekera	Director	A sum of Rs.17,202,391/- was paid as technical fee.	(10,317,475)
	R N Asirwatham	Director		
LB finance PLC		Associate Company	A sum of Rs. 433,478,784/- was received as dividends.	
Grip Nordic (Pvt) Ltd	Dhammika Perera	Director	Goods worth of Rs. 161,734/- were purchased.	
Rocell Properties (Pvt) Ltd	A.M. Weerasinghe	Director	A sum of Rs. 29,764/ was received as reimbursement of expenses.	52,936,151
	T.G. Thoradeniya	Director	A fund transfer of Rs. 52,448,589/- was made.	
Biscuits and Chocolate Company Ltd	A.M. Weerasinghe	Director	A sum of Rs.1,269,145/- was received as reimbursement of expenses.	14,497,221
	T.G. Thoradeniya	Director		
	S.M. Liyanage	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 pages 225 and 226.

## 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 115.

## AUDITORS

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

A total amount of Rs. 4,723,360 is payable by the Company to the Auditors for the year under review comprising Rs. 2,158,000 as audit fees and Rs. 2,565,360 for non audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 25th May 2021 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 211.

## STATED CAPITAL

The Stated Capital of the Company as at 31st March 2021 was Rs. 1,368,673,373/- represented by 110,789,384 Ordinary Shares. There were no changes in the Stated Capital of the Company during the year.

The Board approved the sub-division of every one (1) Ordinary Share held by a Shareholder in to ten (10) Ordinary Shares thereby increasing the total number of issued shares of the Company from 110,789,384 to 1,107,893,840 with effect from 19th April 2021.

## DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31st March 2021 and 31st March 2020 are as follows.

	Shareholding as at 31.03.2021	Shareholding as at 31.03.2020
Mr. Dhammika Perera*	200,772	200,772
Mr. A M Weerasinghe	304,704	862,401
Mr. M Y A Perera	220	220
Mr. T G Thoradeniya	185,680	185,680
Mr. G A R D Prasanna	5,000	5,000
Mr. R N Asirwatham	-	-
Mr. S H Amarasekera	-	-
Ms. N R Thambiayah	-	-
Mr. L N De S Wijeyeratne	-	-
Mr. N J Weerakoon	-	-
Mr. S M Liyanage	-	-

\* Mr Dhammika Perera is the major shareholder of Vallibel One PLC, which held 62,002,600 shares constituting 55.964% of the shares representing the stated capital of the Company as at 31st March 2021.

## SHAREHOLDERS

There were 13,557 shareholders registered as at 31st March 2021 (11,516 shareholders as at 31st March 2020).

## MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, public holding as per the Listing Rules of the Colombo Stock Exchange are given on pages 247, 248, 250 and 251 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 2021, 1,801 persons were in employment (1,725 persons as at 31st March 2020).



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

## RESERVES

The reserves of the Company with the movements during the year are given in Note 15 to the Financial Statements on page 187 and 188.

## 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 31.03.2021 At revaluation
Kottawa	3	225	343,437,500
Eheliyagoda	28	8,075	454,203,000
Meegoda	3	471	120,187,000
Nawala	1	25	174,300,000
Natththandiya	0	1,600	30,000,000
Seeduwa	1	53	131,250,000
Narahenpita	1	17	119,140,000
Colpetty	1	20	300,000,000
Panadura	1	19	65,870,000
Dehiwala	1	15	103,810,000
Narahenpita	0	45	291,440,000
Horana	25	2,310	144,375,625
	65	12,874	2,278,013,125

## PROPERTY, PLANT & EQUIPMENT

Details and movements of property, plant and equipment are given under Notes 03 to the Financial Statements on page 158 to 173.

## INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2021 are given in Note 05 and 13 to the Financial Statements on pages 175 and 186.

## DONATIONS

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

## DIVIDENDS

The Company paid the First Interim Dividend of Rs.3/- per share (pre split) for the year under review on 05th November 2020.

A Second Interim Dividend of Rs. 11/- per share (pre split) for the year under review was paid 17th March 2021

The Board approved the payment of a Final Dividend of Rs. 1.20 per share (after the share split) for the year under review on 31st May 2021. The said dividend is to be paid on 30th June 2021.

## 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 42 to 46.

## 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 220 and 121 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 222 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 94 to 106 explains the measures adopted by the Company during the year.

### BOARD SUB-COMMITTEES

An Audit Committee, Remuneration Committee and a Related Party Transaction 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  
(appointed w.e.f 03rd May 2021)

#### 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 2021.


### CORPORATE SOCIAL RESPONSIBILITY

The Company continued its Corporate Social Responsibility Programmes, details of which are set out on page 83 of this Report.

### ANNUAL GENERAL MEETING

The Notice of the Thirty First (31st) Annual General Meeting appears on page 255.

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 2021



# 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 2021

#### 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

#### Royal Ceramics Distributors (Private) Limited

Mr. A M Weerasinghe  
Mr. T G Thoradeniya  
Mr. G A R D Prasanna

#### Biscuits and Chocolate Company Ltd

Mr. A M Weerasinghe  
Mr. T G Thoradeniya  
Mr. A K Dheerasinghe  
Mr. S M Liyanage  
(appointed w.e.f 19.04.2021)  
Ms. A A K Amarasinghe  
(appointed w.e.f 19.04.2021)

#### 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 (Private) Limited

Mr. A N Senaviratne  
Ms. K A Suraweera  
Ms. W S Bopitiya Gamage  
Mr. B K G S M Rodrigo  
Mr. H Somashantha

#### Lanka Ceramic PLC

Mr. A M Weerasinghe  
Mr. J A P M Jayasekara  
Dr. S Selliah  
Mr. T G Thoradeniya  
Mr. K D G Gunaratne  
Ms A M L Page  
Mr. D J Silva  
Mr. J D N Kekulawala  
Mr. S M Liyanage

#### 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. J R Gunaratne  
(appointed w.e.f.15.03.2021)  
Mr. S R Jayaweera  
(appointed w.e.f 09.10.2020)

#### 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. N T Bogahalanda  
Mr. J A Rodrigo  
(appointed w.e.f.25.01.2021)

#### Horana Plantations PLC

Mr. Dhammika Perera  
Mr. A M Pandithage  
Mr. A N Wickremasinghe  
Mr. W G R Rajadurai  
Mr. S C Ganegoda  
Mr. S S Sirisena  
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

#### Unidil Packaging Limited

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

#### Unidil Packaging Solutions Limited

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

#### Beyond Paradise Collection Limited

Mr. M H Jamaldeen  
Mr. K D H Perera  
Mr. J A P M Jayasekara

#### L W L Development (Pvt) Ltd

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

#### L T L Development Ltd

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

#### Swisstek Development Ltd

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

#### Rocell Pty Ltd

Mr. T. G. Thoradeniya

#### Lanka Tiles 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 Project Limited

Mr. A M Weerasinghe  
Mr. J A P M Jayasekera

#### LC Development (Pvt) 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

#### C P 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 2021



# REPORT OF THE AUDIT COMMITTEE

## COMPOSITION

The Audit Committee comprises four Independent Non-Executive Directors:

Mr. L N De S Wijeyeratne - Chairman

Mr. R N Asirwatham

Mr. N J Weerakoon

Mr. S R Jayaweera  
(appointment w.e.f 03.05.2021)

## SECRETARY: P W CORPORATE SECRETARIAL (PVT) LTD

Regular Invitees: Managing Director, Director - Finance and Chief Internal Auditor.

## MEETINGS

The Audit Committee met five times during the year and attendance by the Committee members at each of these meetings are given in the Corporate Governance Report on page 99.

## 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 2021
- 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.

## 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 104.

## OTHER MATTERS

The Committee reviewed the following additional matters:

- ☐ Risk Management – Post COVID-19
- ☐ Introduction of a Procurement Committee
- ☐ Implementation of the Business Continuity Plan.
- ☐ Adequacy of the insurance coverage of the Company.



**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 225 and 226.

## MEETINGS

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

## PROFESSIONAL ADVICE

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



Mr. 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.

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.



# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

## REVIEW OF RELATED PARTY TRANSACTIONS

The Committee reviewed all related party transactions of the Company for the financial year 2020/21 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 224 to 226 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 113 of this Annual Report.



**Mr. R N Asirwatham**

Chairman

Related Party Transactions  
Review Committee





## PERPETUAL MOTION

DESPITE THE EVER-CHANGING OPERATING ENVIRONMENT, WE REMAINED ON THE MOVE; RELYING ON OUR INHERENT ENERGY AND DYNAMISM TO NAVIGATE CHALLENGES WITH PRECISION AND ACCURACY.

*Always in motion, atoms adapt to changing circumstances, generating energy and continuing to maintain their structural integrity throughout.*

### Financial Information

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# FINANCIAL CALENDAR

Interim Report- 1st Quarter 2020/21	August 13, 2020
Interim Report- 2nd Quarter 2020/21	November 05, 2020
First Interim Dividend 2020/21	October 07, 2020
Interim Report- 3rd Quarter 2020/21	February 11, 2021
Second Interim Dividend 2020/21	February 12, 2021
Interim Report- 4th Quarter 2020/21	May 25, 2021
Annual Report 2020/21	May 31, 2021
31st Annual General Meeting	June 30, 2021
Final Dividend 2020/21	May 31, 2021



# INDEPENDENT AUDITOR'S REPORT



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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 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including 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 2021, 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
<p><b>Measurement of the carrying values of Land and Buildings</b></p> <p>Included within Property, Plant and Equipment and Investment Property are Land and Buildings carried at fair value. As of reporting date, such land and buildings within Property, Plant and Equipment and Investment Property amounted to Rs. 14.88 Bn and Rs. 1.98 Bn respectively. The fair values of such land and buildings were determined using independent external valuers engaged by the Group.</p> <p>Fair valuation of Land and Buildings was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>the degree of significant assumptions, judgements and estimation uncertainties associated with such fair valuations which included consideration of the impacts of COVID-19. The fair valuation this year contains higher estimation uncertainties as there were fewer market transactions (as a consequence of the prevailing pandemic), which are ordinarily a strong source of evidence regarding fair value</li> </ul> <p>Key areas of significant assumptions, judgments, and estimates included the estimate of per perch value of land and per square foot value of buildings.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> <li>We evaluated the competence, capability and objectivity of the external valuers engaged by the Group;</li> <li>We read the external valuers' reports and understood the key assumptions, judgments and estimates made and the approach taken by the valuers in determining the valuation;</li> <li>We engaged our internal specialized resources to assist us in assessing the appropriateness of the valuation techniques used and the reasonableness of the significant assumptions, judgements and estimates such as per perch price of Land and per square foot value of Buildings used by the valuers;</li> <li>We discussed with the external valuers and those charged with governance, the external valuers' assumptions, judgments and estimates used by the external valuers and compared the same with relevant published data; and</li> <li>We assessed the adequacy of the disclosures made in Notes 3.15 and 4.1 in the financial statements.</li> </ul>

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manalunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA  
Principals: G B Goudian ACMA 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><b>Impairment test of Goodwill</b></p> <p>The Group's Statement of Financial Position includes an amount of Rs. 1 Bn relating to Goodwill acquired on the business combination of the Lanka Walltiles PLC Group. 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"> <li>the degree of underlying Management assumptions coupled with inherent estimation uncertainties that arise when deriving the estimated future cashflows used for value in use calculations</li> </ul> <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 impacts of the prevailing COVID-19 pandemic.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> <li>We gained an understanding of how Management has forecasted its discounted future cash flows which included consideration of the impacts of the prevailing COVID-19 pandemic on its operations;</li> <li>We checked the calculations of the discounted future cash flows and cross checked the data used by Management to relevant underlying accounting records, to evaluate their completeness and accuracy;</li> <li>We engaged our internal specialized resources to assist us in: <ul style="list-style-type: none"> <li>Assessing the reasonableness of significant assumptions used by the Group, in particular those relating to the forecast revenue growth, profit margins, working capital cash flows and discount rates of the CGUs of the Group; and</li> <li>evaluating the sensitivity of the discounted cashflows, by considering possible changes in key assumptions</li> </ul> </li> <li>We assessed the adequacy of the disclosures made in Note 7.1 in the financial statements.</li> </ul>

## Other Information included in the 2021 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 2021



# STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Company		Group	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant & Equipment	3	8,247,816,334	8,541,630,807	28,690,151,176	27,900,894,704
Consumable Biological Assets	3.13	-	-	630,578,122	632,176,945
Leasehold Rights Over Mining Lands	3.18	-	-	1,619,000	1,619,000
Investment Property	4	-	-	1,980,307,805	1,727,301,260
Investments in Subsidiaries	5	6,623,774,153	6,623,774,143	-	-
Investments in Associates	6	3,162,937,490	3,162,937,490	10,085,248,181	8,682,748,610
Intangible Assets	7	130,000,802	148,658,193	1,171,591,294	1,191,489,649
Right of Use Assets	8	855,048,508	965,786,742	1,257,560,595	1,449,706,886
Other Non Financial Assets	9	18,017,371	41,304,331	18,017,371	68,589,331
		19,037,594,658	19,484,091,706	43,835,073,544	41,654,526,385
<b>Current Assets</b>					
Inventories	10	2,991,462,493	4,623,213,017	11,100,798,342	16,998,128,109
Trade and Other Receivables	11	803,747,237	852,509,488	4,468,026,844	4,046,873,354
Other Non Financial Assets	12	251,664,845	335,512,293	1,004,870,926	1,234,972,257
Contract Assets	11.3	-	-	40,164,349	38,078,779
Other Financial Assets	13	436,932,650	74,240,280	652,705,617	85,744,130
Income Tax Recoverable		-	-	49,230,952	30,332,432
Cash and Cash Equivalents	21	1,872,231,517	404,384,949	4,924,639,370	1,004,625,691
		6,356,038,742	6,289,860,027	22,240,436,400	23,438,754,752
Assets held for sale	41	-	-	64,551,945	52,029,091
		6,356,038,742	6,289,860,027	22,304,988,345	23,490,783,843
<b>Total Assets</b>		<b>25,393,633,400</b>	<b>25,773,951,733</b>	<b>66,140,061,889</b>	<b>65,145,310,228</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Stated Capital	14	1,368,673,373	1,368,673,373	1,368,673,373	1,368,673,373
Reserves	15	1,360,279,529	1,192,935,268	3,627,095,953	2,973,240,438
Retained Earnings		13,783,645,618	12,023,044,309	25,401,388,266	20,793,115,022
Equity Attributable to Equity Holders of the Parent		16,512,598,520	14,584,652,950	30,397,157,592	25,135,028,833
<b>Non Controlling Interest</b>		<b>-</b>	<b>-</b>	<b>11,580,363,218</b>	<b>9,408,456,748</b>
<b>Total Equity</b>		<b>16,512,598,520</b>	<b>14,584,652,950</b>	<b>41,977,520,810</b>	<b>34,543,485,581</b>



As at 31st March	Note	Company		Group	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Non-Current Liabilities</b>					
Interest Bearing Loans & Borrowings	16	2,219,021,706	2,931,564,365	4,937,182,535	5,940,491,271
Deferred Tax Liabilities	26.3	687,846,826	678,737,209	2,944,503,432	3,425,266,012
Retirement Benefit Liabilities	17	482,473,687	432,194,638	1,635,464,327	1,481,788,299
Other Non-Current Liabilities	18	-	-	133,995,000	137,832,181
		3,389,342,219	4,042,496,212	9,651,145,294	10,985,377,763
<b>Current Liabilities</b>					
Trade and Other Payables	19	1,436,337,731	1,439,970,156	5,358,942,379	3,630,842,078
Other Current Liabilities	20	398,836,826	193,591,695	443,171,823	217,988,881
Contract Liability	20.1	1,671,062,757	578,821,480	1,762,717,298	615,422,156
Dividend Payable		21,375,705	34,956,963	77,758,133	73,961,183
Income Tax Liabilities		405,458,291	111,120,589	955,457,415	177,878,786
Interest Bearing Loans & Borrowings	16	1,558,621,351	4,788,341,688	5,750,352,032	14,892,186,798
		5,491,692,661	7,146,802,571	14,348,399,080	19,608,279,882
Liabilities directly associated with the assets held for sale	41	-	-	162,996,705	8,167,002
		5,491,692,661	7,146,802,571	14,511,395,785	19,616,446,884
<b>Total Equity and Liabilities</b>		<b>25,393,633,400</b>	<b>25,773,951,733</b>	<b>66,140,061,889</b>	<b>65,145,310,228</b>

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 134 through 246 form an integral part of these financial statements.

31 May 2021

Colombo



# STATEMENT OF PROFIT OR LOSS

For the year ended 31st March	Note	Company		Group	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Revenue from Contract with Customers</b>	22	<b>12,524,229,238</b>	6,445,391,264	<b>44,972,372,484</b>	31,412,499,582
Cost of Sales		<b>(6,154,224,415)</b>	(3,190,581,548)	<b>(28,168,940,299)</b>	(20,987,007,072)
Gross Profit		<b>6,370,004,823</b>	3,254,809,716	<b>16,803,432,185</b>	10,425,492,510
Other Operating Income	23	<b>1,371,431,512</b>	1,016,943,520	<b>318,412,115</b>	221,957,950
Distribution Expenses		<b>(2,467,262,882)</b>	(1,820,150,542)	<b>(5,528,751,134)</b>	(4,319,743,995)
Administrative Expenses		<b>(470,230,009)</b>	(522,865,298)	<b>(1,743,013,894)</b>	(1,694,840,643)
Other Operating Expenses	23.1	<b>(386,322,226)</b>	(224,957,670)	<b>(480,814,251)</b>	(76,583,223)
Finance Cost	24.1	<b>(594,353,114)</b>	(952,010,995)	<b>(1,406,494,763)</b>	(2,279,680,186)
Finance Income	24.2	<b>55,906,782</b>	17,887,352	<b>82,886,391</b>	29,860,003
Share of Associate Companies Profit		<b>-</b>	-	<b>1,814,096,011</b>	1,372,972,899
<b>Profit Before Tax Continuing Operations</b>	25	<b>3,879,174,886</b>	769,656,083	<b>9,859,752,660</b>	3,679,435,315
Tax (Expense)/Reversal	26	<b>(593,884,701)</b>	(122,965,938)	<b>(1,308,513,747)</b>	(802,715,186)
<b>Net Profit After Tax from Continuing Operations</b>		<b>3,285,290,185</b>	646,690,145	<b>8,551,238,913</b>	2,876,720,129
<b>Discontinued Operations</b>					
Loss after tax from discontinued operations	41	<b>-</b>	-	<b>(133,305,704)</b>	(115,381,159)
<b>Profit for the Year</b>		<b>3,285,290,185</b>	646,690,145	<b>8,417,933,209</b>	2,761,338,970
<b>Attributable to:</b>					
Equity Holders of the Parent		<b>3,285,290,185</b>	646,690,145	<b>6,134,512,273</b>	2,585,768,447
Non-Controlling Interest		<b>-</b>	-	<b>2,283,420,936</b>	175,570,523
		<b>3,285,290,185</b>	646,690,145	<b>8,417,933,209</b>	2,761,338,970
<b>Basic Earnings Per Share</b>	27	<b>2.97</b>	0.58	<b>5.54</b>	2.33
<b>Basic Earnings Per Share from Continuing Operations</b>	27	<b>2.97</b>	0.58	<b>5.66</b>	2.44
<b>Dividend per share</b>	28	<b>1.40</b>	0.40	<b>1.40</b>	0.40

The Accounting Policies and Notes on pages 134 through 246 form an integral part of these financial statements.



# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Note	Company		Group	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Net Profit for the Year</b>		<b>3,285,290,185</b>	646,690,145	<b>8,417,933,209</b>	2,761,338,970
<b>Other Comprehensive Income</b>					
<b>Other Comprehensive Income to be reclassified to profit or loss in subsequent periods (net of tax):</b>					
Exchange Differences on translation of foreign operations		-	-	(9,567,399)	(1,318,948)
Exchange Differences on translation of foreign operations of Associate Company		-	-	8,740,560	25,195,367
Net Other Comprehensive Income / (Loss) to be reclassified to profit or loss in subsequent periods		-	-	(826,839)	23,876,419
<b>Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):</b>					
Revaluation of Land and Building	26.1/ 3.6	167,344,261	-	1,198,758,828	-
Revaluation of Land of Associate company		-	-	-	23,882,926
Net (loss)/gain on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income of Associate company	15.3	-	-	4,863,475	(7,972,381)
Actuarial (Loss)/Gain on Retirement Benefit Liability		15,684,023	(9,442,378)	(10,207,553)	(42,370,795)
Actuarial (Loss)/Gain on Retirement Benefit Liability of Associate Company		-	-	8,278,310	(8,731,819)
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods		183,028,284	(9,442,378)	1,201,693,060	(35,192,069)
<b>Other Comprehensive Income/(Loss) for the Year, net of tax</b>		<b>183,028,284</b>	(9,442,378)	<b>1,200,866,220</b>	(11,315,650)
<b>Total Comprehensive Income for the Year, net of tax</b>		<b>3,468,318,469</b>	637,247,767	<b>9,618,799,429</b>	2,750,023,320
<b>Attributable to</b>					
Equity Holders of the Parent				6,797,326,355	2,592,457,155
Non-Controlling Interest				2,821,473,074	157,566,165
				<b>9,618,799,429</b>	<b>2,750,023,320</b>

The Accounting Policies and Notes on pages 134 through 246 form an integral part of these financial statements.



# STATEMENT OF CHANGES IN EQUITY- COMPANY

For the year ended 31st March	Note	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
<b>Balance as at 31st March 2019</b>		1,368,673,373	830,590,905	7,247,365,071	9,446,629,349
Effect of Amalgamation	42	-	362,344,363	4,581,589,007	4,943,933,370
Net Profit for the Year		-	-	646,690,145	646,690,145
Other Comprehensive Income / (Loss)		-	-	(9,442,378)	(9,442,378)
<b>Total Comprehensive Income</b>		-	-	637,247,767	637,247,767
Dividends - 2018/2019		-	-	(443,157,536)	(443,157,536)
<b>Balance as at 31st March 2020</b>		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 / (Loss)		-	167,344,261	15,684,023	183,028,284
<b>Total Comprehensive Income</b>		-	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
<b>Balance as at 31st March 2021</b>		1,368,673,373	1,360,279,529	13,783,645,618	16,512,598,520

The Accounting Policies and Notes on pages 134 through 246 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					Total	Non-Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Retained Earnings			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 31st March 2019</b>	1,368,673,373	2,935,874,612	(19,732,588)	17,068,601	18,687,549,225	22,989,433,223	9,260,501,093	32,249,934,316
Adjustments on initial application of SLFRS - 16	-	-	-	-	(3,704,009)	(3,704,009)	(9,610,510)	(13,314,519)
Net profit for the year	-	-	-	-	2,585,768,447	2,585,768,447	175,570,523	2,761,338,970
Other Comprehensive income / (Loss)	-	23,882,926	(7,972,381)	24,119,268	(33,341,105)	6,688,708	(18,004,358)	(11,315,650)
<b>Total Comprehensive income</b>	-	23,882,926	(7,972,381)	24,119,268	2,552,427,342	2,592,457,155	157,566,165	2,750,023,320
Dividends - 2018/2019					(443,157,536)	(443,157,536)	-	(443,157,536)
<b>Balance as at 31st March 2020</b>	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	662,814,083	538,052,138	1,200,866,220
<b>Total Comprehensive income</b>	-	650,311,643	4,863,475	(1,319,603)	6,143,470,840	6,797,326,356	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)
<b>Balance as at 31st March 2021</b>	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

The Accounting Policies and Notes on pages 134 through 246 form an integral part of these financial statements.



# STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Company		Group	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Cash Flows From / (Used in) Operating Activities</b>					
Profit before tax from continuing operations		3,879,174,886	769,656,083	9,859,752,660	3,679,435,315
Profit/(loss) before tax from discontinued operations		-	-	(133,305,704)	(115,381,159)
Profit before tax		3,879,174,886	769,656,083	9,726,446,956	3,564,054,156
<b>Adjustments to reconcile profit before tax to net cash flows:</b>					
Dividend Income	23	(995,281,448)	(373,763,927)	(281,302)	(972,173)
Interest Income	24.2	(55,906,782)	(17,887,352)	(82,997,786)	(29,807,753)
Depreciation of Property, Plant & Equipment	3	735,265,006	582,572,781	1,890,426,019	1,817,206,467
Amortisation of Right of use Assets	8.1	163,843,870	160,087,988	276,604,400	265,080,451
Amortisation Over Mining Land	3.18	-	-	-	2,619,000
(Profit)/Loss on Sale of Property, Plant & Equipment	23	(31,712,440)	111,593	(37,492,343)	58,216,317
Finance Costs	24.1	594,353,114	952,010,995	1,411,557,916	2,286,195,314
Provision/(Reversal) of Inventories		155,615,590	34,592,151	320,958,905	88,230,240
Write-down of Inventories		93,342,036	55,342,782	160,895,190	105,068,305
Written off of Capital Expenditure		-	-	43,145,000	14,877,000
Provision for Related Party Receivables	11.1.3	10,422,905	21,041,121	-	-
Amortization of Intangible Assets	7.2	24,977,391	24,516,800	27,803,391	25,595,800
Unrealised Loss on Foreign Exchange		24,770,114	8,946,568	40,822,892	11,235,457
Impairment of Goodwill		-	-	2,387,160	-
Impairment of Property, Plant & Equipment		-	-	41,486,932	-
Impairment of Long Term Investment		-	192,791,228	-	-
Allowance for Impairment of Trade Receivable		10,764,626	13,111,219	63,352,507	36,692,303
Deferred Income / Capital Grants Amortisation	23	-	-	(7,383,540)	(6,800,450)
Changing in Fair Value of Biological Assets		-	-	(75,000)	(39,823,904)
Revaluation Gain on Investment Property	23			(37,576,400)	(2,051,500)
Provision /(Reversal) for Change in Fair Value of the Investments	23	(15,491,248)	(426,337)	(15,491,248)	(426,337)
Profit Share of Investment in Associates		-	-	(1,814,096,011)	(1,372,972,899)
Provision for Retirement Benefit Liability	17	78,206,532	68,296,767	266,672,166	250,740,951
Operating Profit/(Loss) before Working Capital Changes		4,672,344,152	2,491,000,460	12,277,165,804	7,072,956,746
(Increase)/ Decrease in Inventories		1,382,792,898	(377,280,724)	5,415,475,672	(2,554,330,001)
(Increase)/ Decrease in Trade and Other Receivables		27,574,719	128,032,695	(483,941,464)	274,712,610
(Increase)/ Decrease in Other Non Financial Assets		60,605,113	(67,736,172)	187,750,210	(215,829,239)
Increase/ (Decrease) in Trade and Other Payables		(7,931,967)	443,045,859	1,763,057,261	(79,631,885)
Increase/ (Decrease) in Other Current Liabilities		1,297,486,408	43,624,612	1,375,823,179	(73,278,305)



For the year ended 31st March	Note	Company		Group	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Cash Generated from Operations</b>		<b>7,432,871,323</b>	2,660,686,730	<b>20,535,330,662</b>	4,424,599,926
Finance Costs Paid		(590,053,570)	(938,555,289)	(1,360,893,063)	(2,271,931,140)
Retirement Benefit Liability Paid		(8,777,272)	(17,600,422)	(125,404,157)	(141,215,402)
Income Tax Paid		(126,559,309)	(145,986,930)	(609,101,746)	(703,482,823)
<b>Net Cash Flows From/(Used in) Operating Activities</b>		<b>6,707,481,172</b>	1,558,544,089	<b>18,439,931,696</b>	1,307,970,561
<b>Cash Flows from / (Used in) Investing Activities</b>					
Acquisition of Property, Plant & Equipment	3	(453,436,533)	(267,102,382)	(1,961,464,808)	(1,521,197,141)
Acquisition of Investment Property	4	-	-	(215,430,145)	-
Acquisition of Consumable Biological Assets		-	-	(8,729,856)	(9,813,535)
Proceeds from Sale of Property, Plant & Equipment		43,698,440	20,708	62,154,648	6,476,892
Acquisition of Intangible Assets	7.2	(6,320,000)	(7,275,575)	(7,847,000)	(20,948,575)
Proceeds from Sale of Short Term investments		-	-	-	9,831,170
Acquisition of Short-Term Investment		(347,201,133)	47,957,955	(551,470,240)	47,224,452
Acquisition of Additional Interest in subsidiaries		-	(50,313,040)	-	-
Interest Received	24.2	55,906,782	17,887,352	82,997,786	29,807,753
Dividends Received	23	995,281,448	373,763,927	433,760,086	373,763,927
<b>Net Cash Flows From/ (Used in) Investing Activities</b>		<b>287,929,004</b>	114,938,945	<b>(2,166,029,529)</b>	(1,084,855,057)
<b>Financing Activities</b>					
Proceeds From Interest Bearing Loans & Borrowings		3,691,563,040	4,149,551,480	18,726,523,864	21,472,039,835
Repayment of Interest Bearing Loans & Borrowings		(6,400,821,072)	(5,671,547,309)	(24,611,047,389)	(22,079,554,237)
Capital Repayments under Lease Liabilities		(88,043,524)	(45,743,306)	(162,481,199)	(121,488,714)
Dividends Paid on Ordinary Shares		(1,553,954,157)	(447,613,194)	(1,553,954,157)	(447,613,194)
Dividend Paid to Non Controlling Interest		-	-	(627,013,093)	(148,978,519)
Capital Grants Received		-	-	3,550,000	3,904,000
<b>Net Cash Flows from/(Used in) Financing Activities</b>		<b>(4,351,255,713)</b>	(2,015,352,329)	<b>(8,224,421,974)</b>	(1,321,690,829)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>2,644,154,463</b>	(341,869,295)	<b>8,049,480,193</b>	(1,098,575,325)
<b>Net Foreign Exchange Difference</b>		<b>-</b>	-	<b>(9,211,957)</b>	3,631,964
<b>Cash and Cash Equivalents at the beginning of the year</b>	21	<b>(928,800,221)</b>	170,505,072	<b>(4,070,920,116)</b>	(2,975,976,755)
<b>Cash and cash equivalents of Royal Porcelain (Pvt) Ltd as at the date of amalgamation</b>		<b>-</b>	(757,435,998)	<b>-</b>	-
<b>Cash and Cash Equivalents at the end of the year</b>	21	<b>1,715,354,242</b>	(928,800,221)	<b>3,969,348,120</b>	(4,070,920,116)

The Accounting Policies and Notes on pages 134 through 246 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 2021 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, LC Plantation Project Limited, 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, 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 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 floor tiles and wall 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 ceramics tiles and allied products
Lanka Tile (Private) Limited	Distribution of Tiles in India
Swisstek Development Limited	Holding of investments.
LTL Development Limited	Holding of investments.
Rocell Properties Limited	Holding of investments.
LW Plantation Investments Limited (incorporated on 22 October 2020)	Holding of investments.
LC Plantation Project Limited (incorporated on 05 March 2021)	Holding of investments.
CP Holding (Private) Limited (acquired on 10th March 2021)	Property Holding.



There were no significant changes in the nature of the principal activities of the Company and Group during the financial year under review except following.

The Group acquired an existing company called "CP Holding (Private) Limited" for Rs. 340 million on 10th March 2021. The said acquisition was equally contributed by six companies of the Group; i.e. Rocell Bathware Limited, Rocell Properties Limited, LW Plantation Investments Limited, LTL Development Limited, Swisstek Development Limited and LC Plantation Project Limited.

#### 1.4 Date of Authorization for Issue

The Consolidated Financial Statements of Royal Ceramics Lanka PLC, for the year ended 31 March 2021 were authorised for issue in accordance with the resolution of the Board of Directors on 31 May 2021.

## 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 2020.

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

#### Amendments to SLFRS 3: Definition of a Business

The amendment to SLFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Group but may impact future periods should the Company enter into any business combinations.

#### Amendments to LKAS 1 and LKAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the financial statements of, nor is there expected to be any future impact to, the Group.

#### Amendments to references to the conceptual framework in SLFRS standards

Revisions to the Conceptual Framework were made because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

These amendments had no impact on the financial statements of the Group.



# NOTES TO THE FINANCIAL STATEMENTS

## Amendment to SLFRS 16- COVID-19 related rent concession

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 payment resulting from COVID-19 related rent concession the same way it would account for a change under SLFRS 16, if the change was not a lease modification. The amendments are applicable to annual reporting periods beginning on or after 01 June 2020. Earlier application is permitted. This amendment had no material impact on the consolidated 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 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the

investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.



The consolidated financial statements of the Group include:

Company Name	Country of Incorporation	Year of Incorporation	% of equity Interest	
			2021	2020
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 Limited	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 Walltile 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%	-
LTL Development Limited	Sri Lanka	2017/2018	39.83%*	39.83%*
LC Plantation Project Limited	Sri Lanka	2020/2021	73.56%	-
CP Holding (Private) Limited	Sri Lanka	2011/2012	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 2021 have been prepared on going concern basis as further elaborated in Note 2.4.



# NOTES TO THE FINANCIAL STATEMENTS

(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)

(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.

**(xi) 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).

**(xii) 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 41.

**2.4 Going Concern**

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group, continue in operational existence for the foreseeable future. The Board is confident that the Group

has the resources and capability to withstand the negative effects and uncertainties created by the COVID-19 Pandemic. Specially many companies in the group has reported a rapid growth in sales and profitability during the financial year as a result of import ban imposed by the government on several products including tiles and associated products. Further the Group Management is closely monitoring and taking the necessary steps to manage and minimize the potential downside risks to the operation due to the COVID-19 pandemic. The Management has also taken certain operational measures such as the temporary cessation of new recruitments, increments, all new capital projects, refurbishments and curtail advertisements, to manage the working capital. The Group is also continuously focusing on reducing inventory levels and collection of outstanding debts. Further, the Management is actively engaging with banks and suppliers to negotiate terms and obtain the required COVID-19 financial support and rebates in order to manage the liquidity levels.

**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



# NOTES TO THE FINANCIAL STATEMENTS

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 recognized in equity and not in the statement of comprehensive income.

**Royal Ceramics Lanka PLC, Lanka Ceramic PLC, Royal Ceramics Distributors (Pvt) Ltd, Ever Paint & Chemical Industries (Pvt) Ltd, Lanka Walltiles PLC, Lanka Tiles PLC, Vallibel Plantation Management Ltd, Swisstek Ceylon PLC, Horana Plantations 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;

	2021	2020
Local sales and others	24%	28%
Manufacturing	18%	28%
Qualified export	14%	14%

### Swisstek Aluminium Ltd.

Income tax exemption given for Swisstek Aluminium Ltd has been ended by 01 September 2016 and company liable to pay tax at a rate of 20% on manufacturing profit and 24% on trade profits and other income.

### Rocell Bathware Limited

Income tax exemption given for Rocell Bathware Ltd has been expired on year of assessment 2015/16 and company liable to pay tax at a rate of 15% on manufacturing profits and 24% on trade profits and other income.

### Horana Plantations PLC

	2021	2020
Agro Farming	Exempt for 5 year w.e.f. 1/4/2019	14%
Agro Processing	14%	14%
Other Income	24%	28%

### (b) Deferred Tax

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



Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will

be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relates to the same taxable entity and the same taxation authority.

#### (c) Turnover Based Taxes

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

of taxation authorities is included as a part of other receivables and other payables in the Statement of Financial Position.

### 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.



# NOTES TO THE FINANCIAL STATEMENTS

- (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 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.

## 2.5.6 Intangible assets

The Group's intangible assets include the cost of computer software and goodwill.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of



intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the Statement of Profit or Loss.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives in the range 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 2.5.16 - Impairment of non-financial assets.



# NOTES TO THE FINANCIAL STATEMENTS

## (ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. (refer Note 8).

## (iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The accounting policies applicable to the Group as a lessor in the comparative period were not difference from SLFRS 16.

### 2.5.8 Investment properties

Properties held for capital appreciation and properties held to earn rental income have been classified as Investment Property. Investment Property is recognized if it is probable that future economic benefits that are associated with the Investment Property will flow to the Group and cost of the Investment Property can be reliably measured.

#### Initial measurement

An Investment Property is measured initially at its cost. The cost of a purchased Investment Property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment is its cost at the date when the construction or development is complete.

## Subsequent measurement

The Group applies the Fair Value Model for Investment Properties in accordance with Sri Lanka Accounting Standard 40 (LKAS 40), - "Investment Property". Accordingly, land and buildings classified as Investment Properties are stated at Fair Value.

Investment properties are 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.

Goodwill is initially measured at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for

impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets prorate to the carrying amount of each asset in the unit.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### 2.5.11 Financial instruments – initial recognition and subsequent measurement

##### a) Financial assets

##### Initial recognition and measurement

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

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.



# NOTES TO THE FINANCIAL STATEMENTS

## Subsequent measurement

The Group classifies all of these financial assets in the measurement category of financial assets at amortised cost, Financial assets at fair value through profit or loss and financial assets at fair value through OCI. Categories of financial assets as per SLFRS 9 are limited only for the followings.

### (i) Financial assets at amortised cost

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

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

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

The Group's financial assets at amortised cost includes trade and other receivables, short term deposits and cash and bank.

### (ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial

assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

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

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

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

## Derecognition

A financial asset is derecognised when:

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

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- (a) The Group has transferred substantially all the risks and rewards of the asset, or
- (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## Impairment of financial assets

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial



recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

## **b) Financial liabilities**

### **Initial recognition and measurement**

Financial liabilities within the scope of SLFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of

its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings and. Accordingly Group financial liabilities have been classified as a financial liabilities at amortised cost.

### **Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- ☐ Financial liabilities at fair value through profit or loss
- ☐ Financial liabilities at amortised cost (loans and borrowings)

### **Financial liabilities at amortised cost (loans and borrowings)**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss.

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

### **Derecognition**

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if:

- ☐ There is a currently enforceable legal right to offset the recognised amounts and
- ☐ There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

### **Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:



## NOTES TO THE FINANCIAL STATEMENTS

- ❑ Using recent arm's length market transactions
- ❑ Reference to the current fair value of another instrument that is substantially the same
- ❑ A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 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.

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2021 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.



# NOTES TO THE FINANCIAL STATEMENTS

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 41. 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 products, 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/Company 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 products, sanitaryware, packing material, aluminium products

Revenue from sales of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods which include one performance obligation. Control transition point to recognize the revenue on export sales is determined based on the international commercial terms applicable for the respective transactions. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, which is not materially affect on the recognition of revenue.

#### b) Sale of Plantation produce

The Group is in the business of cultivation, manufacture and sale of black tea, rubber and other crops (Plantation Produce).

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods are transferred to the customer. Black tea and Rubber produce are sold at the Colombo tea/rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognized at the point in time when the control of the goods has been transferred

to the customer generally upon delivery of the goods.

#### c) Sale of timber with installation services

The supply of timber is recognised at the point of delivery the goods to the customer and the revenue for installation services is recognised over installation period for the transactions that consumes a significant time period for installation. The revenue is recognised at a point in a time either for the transactions which consumes an insignificant installation period or for the transactions where the installation services provided on the same day delivery of goods.

#### d) Rendering of Services

Revenue from services is recognised as the services are provided. Revenue from service contracts that cover periods of greater than 12 months is recognised in the profit and loss in proportion to the services delivered at the reporting date.

#### (i) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

#### (ii) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred



to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

**(iii) Trade receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial instruments – initial recognition and subsequent measurement.

**(iv) Contract liabilities**

A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

**Other Sources of Revenue**

**a) Interest Income**

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

financial asset or liability. Interest income is included in finance income in the Statement of Profit or Loss.

**b) Dividends**

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

**c) Rental Income**

Rental income is recognised on an accrual basis.

**d) Other**

Other income is recognised on an accrual basis.

**e) Gains and Losses**

Net Gains and losses of a revenue nature on the disposal of property, plant and equipment and other non-current assets including investments have been accounted for in the Statement of Profit or Loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of revalued property, plant and equipment, amount remaining in revaluation reserve relating to that asset is transferred directly to Retained Earnings.

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

**2.7 Cash Flow Statement**

The Cash Flow Statement has been prepared by using the 'Indirect Method' in accordance with LKAS 7 on Statement of Cash Flows, whereby gross cash receipts and gross cash payments of operating activities, financing

activities and investing activities have been recognized. Cash and cash equivalents comprise mainly cash balances and highly liquid investments of which original maturity of 3 months or less and net amount due from banks.

**2.8 Segment Reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments of the Group are determined based on product or services supplied by Group.

Segment information is presented in respect of the Group's business and has been prepared in conformation with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group. The business segments are reported based on Group's management and internal reporting structure. Inter segment pricing is determined at prices mutually agreed by the companies.

Segment result, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise of goodwill on consolidation.

The Group's segmental reporting is based on the following operating segments:



# NOTES TO THE FINANCIAL STATEMENTS

## Tiles and Associated Products

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

## Sanitaryware

Manufacturing and marketing of sanitaryware 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 recognized as the present value of the defined benefit obligation based on actuarial valuation as per LKAS 19: Employee benefits.
- ❑ Agriculture produce harvested from biological assets are measured at fair value as per LKAS 41: Agriculture.

**2.10.1 Property, Plant and Equipment**

**a) Permanent Land Development Cost**

Permanent land development costs incurred in making major infrastructure development and building new access roads on leasehold lands. These costs have been capitalized and amortized over the remaining lease period. Permanent impairments to land development costs are charged to the Statement of Profit or Loss and Other Comprehensive Income in full and reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

**b) Biological Assets**

Biological assets are classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include tea and rubber trees, those that are not intended to be sold or harvested, but are however used to grow for harvesting agricultural produce from such Biological assets. Consumable Biological assets include managed timber trees (those that are to be sold as Biological assets).

Biological assets are further classified into Mature Biological assets and Immature Biological assets. Mature Biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature Biological assets are those that have not yet attained harvestable specifications.

**Recognition and Measurement**

The entity recognises the Biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The Bearer Biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant and Equipment.

The managed timber trees are measured on initial recognition and at the end of each reporting period at fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants (age below 5 years) as the impact on biological transformation of such plants to price during this period is immaterial.

***Bearer Biological Assets***

The cost of land preparation, rehabilitation, new planting, re-planting, crop diversifying, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations.



## NOTES TO THE FINANCIAL STATEMENTS

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 labour 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.

Variable	Comment
Currency valuation	Sri Lankan Rupees
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each species.  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 species by factoring the forestry plan of the Company.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled 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 2021.

The liability is not externally funded.

#### **b) Defined Contribution Plans - Provident Funds and Trust Fund**

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS)/Estate Staff's Provident Society (ESPS)/ Employees' Provident Fund (EPF).

All the employees of the Company are members of the Employees' Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

### **2.10.4 Deferred Income**

#### **a) Grants and Subsidies**

Grants related to Property, Plant and Equipment other than grants received for consumer biological assets are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment is more fully mentioned in Note 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.



# NOTES TO THE FINANCIAL STATEMENTS

## 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 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021.

### Amendments to SLFRS 3:

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.

### Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement

- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.

### 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.



# NOTES TO THE FINANCIAL STATEMENTS

## 03. PROPERTY, PLANT & EQUIPMENT - COMPANY

### 3.1 Gross Carrying Amounts

	Balance As at 01.04.2020 Rs.	Additions/ Transfers Rs.	Increase/ (Decrease) from Revaluation Rs.	Transfers/ Reclassification Rs.	Disposals Rs.	Balance As at 31.03.2021 Rs.
<b>At Cost or Valuation</b>						
Land	2,289,999,125	-	-	-	(11,986,000)	2,278,013,125
Building	2,315,372,626	33,490,563	-	-	-	2,348,863,189
Lab Equipment	7,395,141	-	-	-	-	7,395,141
Motor Vehicles	453,664,166	4,450,000	-	-	(3,746,531)	454,367,635
Electricity Distribution	64,599,328	-	-	-	-	64,599,328
Office Equipment	468,609,704	34,452,872	-	-	-	503,062,576
Communication Equipment	17,078,828	272,754	-	-	-	17,351,582
Furniture & Fittings	757,025,390	49,494,320	-	-	-	806,519,710
Tools & Implements	203,228,498	23,759,254	-	-	-	226,987,752
Other Equipment	103,492,794	8,920,499	-	-	-	112,413,293
Factory Equipment	23,257,991	-	-	-	-	23,257,991
Construction Equipment	2,236,047	-	-	-	-	2,236,047
Plant and Machinery	5,252,698,458	236,343,134	-	-	-	5,489,041,592
Household Item Light	78,830	-	-	-	-	78,830
Showroom Fixtures & Fittings	1,537,961,299	50,654,071	-	-	-	1,588,615,370
Stores Buildings on Lease hold Land	266,655,569	-	-	-	-	266,655,569
	13,763,353,794	441,837,467	-	-	(15,732,531)	14,189,458,730
<b>In the Course of Construction</b>						
	Balance As at 01.04.2020 Rs.	Additions Rs.	Increase/ (Decrease) in Revaluation Rs.	Transfers Rs.	Disposals Rs.	Balance As at 31.03.2021 Rs.
Capital Work in Progress	407,365,269	415,495,967	-	(403,896,901)	-	418,964,335
<b>Total Gross Carrying Amount</b>	14,170,719,063	857,333,434	-	(403,896,901)	(15,732,531)	14,608,423,065



### 3.2 Depreciation

	Balance As at 01.04.2020 Rs.	Charge for the Year Rs.	Transfers to revaluation Reserve Rs.	Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2021 Rs.
<b>At Cost or valuation</b>						
Building	139,092,685	76,226,277	-	-	-	215,318,962
Lab Equipment	6,695,351	365,200	-	-	-	7,060,551
Motor Vehicles	359,001,229	39,559,864	-	-	(3,746,531)	394,814,562
Electricity Distribution	15,691,365	3,093,002	-	-	-	18,784,367
Office Equipment	324,598,257	37,877,520	-	-	-	362,475,777
Communication Equipment	13,692,305	967,699	-	-	-	14,660,004
Furniture & Fittings	572,651,131	71,458,008	-	-	-	644,109,139
Tools & Implements	188,541,836	14,121,483	-	-	-	202,663,319
Other Equipment	69,816,097	12,027,110	-	-	-	81,843,207
Factory Equipment	23,257,991	-	-	-	-	23,257,991
Construction Equipment	2,236,047	-	-	-	-	2,236,047
Plant and Machinery	3,342,334,886	346,081,370	-	-	-	3,688,416,256
Household Item Light	59,092	-	-	-	-	59,092
Showroom Fixtures & Fittings	557,631,088	127,032,566	-	-	-	684,663,654
Stores Buildings on Lease hold Land	13,788,896	6,454,907	-	-	-	20,243,803
	5,629,088,256	735,265,006	-	-	(3,746,531)	6,360,606,731

### 3.3 Net Book Values of Property Plant and Equipments

	2021 Rs.	2020 Rs.
<b>At Cost or Valuation</b>		
Land	2,278,013,125	2,289,999,125
Building	2,133,544,227	2,176,279,941
Lab Equipment	334,590	699,790
Motor Vehicles	59,553,073	94,662,938
Electricity Distribution	45,814,961	48,907,963
Office Equipment	140,586,799	144,011,446
Communication Equipment	2,691,578	3,386,523
Furniture & Fittings	162,410,571	184,374,259
Tools & Implements	24,324,434	14,686,663
Other Equipment	30,570,086	33,676,697
Plant and Machinery	1,800,625,336	1,910,363,572
Household Item Light	19,738	19,738
Showroom Fixtures & Fittings	903,951,716	980,330,211
Stores Buildings on Lease hold Land	246,411,766	252,866,673
	7,828,851,999	8,134,265,538
In the Course of Construction	418,964,335	407,365,269
	8,247,816,334	8,541,630,807



## NOTES TO THE FINANCIAL STATEMENTS

**3.4** During the Period, the company acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 453,436,533/- (2020-Rs.267,102,382/-).

**3.5** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 3,389,801,623/- (2020 - Rs.3,119,204,570/-) which are still in use.

### 3.6 Gross Carrying Amounts

	Balance As at 01.04.2020  Rs.	Additions/ Transfers  Rs.	Effect of Exchange Rate Differences  Rs.	Increase / (Decrease) from Revaluation  Rs.	Reclassification/ Disposals/ Transfers  Rs.	Balance As at 31.03.2021  Rs.
Freehold and Clay Mining						
Land	7,845,078,068	156,069,662	-	232,660,681	(16,837,105)	8,216,971,306
Buildings	6,716,513,023	165,942,607	-	547,796,688	(346,555,828)	7,083,696,490
Water Supply Scheme	620,762,354	24,030,750	-	-	-	644,793,104
Lab Equipment	18,479,912	-	-	-	-	18,479,912
Motor Vehicles	514,640,681	4,450,000	-	-	(3,746,531)	515,344,150
Electricity Distribution	65,203,097	-	-	-	-	65,203,097
Office Equipment	501,053,343	35,654,037	-	-	(991,651)	535,715,729
Communication Equipment	649,522,022	24,925,810	-	-	(12,387,890)	662,059,942
Furniture and Fittings	860,927,403	55,804,563	-	-	-	916,731,966
Tools & Implements	1,115,733,038	236,912,801	-	-	(3,344,153)	1,349,301,686
Sundry Equipment	3,989,230	734,136	-	-	-	4,723,366
Other Equipment	97,475,337	9,952,903	-	-	-	107,428,240
Factory Equipment	23,257,991	-	-	-	-	23,257,991
Moulds	138,862,181	1,630,897	-	-	-	140,493,078
Construction Equipment	24,936,334	-	-	-	-	24,936,334
Plant and Machinery	17,299,554,792	825,373,266	-	-	(2,196,848)	18,122,731,210
Household Item - Light	78,830	-	-	-	-	78,830
Showroom Fixtures & Fittings	1,557,223,053	50,764,462	-	-	-	1,607,987,515
Stores Buildings on Lease hold						
Land	328,389,496	-	-	-	-	328,389,496
	38,381,680,185	1,592,245,894	-	780,457,369	(386,060,006)	40,368,323,442
In the Course of Construction	Balance As at 01.04.2020  Rs.	Additions/ Transfers  Rs.	Effect of Exchange Rate Differences  Rs.	Increase / (Decrease) from Revaluation  Rs.	Reclassification/ Disposals/ Transfers  Rs.	Balance As at 31.03.2021  Rs.
Capital Work in Progress	807,630,549	1,052,330,487	-	-	(800,825,673)	1,059,213,363
<b>Total Gross Carrying Amount</b>	<b>39,189,310,734</b>	<b>2,644,576,381</b>	<b>-</b>	<b>780,457,369</b>	<b>(1,186,807,679)</b>	<b>41,427,536,805</b>



### 3.7 Depreciation

	Balance As at 01.04.2020 Rs.	Charge for the Year Rs.	Effect of Exchange Rate Rs.	Transfers to revaluation Reserve Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2021 Rs.
<b>At Cost or Valuation</b>						
Clay Mining Land	4,522,931	172,783	-	-	(4,695,714)	-
Building	555,463,331	203,537,866	-	-	(346,555,271)	412,445,926
Water Supply Scheme	344,504,526	41,399,700	-	-	-	385,904,226
Lab Equipment	17,737,492	385,662	-	-	-	18,123,154
Motor Vehicles	405,501,999	41,488,467	-	-	-	446,990,466
Electricity Distribution	16,048,385	3,366,842	-	-	-	19,415,227
Office Equipment	349,681,480	38,355,107	-	-	-	388,036,587
Communication Equipment	474,038,209	31,985,800	-	-	8,421,507	514,445,516
Furniture & Fittings	650,553,553	82,753,576	-	-	-	733,307,129
Tools & Implements	848,405,903	108,530,589	-	-	(3,081,652)	953,854,840
Sundry Equipment	1,100,253	187,173	-	-	-	1,287,426
Other Equipment	60,180,982	12,433,503	-	-	-	72,614,485
Factory Equipment	23,257,991	-	-	-	-	23,257,991
Moulds	131,101,009	2,151,570	-	-	-	133,252,579
Construction Equipment	23,834,051	-	-	-	-	23,834,051
Plant and Machinery	8,948,672,784	1,059,561,704	-	-	(18,645,290)	9,989,589,198
Household Item - Light	59,092	-	-	-	-	59,092
Showroom Fixtures & Fittings	566,471,162	127,782,770	-	-	-	694,253,932
Stores Buildings on Lease hold Land	76,222,897	6,454,907	-	-	-	82,677,804
<b>Total Value of Depreciation</b>	<b>13,497,358,030</b>	<b>1,760,548,019</b>	<b>-</b>	<b>-</b>	<b>(364,556,420)</b>	<b>14,893,349,629</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 3.8 Net Book Values of Property Plant and Equipments

	2021 Rs.	2020 Rs.
<b>At Cost or Valuation</b>		
Freehold and Clay Mining Land	8,216,971,306	7,840,555,137
Building	6,671,250,564	6,161,049,692
Water Supply Scheme	258,888,878	276,257,828
Lab Equipment	356,758	742,420
Motor Vehicles	68,353,684	109,138,682
Electricity Distribution	45,787,870	49,154,712
Office Equipment	147,679,142	151,371,863
Communication Equipment	147,614,426	175,483,813
Furniture and Fittings	183,424,837	210,373,850
Tools and Implements	395,446,846	267,327,135
Sundry Equipment	3,435,940	2,888,977
Other Equipment	34,813,755	37,294,355
Mould	7,240,499	7,761,172
Construction Equipment	1,102,283	1,102,283
Plant and Machinery	8,133,142,012	8,350,882,008
Household Item - Light	19,738	19,738
Showroom Fixtures and Fittings	913,733,583	990,751,891
Stores Buildings on Leasehold Land	245,711,692	252,166,599
	25,474,973,813	24,884,322,155
In the Course of Construction	1,059,213,363	807,630,549
	26,534,187,176	25,691,952,704

### 3.9 Net book value of assets

	2021 Rs.	2020 Rs.
Property, plant and equipment (3.8)	26,534,187,176	25,691,952,704
Bearer Biological Assets (3.12)	2,155,964,000	2,208,942,000
<b>Total</b>	<b>28,690,151,176</b>	<b>27,900,894,704</b>

**3.10** During the Period, the group acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 1,961,464,808/- (2020-Rs.1,521,197,141/-)

**3.11** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 6,340,156,627/- (2020 Rs. 6,034,511,376/-) which are still in use.



### 3.12 Bearer Biological Assets

	Tea Rs.	Rubber Rs.	Oil Palm Rs.	Diversification Rs.	Total 2021 Rs.	Total 2020 Rs.
<b>Immature Plantations</b>						
<b>Cost</b>						
At the beginning of the year	97,210,000	180,563,000	122,291,000	122,993,000	523,057,000	519,830,000
Additions	17,477,000	26,527,000	34,600,000	35,763,000	114,367,000	145,174,000
Transfers to Mature	(27,000,000)	(81,436,000)	(75,471,000)	(23,337,000)	(207,244,000)	(128,124,000)
Write off during the year	-	(11,618,000)	(17,028,000)	(7,511,000)	(36,157,000)	(13,823,000)
At the end of the year	87,687,000	114,036,000	64,392,000	127,908,000	394,023,000	523,057,000
<b>Mature Plantations</b>						
<b>Cost</b>						
At the beginning of the year	841,897,000	1,462,470,000	116,537,000	95,623,000	2,516,527,000	2,401,742,000
Transfers from Immature	27,000,000	81,436,000	75,471,000	23,337,000	207,244,000	128,124,000
Disposal during the year	-	(19,760,000)	-	-	(19,760,000)	(6,437,000)
Write off during the year	-	-	-	-	-	(6,902,000)
At the end of the year	868,897,000	1,524,146,000	192,008,000	118,960,000	2,704,011,000	2,516,527,000
<b>Accumulated Amortization</b>						
At the beginning of the year	239,700,000	555,002,000	14,491,000	21,449,000	830,642,000	714,644,000
Charge for the year	30,830,000	81,236,000	5,827,000	11,985,000	129,878,000	128,500,000
Disposal during the year	-	(18,450,000)	-	-	(18,450,000)	(6,313,000)
Write off during the year	-	-	-	-	-	(6,189,000)
At the end of the year	270,530,000	617,788,000	20,318,000	33,434,000	942,070,000	830,642,000
Written Down Value	598,367,000	906,358,000	171,690,000	85,526,000	1,761,941,000	1,685,885,000
<b>Total Bearer Biological Assets</b>	686,054,000	1,020,394,000	236,082,000	213,434,000	2,155,964,000	2,208,942,000

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

	2021 Rs.	2020 Rs.
<b>Immature Plantations</b>		
<b>Cost :</b>		
At the beginning of the year	44,271,861	36,211,326
Additions during the year	8,729,856	9,813,535
Transfers to Mature Plantations	(1,134,742)	(1,734,000)
Transferred to Statement of Profit or Loss	(2,403,695)	(19,000)
At the end of the year	49,463,280	44,271,861
<b>Mature Plantations</b>		
<b>Cost :</b>		
At the beginning of the year	587,905,084	549,708,475
Decrease due to Harvest	(40,014,214)	(16,868,753)
Increase due to new plantations	1,134,742	1,734,000
Change in Fair Value less costs to sell	32,089,230	53,331,362
At the end of the year	581,114,842	587,905,084
<b>Total Consumable Biological Assets</b>	<b>630,578,122</b>	<b>632,176,945</b>

## 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 2021 comprised approximately 308 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs. 49.464Mn as at 31st March 2021. 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 2020/21 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 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	2021	Rs. 552.05 Mn	Rs. 581.11 Mn	Rs. 610.17 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	2021	Rs. 604.49 Mn	Rs. 581.11 Mn	Rs. 560.33 Mn

Borrowing costs amounting to Rs. 41.390 Mn (Rs. 59.732Mn in 2019/20) directly relating to investment in Biological Assets (Immature Plantations) have been capitalised during the period, at an average borrowing rate of 19.15% (12.72% in 2019/20).



## 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 asset 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 Ehaliyagoda	A50-R1-P34.72	Mr. A.A.M. Fathihu
		Showroom and Cutting Centre 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 Colpitty	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	315,609sq.ft	Mr. A.A.M. Fathihu
		Showroom Building -Kottawa	9,556sq.ft	Mr. A.A.M. Fathihu
		Warehouse Building at Meegoda	36,982sq.ft	Mr. A.A.M. Fathihu
		Showroom Building at Nawala 101	8,470sq.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	11,574 sq.ft	Mr. A.A.M. Fathihu
		Head office Building at No 20, Colombo	28,278 sq.ft	Mr. A.A.M. Fathihu
		Factory Land at Horana	A.14 - R.1- P.7.36	Mr. A.A.M. Fathihu
		Factory Building at Horana	285,168 sq.ft	Mr. A.A.M. Fathihu
		Warehouse Building at Meegoda	77,467 sq.ft	Mr. A.A.M. Fathihu
2	Rocell Bathware Ltd	Factory land at Homagama	A1-R2-P19.60	Mr. A.A.M. Fathihu
		Land at Meegoda	A1-R3-P04.10	Mr. A.A.M. Fathihu
		Factory complex at Homagama	202,003 sq.ft	Mr. A.A.M. Fathihu
3	Lanka Walltiles PLC	No. 215, Nawala Road, Narahenpita, Colombo 05	A1-R1-P2.1	FRT Valuation Services (Pvt) Ltd
			36,170 Square feet building	FRT Valuation Services (Pvt) Ltd
		Plan No 2205 Situated at Mawathagama and Galagedara Village	A25-R1-P37.16	FRT Valuation Services (Pvt) Ltd
			308,612 Square Feet building	FRT Valuation Services (Pvt) Ltd



Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range and rate per sq.ft.	Fair Value measurement using Significant unobservable inputs (Level 3) Rs.Mn	Fair Value as per previous revaluation year (Level 3) Rs.Mn
31 March 2018 *	Market based evidence	Rs. 56,250/- per perch	454.203 Mn	247.15Mn
31 March 2018 *	Market based evidence	Rs. 1,250,000/- - Rs. 2,500,000/- per perch	343.437 Mn	105.485Mn
31 March 2018 *	Market based evidence	Rs. 250,000/- - Rs. 300,000/- per perch	120.187Mn	46.6Mn
31 March 2018 *	Market based evidence	Rs. 7,000,000- per perch	174.3Mn	87.15Mn
31 March 2018 *	Market based evidence	Rs. 18,750/- per perch	30Mn	20Mn
31 March 2018 *	Market based evidence	Rs. 2,500,000/- per perch	131.25 Mn	-
31 March 2018 *	Market based evidence	Rs. 7,000,000/- per perch	119.14Mn	-
31 March 2018 *	Market based evidence	Rs. 15,000,000/- per perch	300Mn	-
31 March 2018 *	Market based evidence	Rs. 3,500,000/- per perch	65.87Mn	-
31 March 2018 *	Market based evidence	Rs. 7,000,000/- per perch	103.81 Mn	-
31 March 2018 *	Market based evidence	Rs. 6,430,714/- per perch	291.44Mn	-
31 March 2018 *	Market based evidence	Rs. 2,044.64 per sq.ft	645.307 Mn	-
31 March 2018 *	Market based evidence	Rs. 1,250/- - Rs. 7,000 per sq.ft	54.465Mn	-
31 March 2018 *	Market based evidence	Rs. 1,540/- - Rs. 5,640 per sq.ft	149.065Mn	-
31 March 2018 *	Market based evidence	Rs. 1,560/- - Rs. 6,240 per sq.ft	52.983Mn	-
31 March 2018 *	Market based evidence	Rs. 10,260 per sq.ft	137.6Mn	-
31 March 2018 *	Market based evidence	Rs. 8,026.20 per sq.ft	41.543Mn	-
31 March 2018 *	Market based evidence	Rs. 3,325/- Rs. 5,640 per sq.ft	38.852Mn	-
31 March 2018 *	Market based evidence	Rs. 3,000 per sq.ft	34.722Mn	-
31 March 2018 *	Market based evidence	Rs. 11,387 per sq.ft	322Mn	-
31 March 2018 *	Market based evidence	Rs. 62,500/- per perch	142.96 Mn	89.088Mn
31 March 2018 *	Market based evidence	Rs. 1,250/- to Rs. 5,000/- per sq.ft	566.073 Mn	-
31 March 2018 *	Market based evidence	Rs. 3,500/- to Rs. 4,000/- per sq.ft	263.224 Mn	-
31 March 2018 *	Market based evidence	Rs. 150,000/- per perch	38.94Mn	22.066Mn
31 March 2018 *	Market based evidence	Rs. 200,000/- per perch	64.32Mn	10.8Mn
31 March 2018 *	Market based evidence	Rs. 800/- to 4,500/- per sq.ft	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 sq.ft	135.61Mn	85.281Mn
31 March 2021	Market based evidence	Rs. 250,000/- per perch	1019.29Mn	1123.2Mn
31 March 2021	Contractor's basis method valuation	Rs. 2,000/-to Rs 6,000/- per sq.ft	897.017Mn	726.664Mn



## NOTES TO THE FINANCIAL STATEMENTS

No.	Company	Location	Extent	Valuer	
4	Lanka Tiles PLC	Factory Premises, Jaltara, Ranala - Land	28A-02R-32.69P	FRT Valuation Services (pvt) Ltd	
		Factory Premises, Jaltara, Ranala - Buildings	415,638 sq.ft	FRT Valuation Services (pvt) Ltd	
		Land Adjacent to the Factory Premises, Jaltara, Ranala	08A-02R-08.56P	FRT Valuation Services (pvt) Ltd	
		Land Adjacent to the Factory Premises, Jaltara, Ranala	25,604 sq.ft	FRT Valuation Services (pvt) Ltd	
		Lanka Tiles Warehouse, Samurधि Mawatha Biyagama - Land	02A-00R-15.93P	FRT Valuation Services (pvt) Ltd	
		Lanka Tiles Warehouse, Samurधि Mawatha Biyagama - Buildings	48,531 sq.ft	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	
		Ball Clay land at Kaluthara	5A-01R-0.83P	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	984.5P	Mr. D.G.Newton	
		No: 288/26, Colombo Road, Belummahara, Imbulgoda	81.6P	Mr. D.G.Newton	
		No:334/5, Colombo Road, Belummahara, Imbulgoda	20P	Mr. D.G.Newton	
		No: 177/6, New Kandy Rd., Weliweriya	84P	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.	Fair Value measurement using Significant unobservable inputs (Level 3) Rs.Mn	Fair Value as per previous revaluation year (Level 3) Rs.Mn
31 March 2021	Market approach	Rs. 50,000/- to Rs. 120,000 per perch	517.878Mn	430.507Mn
31 March 2021	Contractor's method	Rs. 1000/- to Rs. 4250/- per sq.ft	1191.022Mn	930.041Mn
31 March 2021	Market approach	Rs. 120,000/- to Rs. 200,000/- per perch	203.001Mn	154.541Mn
31 March 2021	Contractor's method	Rs. 1,200/- to Rs. 4500/- per sq.ft	49.099.Mn	30.917Mn
31 March 2021	Market approach	Rs. 1,000,000/- per perch	335.949.Mn	319.133Mn
31 March 2021	Contractor's method	Rs. 1500/- to Rs. 4000/- per sq.ft	192.451.Mn	180.377Mn
31 March 2021	Market approach	Rs. 7,500,000/- per perch	240.2Mn	232.217Mn
31 March 2021	Market approach	Rs. 3,300,000/- per acre	42.9Mn	39.037Mn
31 March 2021	Market approach	Rs. 10,000/- per acre	0.053Mn	0.052Mn
31 March 2021	Market based evidence	Rs. 85,000/- per perch	124.211Mn	124.21Mn
31 March 2021	Depreciated Replacement cost	Rs.750/- to Rs. 2,000/- per sq.ft	334.09Mn	179.25Mn
31 March 2021	Market based evidence	Rs. 80,000/- per perch	34.8Mn	26.1Mn
31 March 2021	Depreciated Replacement cost	Rs. 1,750/- to Rs. 2,500/- per sq.ft	65.7Mn	46.04Mn
31 March 2021	Market based evidence	Rs. 750,000/- per perch	738.375Mn	633.5Mn
31 March 2021	Market based evidence	Rs. 625,000 per perch	51Mn	-
31 March 2021	Market based evidence	Rs. 600,000 per perch	12Mn	11.35Mn
31 March 2021	Market based evidence	Rs. 525,000 per perch	44.63Mn	-
31 March 2021	Contractors Method	Rs. 500/- to 4,000/- per sq.ft	139.25Mn	112.5Mn
31 March 2021	Contractors Method	Rs. 4,000/- per sq.ft	28Mn	21.122Mn
31 March 2021	Contractors Method	Rs. 2,750/- to 3,250/- per sq.ft	79.569Mn	-
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 Aluminum Ltd.	76/7, Pahala Dompe, Dompe.	A11 - R01 - P22.8	Mr. D.G.Newton	
		Building at 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	42,189 sq.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	

CP Holding (Pvt) Ltd acquired a clay mining land of Rs. 110,925,911/- during the year.

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

\* A reassessment of the fair valuation was obtained from the same independent professional valuer who determined that there would have been no substantial material change in the fair value between the last revaluation date and reporting date.



Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range and rate per sq.ft.	Fair Value measurement using Significant unobservable inputs (Level 3) Rs.Mn	Fair Value as per previous revaluation year (Level 3) Rs.Mn
31 March 2021	Market based evidence	Rs. 50,000/- to Rs. 150,000/- per perch	218,311Mn	186.727Mn
31 March 2021	Contractors Method	Rs. 500/- to Rs. 3500/- 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	35.216Mn	10.007Mn
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
22 February 2017 *	Market based evidence	Rs. 12,000,000 Per Acre	403.92Mn	403.92Mn



# NOTES TO THE FINANCIAL STATEMENTS

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

	2021	2020
<b>Non plantation assets</b>		
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
<b>Plantation assets</b>		
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
<b>Mature Plantation (re-planting and new planting)</b>		
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
	2021	2021	2021	2020
	Rs.	Rs.	Rs.	Rs.
Freehold Land	836,386,524		836,386,524	847,911,524
Freehold Building	1,163,442,235	353,274,099	810,168,136	850,804,028
	1,999,828,759	353,274,099	1,646,554,660	1,698,715,552



	Group			
	Cost	Accumulated Depreciation	Net Carrying Amount	Net Carrying Amount
	2021	2021	2021	2020
	Rs.	Rs.	Rs.	Rs.
Freehold land and Clay Mining Land	2,964,288,510	4,354,000	2,959,934,510	2,926,316,060
Freehold Building	5,378,118,561	1,198,086,942	4,180,031,620	4,667,489,771
	8,342,407,071	1,202,440,942	7,139,966,130	7,593,805,831

### 3.18 Leasehold Right over Mining Land

	Group	
	2021 Rs.	2020 Rs.
<b>Cost</b>		
At the beginning of the year	15,800,000	15,800,000
At the end of the year	15,800,000	15,800,000
<b>Accumulated Amortization</b>		
At the beginning of the year	14,181,000	11,562,000
Charge for the year	-	2,619,000
At the end of the year	14,181,000	14,181,000
<b>Written Down Value</b>	<b>1,619,000</b>	<b>1,619,000</b>

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

## 04. INVESTMENT PROPERTY

	Group	
	2021 Rs.	2020 Rs.
At the beginning of the year	1,727,301,260	1,725,249,760
Addition (Note 4.2)	215,430,145	-
Change in Fair Value	37,576,400	2,051,500
At the end of the year	1,980,307,805	1,727,301,260



# NOTES TO THE FINANCIAL STATEMENTS

## 4.1 Fair value of investment property

The following Investment properties are revalued during the financial year 2020/2021.

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

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** Addition of the Investment properties represents the property (Paraduwa Estate) acquired by CP Holding (Private) Limited, situated at Akuressa. The extent of the land is 184A. 22.8P.

**4.3** Rental Income earned from Investment Property by the Group amounted Rs. 36.75 Mn. (2020 - Rs. 36. 75 Mn). Direct operating expenses incurred by the Group amounted to Rs. 1.58 Mn. (2020 - Rs. 1.39Mn).

**4.4** 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.
2020-2021	36,750,000	36,750,000	36,750,000	-	-	-
2019-2020	36,750,000	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 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 2020	Mr. A.A.M. Fathihu	Market based evidence	Rs. 19,000,000/- per perch	781,280
31 March 2020	Mr. A.A.M. Fathihu	Depreciated replacement cost	Rs. 7,600/- - Rs. 10,450/- per sq.ft	129,216
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. 200,000/- per perch	5,625
31 March 2021	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs. 50,000/- per perch	475
31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs. 8,000,000/- per acre	390,895
31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs. 5,000,000/- per acre	21,746
31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs. 200,000/- per perch	9,000
31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs. 50,000/- per perch	345
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 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs. 8,000,000/- per acre	390,895
31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs.4,000/- per sq.ft	3,924

## 05. INVESTMENTS IN SUBSIDIARIES

### 05.1 Quoted & Non-Quoted

	Holding		Country of incorporation	Cost	
	2021 %	2020 %		2021 Rs.	2020 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	10	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 Walltile 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				7,177,465,381	7,177,465,371
Total Gross Carrying Value of Investments				7,177,465,381	7,177,465,371
Impairment made				(553,691,228)	(553,691,228)
Total Net Carrying Value of Investments				6,623,774,153	6,623,774,143



# 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 and to dispose of the assets thereof.

## 6. INVESTMENTS IN ASSOCIATES

### 6.1 Company

	Holding Percentage		Cost	
	2021	2020	2021 Rs.	2020 Rs.
<b>Quoted Investments</b>				
L. B. Finance PLC	26.08%	26.08%	2,499,577,145	2,499,577,145
<b>Non-quoted Investments</b>				
Delmage Limited	21.00%	21.00%	663,360,345	663,360,345
			3,162,937,490	3,162,937,490

### 6.2 Group

	Holding		Carrying Value	
	2021	2020	2021 Rs.	2020 Rs.
<b>Quoted Investments</b>				
L. B. Finance PLC	26.08%	26.08%	9,137,145,388	7,773,807,791
<b>Non-quoted Investments</b>				
Delmage Limited	21.00%	21.00%	948,102,793	908,940,819
			10,085,248,181	8,682,748,610

Market value of L B Finance PLC as at 31 March 2021 is Rs. 6,848,964,787/- (2020- Rs. 4,352,849,456/-)

### 6.3 Movement in Investments in Associates

	L. B. Finance PLC		Delmege Limited		Total	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
As at the beginning of the year	7,773,807,791	6,778,216,184	908,940,819	871,977,189	8,682,748,610	7,650,193,373
Share of results of associates	1,775,214,821	1,358,992,023	38,881,190	13,980,876	1,814,096,011	1,372,972,899
Dividends	(433,478,785)	(372,791,754)	-	-	(433,478,785)	(372,791,754)
Share of Other Comprehensive Income	21,601,561	9,391,338	280,784	22,982,754	21,882,345	32,374,092
At the end 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



## 07. INTANGIBLE ASSETS

### Summary

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Goodwill (Note 7.1)	-	-	1,030,295,492	1,030,237,456
Software (Note 7.2)	130,000,802	148,658,193	141,295,802	161,252,193
	130,000,802	148,658,193	1,171,591,294	1,191,489,649

### 7.1 Goodwill

	Group	
	2021 Rs.	2020 Rs.
Balance at the beginning of the year	1,030,237,456	1,030,405,680
Effect of change in exchange rate	58,036	(168,224)
Balance at the end of the year	1,030,295,492	1,030,237,456

Carrying value of Goodwill acquired through business combination as at the reporting date is relevant to Tile & Associated products.

The recoverable amounts of all cash generating units have been determined based on the fair value, less cost to sell or the value in use (VIU) calculation.

The key assumptions used to determine the recoverable amount for the different cash generating units, are as follows;

#### Gross margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

#### 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 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 2% growth rate in the cash flow beyond the seven-year period.

The Carrying value of Goodwill as at the reporting date would not be impaired even at a 0% terminal growth rate.

In determining the recoverable value of each cash generating unit, the group has taken into account possible impacts on cash flows due to the COVID-19 pandemic.



# NOTES TO THE FINANCIAL STATEMENTS

## 7.2 Software

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance at the beginning of the year	148,658,193	165,899,418	161,252,193	165,899,418
Incurred during the year	6,320,000	7,275,575	7,847,000	20,948,575
Amount amortised during the year	(24,977,391)	(24,516,800)	(27,803,391)	(25,595,800)
Balance at the end of the year	130,000,802	148,658,193	141,295,802	161,252,193

## 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.	Motor vehicles Rs.	Total Rs.
<b>Right of Use Asset</b>			
As at 01 April 2020	964,249,210	1,537,532	965,786,742
Additions	93,433,934	-	93,433,934
Adjustments for changes of Lease Terms and Termination	(40,328,298)	-	(40,328,298)
Depreciation expense	(162,306,338)	(1,537,532)	(163,843,870)
As at 31 March 2021	855,048,508	-	855,048,508
<b>Lease Liability</b>			
As at 1 April 2020	1,072,642,485	854,489	1,073,496,974
Additions	50,549,089	-	50,549,089
Adjustments for changes of Lease Terms and Termination	(43,972,786)	-	(43,972,786)
Interest Expense	142,539,352	17,189	142,556,541
Less: Payments	(229,728,349)	(871,678)	(230,600,027)
As at 31 March 2021	992,029,791	-	992,029,791
<b>As at 31 March 2021</b>			
Payable within one year	85,996,067	-	85,996,067
Payable after one year	906,033,724	-	906,033,724
Total	992,029,791	-	992,029,791
<b>As at 31 March 2020</b>			
Payable within one year			102,542,161
Payable after one year			970,954,813
Total			1,073,496,974



## 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 Rs.	Building Rs.	Motor vehicles Rs.	Plant & Machinery Rs.	* Land & immovable Estate Assets -Plantation Rs.	Total Rs.
<b>Right of Use Asset</b>						
As at 01 April 2020	55,908,836	1,190,009,510	3,398,756	11,501,783	188,888,000	1,449,706,885
Remeasurement of leasehold right on application of SLFRS 16	-	10,839,761	-	-	3,495,042	14,334,803
Additions	-	121,544,273	-	-	-	121,544,273
Adjustments for changes of Lease Terms and Termination	-	(45,981,187)	-	-	-	(45,981,187)
Transfer to Property, Plant & Equipment	-	-	(558,000)	(4,907,000)	-	(5,465,000)
Effect of Exchange Rate Differences	-	-	25,221	-	-	25,221
Depreciation expense	(2,511,057)	(254,125,591)	(2,865,977)	(3,437,345)	(13,664,430)	(276,604,400)
<b>As at 31 March 2021</b>	<b>53,397,779</b>	<b>1,022,286,766</b>	<b>-</b>	<b>3,157,438</b>	<b>178,718,612</b>	<b>1,257,560,595</b>
<b>Lease Liability</b>						
As at 1 April 2020	45,482,050	1,295,743,016	3,490,431	4,461,670	156,312,013	1,505,489,180
Remeasurement of leasehold right on application of SLFRS 16	-	10,839,449	-	-	-	10,839,449
Additions	-	78,659,427	-	-	3,495,042	82,154,469
Adjustments for changes of Lease Terms and Termination	-	(49,625,674)	-	-	-	(49,625,674)
Interest Expense	6,305,352	171,527,112	38,451	511,002	21,818,260	200,200,177
Less: Payments	(1,200,000)	(333,312,320)	(3,528,882)	(2,046,726)	(22,593,449)	(362,681,377)
<b>As at 31 March 2021</b>	<b>50,587,402</b>	<b>1,173,831,010</b>	<b>-</b>	<b>2,925,946</b>	<b>159,031,866</b>	<b>1,386,376,224</b>
<b>As at 31 March 2021</b>						
Payable within one year						137,960,472
Payable after one year						1,248,415,752
<b>Total</b>						<b>1,386,376,224</b>
<b>As at 31 March 2020</b>						
Payable within one year						196,623,446
Payable after one year						1,308,865,445
<b>Total</b>						<b>1,505,488,891</b>

\* 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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Depreciation expense of right-of-use assets	163,843,870	160,087,988	274,689,047	265,080,453
Interest expense on lease liabilities	142,556,541	142,250,052	200,200,177	192,589,534
Expense relating to short-term leases (included in cost of sales)	2,941,160	1,131,445	41,687,972	34,702,097
Expense relating to short-term leases (included in distribution expenses)	18,734,239	19,304,185	48,730,145	61,111,666
<b>Total amount recognised in profit or loss</b>	<b>328,075,810</b>	<b>322,773,670</b>	<b>565,307,341</b>	<b>553,483,750</b>

Cash Outflows from short term leases and leases with low values for the year ended 31 March 2021 for the Company and for the Group are Rs. 21,675,399/- and Rs. 90,418,117/- respectively.

### 8.3 Land & immovable Estate Asset -Plantation

#### 8.3.1 Right of Use Land

	2021 Rs.	2020 Rs.
<b>Capitalised Value : As at 22.06.1992</b>	<b>204,931,000</b>	204,931,000
Net book value carried forward as at 1st April	156,261,000	101,385,000
Remeasurement of leasehold right on application of SLFRS 16	-	54,342,000
Adjusted Net book value as at 1st April	156,261,000	155,727,000
Remeasurement of leasehold right as at 1st July	3,495,042	6,659,000
	159,756,042	162,386,000
<b>Amortization</b>		
Charge for the year	6,295,430	6,125,000
Amortisation as at 31st March	6,295,430	6,125,000
<b>Carrying Amount as at 31st March</b>	<b>153,460,612</b>	156,261,000



### 8.3.2 Right of Use Immovable Estate Assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Immature Plantations	Mature Plantations (Bearer Biological Assets)	Permanent Land Development Cost	Buildings	Plant & Machinery	Total 2021	Total 2020
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Capitalised Value</b>							
As at 22.06.1992	-	214,810,000	4,014,000	47,173,000	6,818,000	272,815,000	272,815,000
<b>Transfers to mature</b>							
At the end	-	214,810,000	4,014,000	47,173,000	6,818,000	272,815,000	272,815,000
<b>Amortisation</b>							
At the beginning of the year	-	182,611,000	3,586,000	47,173,000	6,818,000	240,188,000	232,889,000
Amortization during the year	-	7,228,000	141,000			7,369,000	7,299,000
At the end of the year	-	189,839,000	3,727,000	47,173,000	6,818,000	247,557,000	240,188,000
<b>Written Down Value</b>							
As at 31.03.2021	-	24,971,000	287,000	-	-	25,258,000	
As at 31.03.2020	-	32,199,000	427,000	-	-		32,627,000

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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Advances Given to Suppliers	18,017,371	41,304,331	18,017,371	41,304,331
Advance Company Tax Receivable	-	-	-	27,285,000
	18,017,371	41,304,331	18,017,371	68,589,331



## NOTES TO THE FINANCIAL STATEMENTS

### 10. INVENTORIES

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Raw Materials	629,266,201	491,318,436	3,964,674,114	3,339,187,939
Spares & Consumables	807,422,918	747,211,271	1,670,549,204	1,456,848,918
Accessories	-	-	569,038,268	649,494,736
Harvested Crops	-	-	206,306,000	153,484,145
Non-harvested Produce on Bearer Biological Assets	-	-	7,999,000	3,361,266
Shading Tree Nurseries	-	-	128,000	-
Work in Progress	82,528,422	64,021,924	411,798,905	446,949,007
Finished Goods	1,645,171,959	3,435,221,066	4,676,206,738	10,942,773,237
Goods in Transit	15,255,769	17,397,828	175,625,385	406,154,787
Other Consumables	13,049,789	14,961,788	19,834,526	23,770,711
	3,192,695,058	4,770,132,313	11,702,160,140	17,422,024,746
Less : Provision for Obsolete & Slow Moving Stock	(201,232,565)	(146,919,296)	(601,361,798)	(423,896,637)
	2,991,462,493	4,623,213,017	11,100,798,342	16,998,128,109

These inventories include finished goods of Rs. 4Bn (2020- Rs. 10.7Bn) and general stocks representing raw materials, spares and consumables of Rs. 4.4Bn (2020 - Rs. 3.4Bn) relating to the Tiles and Accessories items and Sanitaryware Segments.

#### 10.1 Provision for Obsolete & Slow Moving Stock

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
At the beginning of the year	146,919,296	43,900,871	423,896,637	340,373,929
Provisions made during the year	155,615,590	59,388,825	320,958,906	74,691,523
Provisions written off/(write back) during the year	(101,302,321)	-	(122,844,760)	8,831,185
Transfer to discontinued Operations	-	-	(20,648,985)	-
Balances transferred on Amalgamation	-	43,629,600	-	-
At the end of the year	201,232,565	146,919,296	601,361,798	423,896,637



## 11. TRADE AND OTHER RECEIVABLES

### 11.1 Company

		Company	
		2021 Rs.	2020 Rs.
Trade debtors	- Other	636,557,647	681,922,299
	- Related Parties (Note 11.1.1)	24,024	8,332,405
Trade Debtors		636,581,671	690,254,704
Provision for Bad and Doubtful Debts		(52,711,113)	(41,894,447)
		583,870,558	648,360,257
Other Receivables	- Other	59,278,360	46,092,007
	- Related Parties (Note 11.1.3)	160,598,319	158,057,224
		803,747,237	852,509,488

#### 11.1.1 Trade Debtors includes following related party receivables,

	Relationship	Company	
		2021 Rs.	2020 Rs.
Hayleys PLC	Affiliate	24,024	-
Delmege Forsyth Co. Ltd	Affiliate	-	4,093,345
Haycarb PLC	Affiliate	-	305,792
Kelani Valley Plantations PLC	Affiliate	-	23,094
Rocell Bathware Ltd	Subsidiary	-	19,379
Rocell Pty Limited	Subsidiary	-	2,231,154
The Kingsbury PLC	Affiliate	-	1,659,641
		24,024	8,332,405

#### 11.1.2 Allowances for Doubtful Debts

		Company	
		2021 Rs.	2020 Rs.
Balance at the beginning of the year		(41,894,447)	(3,491,392)
Amount (provided)/reversal during the year		(10,816,666)	(13,797,703)
Balances transferred on Amalgamation		-	(24,605,352)
Balance at the end of the year		(52,711,113)	(41,894,447)



# NOTES TO THE FINANCIAL STATEMENTS

## 11.1.3 Amount due from Related Parties

	Relationship	Company	
		2021 Rs.	2020 Rs.
Royal Ceramics Distributors (Pvt) Ltd	Subsidiary	1,870,656	1,683,115
Rocell Properties (Pvt) Ltd	Subsidiary	52,936,143	-
Vallibel One PLC	Parent	-	16,293,026
Rocell (Pty) Ltd	Subsidiary	-	27,122,329
Biscuits and Chocolate Company Limited	Subsidiary	14,497,221	13,228,077
Lanka Tiles PLC	Subsidiary	20,920,812	16,345,181
Lanka Wall Tiles PLC	Subsidiary	11,991,254	12,420,034
Ever Paint and Chemical Industries (Pvt) Ltd	Subsidiary	41,289,358	406,280,155
Swisstek Ceylon PLC	Subsidiary	2,976	374,299
Unidil Packaging Limited	Subsidiary	18,960,555	47,671,464
		162,468,975	541,417,680
Impairment Provision		(1,870,656)	(383,360,456)
		160,598,319	158,057,224

**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.		
<b>Trade debtors</b>							
2021	583,870,558	345,978,805	181,270,585	31,794,773	77,537,508	-	(52,711,113)
2020	648,360,257	163,218,647	334,362,864	129,098,019	63,575,174	-	(41,894,447)

## 11.2 GROUP

		Group	
		2021 Rs.	2020 Rs.
Trade debtors	- Other	4,007,645,217	3,744,782,340
	- Related Parties (Note 11.2.1)	1,165,990	13,418,379
Trade Debtors		4,008,811,207	3,758,200,719
Provision for Bad and Doubtful Debts		(173,802,078)	(116,419,241)
		3,835,009,129	3,641,781,477
Loans to company officers		35,368,307	38,601,278
Other Receivables	- Other	597,494,408	350,197,572
	- Related Parties (Note 11.2.2)	-	16,293,026
		4,468,026,844	4,046,873,354



### 11.2.1 Trade Debtors includes following related party receivables,

	Relationship	2021 Rs.	2020 Rs.
LB Finance PLC	Associate	731,719	-
Singer (Sri Lanka) PLC	Affiliate	-	863,567
Singhe Hospitals PLC	Affiliate	-	71,877
The Kingsbury PLC	Affiliate	79,985	1,699,691
Delmage Forsyth & Co. Ltd	Associate	50,000	8,025,845
Greener Water Limited	Affiliate	-	58,952
Hayleys Agriculture Holding	Affiliate	-	391,025
Hayleys Agro Fertilizer	Affiliate	223,000	75,947
Talawakelle Tea Estates PLC	Affiliate	-	48,875
Kelani Valley Plantations PLC	Affiliate	-	1,587,814
MN Properties (Pvt) Ltd	Affiliate	81,286	161,936
Waskaduwa Beach Resorts PLC	Affiliate	-	37,605
Hayleys Advantis Ltd	Affiliate	-	89,453
Haycarb PLC	Affiliate	-	305,792
		1,165,990	13,418,379

### 11.2.2 Other Receivables includes following related party receivables,

	Relationship	2021 Rs.	2020 Rs.
Vallibel One PLC	Parent	-	16,293,026
		-	16,293,026

### 11.2.3 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.
<b>Trade debtors</b>							
2021	3,835,009,129	2,944,429,964	666,998,155	145,616,330	135,281,083	116,485,675	(173,802,078)
2020	3,641,781,477	1,521,415,467	1,473,453,940	591,289,826	140,392,484	31,471,134	(116,241,374)

### 11.2.4 Allowances for Doubtful Debts

	2021 Rs.	2020 Rs.
Balance at the beginning of the year	116,419,241	79,160,745
Amount provided/(reversal) during the year	57,382,837	37,258,496
Balance at the end of the year	173,802,078	116,419,241



## NOTES TO THE FINANCIAL STATEMENTS

### 11.3 Contract Assets

	Group	
	2021 Rs.	2020 Rs.
As at 1st April	38,078,779	58,269,049
During the year recognised	2,085,570	(20,190,270)
As at 31st March	40,164,349	38,078,779

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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Receivables - Other	42,783,397	63,394,069	62,836,693	90,789,278
Advances and Prepayments	208,881,448	272,118,224	942,034,233	1,144,182,979
	251,664,845	335,512,293	1,004,870,926	1,234,972,257

### 13. OTHER FINANCIAL ASSETS

#### 13.1 Current - Company/Group

Investments at Fair Value Through Profit or Loss	Fair Value					
	No. of Shares		Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Quoted</b>						
The Fortress Resorts PLC	336,100	336,100	3,764,320	2,621,580	3,764,320	2,621,580
Aitken Spence PLC	225,000	225,000	12,487,500	6,907,500	12,487,500	6,907,500
Lanka Hospitals Corporation PLC	45,519	45,519	1,980,077	1,251,773	1,980,077	1,251,773
Citrus Leisure PLC	2,768,276	2,768,276	22,976,690	16,056,001	22,976,690	16,056,001
Serendib Hotels PLC	16,000	16,000	232,000	337,600	232,000	337,600
Softlogic Finance PLC	8	8	80	92	80	92
Hikkaduwa Beach Resort PLC	583,393	583,393	3,091,983	1,866,858	3,091,983	1,866,858
			44,532,650	29,041,404	44,532,650	29,041,404
<b>Non-Quoted</b>						
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)
			44,532,650	29,041,404	44,532,650	29,041,404



### 13.2 Bank Term Deposits

	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Term Deposit-USD	392,400,000	-	604,296,000	-
Term Deposit-AUD	-	45,198,876	-	52,949,036
Deposit of Tsunami donations	-	-	3,876,967	3,753,690
	392,400,000	45,198,876	608,172,967	56,702,726
<b>Total</b>	<b>436,932,650</b>	<b>74,240,280</b>	<b>652,705,617</b>	<b>85,744,130</b>

### 14. STATED CAPITAL - COMPANY/GROUP

	2021		2020	
	Number	Rs.	Number	Rs.
Balance as at 01 April	110,789,384	1,368,673,373	110,789,384	1,368,673,373
Balance as at 31 March	110,789,384	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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Summary</b>				
Revaluation Reserve (Note 15.1)	1,360,279,529	1,192,935,268	3,610,069,181	2,959,757,538
Fair Value Reserve (Note 15.2)	-	-	(22,841,494)	(27,704,969)
Exchange Differences on translation of foreign operations (Note 15.3)	-	-	39,868,266	41,187,869
	1,360,279,529	1,192,935,268	3,627,095,953	2,973,240,438



## NOTES TO THE FINANCIAL STATEMENTS

### 15.1 Revaluation Reserve

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>On: Property, Plant and Equipment</b>				
As at 1 April	1,192,935,268	830,590,905	2,959,757,538	2,935,874,612
Revaluation of surplus during the year	-	-	345,137,257	27,707,760
Balances transferred on Amalgamation (Note 40)	-	362,344,363	-	-
Tax effect on Revaluation Surplus	167,344,261	-	305,174,386	(3,824,834)
As at 31 March	1,360,279,529	1,192,935,268	3,610,069,181	2,959,757,538

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	
	2021 Rs.	2020 Rs.
As at 1 April	(27,704,969)	(19,732,588)
Net Gains/(Losses) on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income	4,863,475	(7,972,381)
As at 31 March	(22,841,494)	(27,704,969)

### 15.3 Foreign Currency Translation Reserve

	Group	
	2021 Rs.	2020 Rs.
As at 1 April	41,187,869	17,068,601
Transferred during the year	(1,319,603)	24,119,268
As at 31 March	39,868,266	41,187,869



## 16. INTEREST BEARING LOANS AND BORROWINGS

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Non Current</b>				
Long term loans (16.1)	1,312,987,982	1,960,609,552	3,688,766,783	4,631,625,826
Lease Liability (16.3)	906,033,724	970,954,813	1,248,415,752	1,308,865,445
	2,219,021,706	2,931,564,365	4,937,182,535	5,940,491,271
<b>Current</b>				
Long term loans (16.1)	1,315,748,009	1,411,499,420	2,372,429,316	2,564,877,486
Lease Liability (16.3)	85,996,067	102,542,161	137,960,472	196,623,446
Short term loans (16.2)	-	1,941,114,937	2,283,880,206	7,054,528,288
Bank overdrafts (21.0)	156,877,275	1,333,185,170	956,082,038	5,076,157,578
	1,558,621,351	4,788,341,688	5,750,352,032	14,892,186,798
<b>Total</b>	<b>3,777,643,057</b>	<b>7,719,906,053</b>	<b>10,687,534,567</b>	<b>20,832,678,069</b>

### 16.1 Long Term Loans

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
At the beginning of the year	3,372,108,972	4,232,834,511	7,196,503,312	9,045,519,497
Loans obtained during the year	-	34,600,000	654,500,000	531,762,982
Balances transferred on Amalgamation	-	453,808,300	-	-
Exchange gain/loss on USD loans	24,770,114	8,946,563	40,822,892	14,847,026
Transfer to discontinued Operations	-	-	(62,134,684)	-
Repayments during the year	(768,143,095)	(1,358,080,402)	(1,768,495,421)	(2,395,626,193)
At the end of the year	2,628,735,991	3,372,108,972	6,061,196,099	7,196,503,312
Payable within one year	1,315,748,009	1,411,499,420	2,372,429,316	2,564,877,486
Payable after one year	1,312,987,982	1,960,609,552	3,688,766,783	4,631,625,826
	2,628,735,991	3,372,108,972	6,061,196,099	7,196,503,312



## NOTES TO THE FINANCIAL STATEMENTS

### 16.2 Short Term Loans

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
At the beginning of the year	1,941,114,937	352,773,199	7,054,528,288	5,798,179,480
Loans obtained during the year	3,691,563,040	4,114,951,481	17,822,628,340	20,940,276,852
Balances transferred on Amalgamation	-	1,786,860,036	-	-
Repayments during the year	(5,632,677,977)	(4,313,469,779)	(22,593,276,422)	(19,683,928,044)
At the end of the year	-	1,941,114,937	2,283,880,206	7,054,528,288
Payable within one year	-	1,941,114,937	2,283,880,206	7,054,528,288
Payable after one year	-	-	-	-
	-	1,941,114,937	2,283,880,206	7,054,528,288

### 16.3 Leases

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Lease Liability-Plantation (16.3.1)	-	-	159,031,866	156,312,013
Lease Liability-Others (8.1)	992,029,791	1,073,496,974	1,227,344,358	1,349,176,878
Total Lease Liability	992,029,791	1,073,496,974	1,386,376,224	1,505,488,891
Payable within one year	85,996,067	102,542,161	137,960,472	196,623,446
Payable after one year	906,033,724	970,954,813	1,248,415,752	1,308,865,445
Total	992,029,791	1,073,496,974	1,386,376,224	1,505,488,891



### 16.3.1 JEDB/SLSPC Estates

	Group					
	2021			2020		
	Gross Liability Rs.	Future Finance Rs.	Net Liability Rs.	Gross Liability Rs.	Future Finance Rs.	Net Liability Rs.
As at 1st April	556,056,164	(399,744,151)	156,312,013	141,228,582	(53,162,582)	88,066,000
Initial remeasurement of lease liability as at 1st April 2019	-	-	-	418,538,521	(350,877,142)	67,661,379
Adjusted balance as at 1st April 2019	556,056,164	(399,744,151)	156,312,013	559,767,103	(404,039,724)	155,727,379
Interim remeasurement of right-of-use asset as at 1st July	12,158,900	(8,663,858)	3,495,042	23,696,712	(17,037,123)	6,659,589
	568,215,064	(408,408,009)	159,807,055	583,463,815	(421,076,847)	162,386,968
Repayments during the year	(22,593,420)	-	(22,593,420)	(27,405,912)	-	(27,405,912)
Interest Expense for the year	-	21,818,231	21,818,231	-	21,330,957	21,330,957
At the end of the year	545,621,644	(386,589,778)	159,031,866	556,057,903	(399,745,890)	156,312,013
<b>Payable as follows :</b>						
<b>Payable within One Year</b>						
Payable by due dates	22,593,420	(21,778,371)	815,049	22,108,802	(21,412,850)	695,952
	22,593,420	(21,778,371)	815,049	22,108,802	(21,412,850)	695,952
<b>Payable after One Year :</b>						
Payable within Two to Five Years	90,910,180	(85,634,565)	5,275,615	88,964,756	(84,584,640)	4,380,116
Payable after Five Years	432,118,044	(279,176,842)	152,941,202	444,984,345	(293,748,400)	151,235,945
	523,028,224	(364,811,407)	158,216,817	533,949,101	(378,333,040)	155,616,061
Total Payable	545,621,644	(386,589,778)	159,031,866	556,057,903	(399,745,890)	156,312,013

### 16.3.2 The weighted average incremental borrowing rate applied to the lease liabilities was 14.44%.

The rental payable under the JEDB/SLSPC lease is Rs. 5.526 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
<b>Company : Royal Ceramics Lanka PLC</b>			
Commercial Bank of Ceylon PLC	Rs 3.0 Bn	Fixed	8 years-(first 48 monthly instalment of Rs. 20Mn each and subsequent 48 monthly instalments of Rs. 42.5Mn each
Commercial Bank of Ceylon PLC	Rs 109Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 1,816,700 each and final instalment of Rs. 1,814,700
Commercial Bank of Ceylon PLC	Rs 95Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 1,585,000 each and final instalment of Rs. 1,485,000
Commercial Bank of Ceylon PLC	Rs. 200Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 3335000 and a final instalment of Rs. 3235000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs 100Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 1,667,000 and a final instalment of Rs. 1,647,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs 150Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 2,500,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs 150Mn	AWPLR plus margin	60 equal monthly instalments 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 instalments of AUD. 40,100 each and the final instalment of AUD 41,100
Commercial Bank of Ceylon PLC	Rs. 500Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 8,334,000 and a final instalment of Rs. 8,294,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs.106Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 1,766,000 and the final instalment of Rs. 1,806,000
Commercial Bank of Ceylon PLC	Rs.100Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 1,666,000 and the final instalment of Rs. 1,706,000
Commercial Bank of Ceylon PLC	Rs.152Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 2,550,000 each and the final instalment of Rs. 1,550,000



Security	Security Amount	Balance As At 31st March 2021 Rs.Mn	Balance As At 31st March 2020 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. 3,000Mn	1,105	1,360
	Rs. 109Mn	-	7.26
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. 95Mn	14.16	23.67
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. 200Mn	59.93	79.94
Leeway in existing facilities	Rs. 100Mn	-	8.95
Primary, secondary and tertiary Mortgage bond over Land and Building at No. 20, R.A De Mel Mawatha, Colombo 03. Rs. 510Mn	Rs. 150Mn	50	65
Primary mortgage bond 1250 dated 12/10/2017 for Rs. 150Mn executed over the property at Dehiwala.	Rs. 150Mn	55	70
Additional Mortgage bond for AUD 629030 together with a supplementary mortgage bond to be executed.	AUD 2,407,000	49.74	67.791
Primary mortgage bond no FCC/18/007 DATED 25/06/2019 for Rs. 500Mn over SACMI machine and other related machinery	Rs. 500Mn	224.9	274.98
Simple deposit of 10,633,974 shares of Swisstek Aluminium Ltd.	Rs. 106Mn	38.89	49.48
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	41.69	51.68
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. 152Mn	83.15	98.45



## NOTES TO THE FINANCIAL STATEMENTS

Lender	Approved Facility	Interest Rate	Repayment Terms
Commercial Bank of Ceylon PLC	Rs. 500Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 8,400,000 each and the final instalment of Rs. 4,400,000
DFCC Bank PLC	Rs. 292Mn	AWPLR plus margin	60 equal monthly instalment after a grace period of 12 months
Hatton National Bank PLC	Rs. 14Mn	AWPLR plus margin	59 equal monthly instalment of Rs. 233,330 and a final instalment of Rs. 233,520
Hatton National Bank PLC	Rs. 28.5Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 475,000
Hatton National Bank PLC	Rs. 5.5Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 91,600 and a final instalment of Rs. 95,600
Hatton National Bank PLC	Rs. 12.9Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 215,000
Hatton National Bank PLC	Rs. 130Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 2.15Mn each and a final instalment of Rs. 3.15Mn
Hatton National Bank PLC	Rs. 500Mn	AWPLR plus margin	47 equal monthly instalments of Rs. 10,400,000 and a final instalment of Rs. 11,200,000
Hatton National Bank PLC	Rs. 175Mn	AWPLR plus margin	66 months in 59 equal monthly instalments of Rs. 2,900,000 and a final instalment of Rs. 3,900,000 with a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs. 28Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 466,700 and a final instalment of Rs. 464,700 commencing from 25th August 2015
Commercial Bank of Ceylon PLC	Rs. 114Mn	AWPLR plus margin	59 equal monthly instalments
Hatton National Bank PLC	Rs. 300Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 5,000,000 plus interest commencing after a grace period of six months.
Hatton National Bank PLC	Rs. 200Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 3.33Mn each and final instalment of Rs. 3.53Mn plus interest commencing after a grace period of six months
Hatton National Bank PLC	Rs. 90Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 1.5Mn each plus interest commencing after a grace period of six months.
Hatton National Bank PLC	Rs. 100Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 1.66Mn each and a final instalment of Rs. 2.06Mn plus interest commencing after a grace period of six months.
Hatton National Bank PLC	Rs. 45Mn	AWPLR plus margin	60 equal monthly instalments of Rs. 75Mn each plus interest commencing after a grace period of six months.



Security	Security Amount	Balance As At 31st March 2021 Rs.Mn	Balance As At 31st March 2020 Rs.Mn
Primary mortgage Bond 3180 31/03/2006 fr Rs. 50Mn over the property at Baddegedaramulla, Meegoda and Secondary mortgage Bond no 346 dated 02/11/2016 and Primary mortgage bond No 3097 dated 07/12/2005 for Rs. 62.5Mn over the property at No 101, Nawala Rd ,Nugegoda/ Secondary mortgage bond No 3912 dated 10/12/2008 for Rs 25 Mn, No 101 , Nawala Rd, Nugegoda/ Primary mortgage bond no 3096 dated 07/12/2005 for Rs 24.5Mn over the property at No 472, Highlevel Rd, Makumbura, Pannipitiya/ Primary mortgage bond No 3823 dated 2/10/2013 for Rs. 300Mn over the property at No 20, R.A De Mel Mawatha, Colombo 03.	Rs. 500Mn	271.6	322
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. 292Mn	87.59	147.629
Corporate guarantee	Rs. 14Mn	1.6	2.56
Corporate guarantee	Rs. 28.5Mn	4.75	8.07
Corporate guarantee	Rs. 5.5Mn	0.92	1.56
Corporate guarantee	Rs. 12.9Mn	2.58	3.87
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	28.95	41.85
Mortgage of RCL Factory land building and machinery for 350.3 Mn/Negative pledge over machinery Rs. 233Mn to be executed.	Rs. 500Mn	67.80	130.20
Negative pledge over machinery for Rs. 233Mn to be obtained			
Negative pledge over Double charge production plant to be executed	Rs. 175Mn	125.70	143.10
Primary mortgage no 1045 dated 12/11/2013 for Rs. 200Mn over stores at Meegoda owned by Rocell Bathware Ltd	Rs. 28Mn	-	1.86
Primary mortgage no 1045 dated 12/11/2013 for Rs. 200Mn over stores at Meegoda owned by Rocell Bathware Ltd	Rs. 114Mn	26.12	40.37
Corporate guarantee/documents of title to goods	Rs. 300Mn	80	115
Corporate guarantee/documents of title to goods	Rs. 200Mn	53.48	77.81
Negative Pledge over machinery	Rs. 90Mn	48	57
Negative Pledge over Heat Recovery System	Rs. 37.2Mn	76.5	86.72
Negative Pledge over machinery	Rs. 45Mn	30.75	35.25
		2,628.8	3,372.05



## NOTES TO THE FINANCIAL STATEMENTS

Lender	Approved Facility	Interest Rate	Repayment Terms
<b>Company : Rocell Bathware Limited</b>			
Hatton National Bank PLC	Rs. 20Mn	AWPLR plus margin	64 equal monthly instalments
Commercial Bank of Ceylon PLC	Rs. 25Mn	AWPLR plus margin	53 equal monthly instalments of Rs. 462,960 and a final instalment of Rs. 463,120
Commercial Bank of Ceylon PLC	Rs. 210Mn	AWPLR plus margin	60 equal monthly instalment 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 instalment of Rs. 961,600 and a final instalment of Rs. 965,600 with a grace period of six months
Commercial Bank of Ceylon PLC	Rs. 70Mn	AWPLR plus margin	59 equal monthly instalment of Rs 1,116,500 and a final instalment of Rs 1,265,000 with a six months grace period
Commercial Bank of Ceylon PLC	Rs. 300Mn	AWPLR plus margin	60 equal monthly instalment of Rs. 5,000,000 with a grace period of 6 months
Peoples Bank	Rs. 160Mn	AWPLR plus margin	59 equal monthly instalments of Rs. 2.7Mn each and final instalment of Rs. 0.7Mn after a grace period of six months.
<b>Company : Rocell (Pty) Ltd</b>			
Commercial Bank of Ceylon PLC	AUD 1,175,000	Fixed	60 equal monthly instalment
<b>Lanka Ceramic PLC</b>			
Hatton National Bank PLC	Rs. 500Mn	AWPLR plus margin	60 monthly instalments
Hatton National Bank PLC	Rs. 9.5Mn	Fixed	17 monthly instalments
<b>Lanka Walltiles PLC</b>			
Commercial Bank of Ceylon PLC	Rs. 584Mn	AWPLR plus margin	60 monthly instalments
DFCC Bank PLC	Rs. 100Mn	AWDR plus margin	48 monthly instalments
<b>Lanka Tiles PLC</b>			
DFCC Bank PLC	Rs. 1,500Mn	AWPLR plus margin	72 monthly instalments
<b>Unidil Packaging Limited</b>			
Standard Chartered Bank	USD 310,000	LIBOR plus margin	US \$ 114,079 Quarterly instalments



Security	Security Amount	Balance As At 31st March 2021 Rs.Mn	Balance As At 31st March 2020 Rs.Mn
Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 20Mn	3	5.33
Primary Mortgage bond no FCC/15/109 dated 10/12/2015 over Water Closet casting Machine for Rs. 25Mn	Rs. 25Mn	0.93	3.7
Primary mortgage bond over the shuttle Kiln burner machine for Rs. 210Mn	Rs. 210Mn	50.56	71.56
Primary Mortgage bond no FCC/2016/66 dated 13/9/2016 over Water Closet Machine for Rs. 57.7Mn	Rs. 57.7Mn	9.53	15.95
Corporate grantee dated 20/06/2016 from Royal Ceramics Lanka PLC and GTC to term loan Rs. 70Mn executed 20/06/2016	Rs. 70Mn	18.74	25.73
Primary mortgage bond for Rs. 240Mn over water 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	33.88	63.88
Corporate Guarantee - Royal Ceramics Lanka PLC	Rs. 160 Mn	49.3	65.5
		165.94	251.66
		-	47.82
		-	47.82
Mortgage for Rs. 500Mn 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 - 1,12P).	Rs. 500Mn	83.4	95.88
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, Kolupitiya Road, Colombo 03 (1R - 1.12 P).	Rs. 9.5Mn	8.97	-
		92.37	95.88
Tripartite agreement for Rs. 392.8Mn between Bank,Lanka Walltiles PLC & the custodian (Pan Asia Bank) over 7,210,000 share of Lanka Tiles PLC	Rs. 584Mn	9.34	58.04
Corporate Grantee from Lanka Tiles PLC.	Rs. 100Mn	45.83	72.92
		55.17	130.96
A primary mortgage over land, buildings and plant and machinery located at Ranala amounting to Rs. 1,500Mn	Rs. 1,500Mn	1,166.67	1,466.34
		1,166.67	1,466.34
Primary concurrent Mortgage bond for LKR 170 Mn over Property	Rs. 170Mn	54.77	146.31
		54.77	146.31



## NOTES TO THE FINANCIAL STATEMENTS

Lender	Approved Facility	Interest Rate	Repayment Terms
<b>Horana Plantations PLC</b>			
Hatton National Bank PLC	Rs. 150Mn	AWPLR plus margin	72 monthly instalments
	Rs. 200Mn	AWPLR plus margin	
	Rs. 200Mn	AWPLR plus margin	
	Rs. 250Mn	AWPLR plus margin	
	Rs. 200Mn	AWPLR plus margin	
	Rs. 200Mn	AWPLR plus margin	
Hatton National Bank PLC	Rs. 100Mn	AWPLR plus margin	60 monthly instalments
Hatton National Bank PLC	Rs. 130.114Mn	AWPLR plus margin	60 monthly instalments
Sri Lanka Tea Board	Rs. 33Mn	AWPLR plus margin	36 monthly instalments 24 months grace period.
Industry Distress Financing Facility	Rs. 46.935Mn	Fixed	36 monthly instalments
Commercial Bank of Ceylon PLC	Rs. 100Mn	AWPLR plus margin	48 monthly instalments, After a 24 months grace period.
Sampath Bank PLC	Rs. 100Mn	AWPLR plus margin	72 monthly instalments After a 24 months grace period.
Hatton National Bank PLC	Rs. 150Mn	AWPLR plus margin	60 monthly instalments
Commercial Bank of Ceylon PLC	Rs. 350Mn	Fixed	60 monthly instalments
Seylan Bank PLC	Rs. 15Mn	Fixed	24 monthly instalments
<b>Swisstek (Ceylon) PLC</b>			
Bank of Ceylon	Rs. 170Mn	AWPLR plus margin	54 monthly instalments
Commercial Bank of Ceylon PLC	Rs. 35Mn	AWPLR plus margin	60 monthly instalments
DFCC Bank PLC	Rs. 145Mn	AWPLR plus margin	60 monthly instalments
<b>Swisstek Aluminum Limited</b>			
DFCC Bank PLC	Rs. 500Mn	AWPLR plus margin	60 monthly instalments
	Rs. 200Mn	AWPLR plus margin	60 monthly instalments
Hatton National Bank PLC	Rs. 80Mn	AWPLR plus margin	48 monthly instalments
<b>Total Long Term Loans - Group</b>			



Security	Security Amount	Balance As At 31st March 2021 Rs.Mn	Balance As At 31st March 2020 Rs.Mn
Primary mortgage for Rs. 550Mn over the leasehold rights of Frocester Estate	Rs. 550Mn	19.8	21.9
Primary mortgage for Rs. 400Mn over the leasehold rights of Bambarakelly Estate	Rs. 400Mn	50.15	50.15
		72.35	73.28
		187.6	192.8
		195.8	200
		250	-
Primary mortgage over leasehold rights of Bambarakelly, Eildon Hall and Frocester Estates.		26.86	28.24
Primary mortgage over leasehold rights of Bambarakelly Estate		17.35	17.35
No security has been offered		-	4.583
No security has been offered		-	2.8
Primary Floating Mortgage for Rs. 120Mn, over the leasehold rights land and buildings of Stockholm Estate.	Rs. 120Mn	81.93	90.27
Primary Mortgage for Rs. 200Mn, over the leasehold rights land and buildings of Gouravilla Estate.	Rs. 200Mn	200	200
Primary mortgage over leasehold rights of Bambarakelly, Eildon Hall and Frocester		-	150
Primary mortgage Bond over receivables of Tea sales routed through Forbes and Workers Tea Brokers (pvt) Ltd and John Keels PLC		350	-
No security has been offered		11.67	-
		1,463.51	1,031.37
Mortgage over immovable property at Balummahara, Imbulgoda	Rs. 170Mn	59.49	124.99
Mortgage over immovable property at Balummahara, Imbulgoda	Rs. 35Mn	20.96	24.47
Mortgage over Land, Building, Plant & Machinery, Stocks and Book debts owned by Swisstek Aluminium Ltd.	Rs. 145Mn	107.6	102.74
		188.05	252.2
Mortgage over land, building, plant & machinery	Rs. 500Mn	233.33	333.33
Movable Machinery	Rs. 200Mn	12.65	63.23
Simple Receipt		-	5.3
	Rs. 300Mn	245.98	401.86
		6,061.20	7,196.50



# NOTES TO THE FINANCIAL STATEMENTS

## 17. RETIREMENT BENEFIT OBLIGATIONS

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
At the beginning of the year	432,194,638	261,491,545	1,481,788,299	1,318,885,958
Interest cost	41,058,490	39,908,035	143,159,655	137,871,482
Current service cost	37,148,042	28,388,732	123,512,511	112,869,469
Benefits Paid	(8,777,272)	(17,600,422)	(125,404,157)	(141,215,402)
Actuarial (gain)/loss	(19,150,211)	13,114,414	13,401,321	53,376,792
Balances transferred on Amalgamation	-	106,892,334	-	-
Transfer to discontinued Operations	-	-	(993,302)	-
<b>At the end of the year</b>	<b>482,473,687</b>	<b>432,194,638</b>	<b>1,635,464,327</b>	<b>1,481,788,299</b>

### 17.1 Maturity Profile of the Retirement benefit obligation

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Future Working Life Time</b>				
Within the next 12 months	90,903,066	81,099,074	298,045,412	258,299,351
Between 1-2 Years	93,899,220	120,730,737	192,348,375	278,593,977
Between 2-5 Years	119,551,386	110,163,414	326,418,058	327,320,793
Over 5 Years	178,120,015	120,201,413	818,652,482	617,574,178
<b>Total</b>	<b>482,473,687</b>	<b>432,194,638</b>	<b>1,635,464,327</b>	<b>1,481,788,299</b>

### 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.
<b>Discount Rate as at 31 March 2021</b>		
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)
<b>Salary Escalation Rate as at 31 March 2021</b>		
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
<b>Discount Rate as at 31 March 2020</b>		
Effect on DBO due to decrease in the discount rate by 1%	18,346,188	92,604,804
Effect on DBO due to increase in the discount rate by 1%	(16,912,734)	(82,074,993)
<b>Salary Escalation Rate as at 31 March 2020</b>		
Effect on DBO due to decrease in salary escalation rate by 1%	(17,879,559)	(66,890,631)
Effect on DBO due to increase in salary escalation rate by 1%	19,052,307	72,130,132



### 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 2020 and 31 March 2021. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2021	2020
Discount rate assumed	8.2% p.a.	9.5% p.a.
Future salary increase rate	8% p.a.	10% p.a.
Staff Turn Over - Royal Ceramics Lanka PLC	10% p.a.	17% p.a.
Staff Turn Over - Rocell Bathware Limited	2%	17%
Weight Average duration of retirement benefit liability (Years) - Royal Ceramics Lanka PLC	7.3	5.02
Weight Average duration of retirement benefit liability (Years) - Rocell Bathware Limited	11.63	5.32

The demographic assumption underlying the valuation is retirement aged Male 55 years and female 50 years.

#### Lanka Ceramic PLC

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Lanka Ceramic PLC of the defined benefit plan gratuity as at 31 March 2021.

The principal assumptions used are as follows:

	2021	2020
Discount rate (per annum)	7.5%	10.0%
Salary scale (per annum)		
Executives	9.0%	8.0%
Non-Executives	9.0%	8.0%
Staff Turn Over	7.0%	10.0%
Retirement Age	55Years	55Years
Weight Average duration of retirement benefit liability (Years)	6.39	4.29

#### Lanka Walltiles PLC

The defined benefit liability as of 31 March 2021 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

The principal assumptions underlying the valuation are as follows:

	2021	2020
Discount rate (per annum)	7%	10%
Salary scale (per annum)		
Executives	9.7%	12.5%
Non-Executives	10%	10%
Retirement Age	55 Years	55 Years
Staff Turnover ratio	7% up to 49 years, thereafter 0%	7% up to 49 years, thereafter 0%
Weighted Average duration of defined benefit obligation (Years)	8.25	6.89



## NOTES TO THE FINANCIAL STATEMENTS

### 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 2021.

Principal actuarial assumptions are as follows:

	2021	2020
Discount rate	7.0%	10.0%
Future salary increases		
Executives	8.6%	12.5%
Non-Executives	10.0%	10.0%
Weighted Average duration of defined benefit obligation (Years)	5.7	4.9

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 2021 by Mr. M. Poopalanathan, Actuarial & Management Consultants (Pvt) Ltd.

The valuation method used by the actuary to value the benefit is the "projected Unit Credit Method".

Principal Actuarial Assumptions are as follows:

	2021	2020
Rate of interest	8% per annum	10.0% per annum
Future salary increases		
Workers	5.68% per annum	15.0% every two years beyond
Staff	8% per annum	12.5% for first three years & 2.00% per annum beyond
Head Office Staff	8% per annum	10.0% per annum beyond
Retirement age		
Workers	60 years	60 years
Staff	60 years	60 years
Head Office Staff	55 years	55 years
Daily wage rate		
Tea	Rs.700.00	Rs.700.00
Rubber	Rs.700.00	Rs.700.00
Weighted Average duration of defined benefit obligation (Years)		
Staff	9.83	8.56
Workers	9.31	8.97



### Unidil Packaging Ltd and Unidil Packaging Solution Ltd

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Unidil Packaging Ltd and Unidil Packaging Solution Ltd of the defined benefit plan gratuity as at 31 March 2021.

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

Principal Actuarial Assumptions are as follows:

	2021	2020
Discount rate p.a	8.00%	10.00%
Future salary increases	10.00%	10.00%
Staff turnover factor	7.00%	9.00%
Retirement age (Years)	55	55
Weighted Average duration of defined benefit obligation (Years) - Unidil Packaging Ltd	6.6	5.69
Weighted Average duration of defined benefit obligation (Years) - Unidil Packaging Solution Ltd	8.07	7.19

The Company will continue as a going concern.

### Swisstek (Ceylon) PLC

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2021.

Principal Actuarial Assumptions are as follows:

	2021	2020
Discount rate p.a	7.00%	10.00%
Future salary increases	11.00%	11.00%
Retirement age (Years)	55	55
Weighted Average duration of defined benefit obligation (Years)	8.59	7.55

### Swisstek Aluminum Limited

Retirement benefit obligation based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2021.

Principal Actuarial Assumptions are as follows:

	2021	2020
Discount rate p.a	7%	11.00%
Future salary increases	10.00%	10.00%
Retirement age (Years)	55	55
Weighted Average duration of defined benefit obligation (Years)	6.31	5.78



# NOTES TO THE FINANCIAL STATEMENTS

## 18. OTHER NON CURRENT LIABILITIES

	Group	
	2021 Rs.	2020 Rs.
Capital grants (18.1)	118,995,000	122,832,181
Refundable Deposit	15,000,000	15,000,000
	133,995,000	137,832,181

### 18.1 Capital grants

#### Capital grants received on plantations

Granted by	Purpose of the grant	Basis of amortisation	Amount received	Balance as at 01.04.2020	Received during the year	Amortised during the year	Balance as at 31.03.2021
Sri Lanka Tea Board	Tea factory modernization	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	756	315	-	(57)	258
	Tea replanting subsidy	Will be amortised at rate applicable to Tea mature plantations, after become mature (3.00%)	2,105	5,766	1,600	(374)	6,992
Plantation development project / Asian Development Bank	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	31,588	15,445	-	(1,128)	14,316
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	25,537	-	(1,600)	23,937
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	254	-	(17)	236
Plantation development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	13,183	-	(716)	12,467
	Ergonomic equipment	Rate of depreciation applicable to equipment (12.5% p.a.)	5,854	-	-	-	-
	Internal road development and boundary posts	Rate of depreciation applicable to permanent land development cost (2.5% p.a.)	4,622	3,136	-	(165)	2,971
	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	6,928	-	(361)	6,567
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	51,311	52,129	1,950	(2,945)	51,134
	Rubber factory development	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	675	8	-	(8)	-
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	132	-	(12)	120
<b>Total</b>			172,769	122,832	3,550	(7,384)	118,995



## 19. TRADE AND OTHER PAYABLES

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Trade Creditors (Note 19.2)	583,768,221	362,575,694	2,787,267,151	2,004,003,078
Accrued Expenses	394,682,409	198,465,094	417,894,613	222,377,101
Sundry Creditors	235,856,071	229,683,445	2,053,302,411	1,375,024,710
Payable to Related Parties (Note 19.1)	222,031,030	649,245,923	100,478,204	29,437,189
	1,436,337,731	1,439,970,156	5,358,942,379	3,630,842,078

### 19.1 Payable to Related Parties

	Relationship	Company		Group	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Rocell Bathware Ltd	Subsidiary	176,288,362	617,277,823	-	-
Nilano Garments (Pvt) Ltd	Subsidiary	35,384,060	30,655,250	-	-
Lanka Ceramics PLC	Subsidiary	14,430	205,070	-	-
Swisstek Aluminium Limited	Subsidiary	26,702	1,107,781	-	-
Vallibel One PLC	Parent	10,317,476	-	70,478,204	29,437,189
Payable to Mr. K D D Perera	Chairman	-	-	30,000,000	-
		222,031,030	649,245,924	100,478,204	29,437,189



# NOTES TO THE FINANCIAL STATEMENTS

## 19.2 Trade Creditors includes following related party payables,

	Relationship	Company		Group	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Vallibel One PLC	Parent	-	-	60,701,000	50,112,000
Rocell Bathware Limited	Subsidiary	98,540	118,564	-	-
Nilano Garments (Private) Limited	Subsidiary	64,582	5,716,750	-	-
Lanka Ceramics PLC	Subsidiary	208,522	572,675	-	-
Unidil Packaging Limited	Subsidiary	19,896	216,061	-	-
Unidil Packaging Solution Limited	Subsidiary	31,201,457	19,508,596	-	-
Swisstek Ceylon PLC	Subsidiary	17,071,902	13,220,943	-	-
Swisstek Aluminium Limited	Subsidiary	2,109,898	102,291	-	-
Lanka Walltiles PLC	Subsidiary	1,310,373	1,201,247	-	-
Lanka Tiles PLC	Subsidiary	1,662,144	2,809,273	-	-
Delmege Forsyth Co. Limited	Associate	1,173,537	74,232	1,496,537	1,225,846
Grip Delmege (Pvt) Ltd	Associate	1,291,329	4,429,630	5,246,515	11,867,279
Grip Nordic (Pvt) Ltd	Associate	-	-	-	847,685
Singer (Sri Lanka) PLC	Affiliate	5,540,645	895,051	6,021,449	917,041
Hayleys PLC	Affiliate	-	-	13,358,000	19,493,177
Fentons Ltd.	Affiliate	16,830,000	-	-	-
Hayleys Agriculture Holding Limited	Affiliate	-	-	1,269,000	471,973
Hayleys Agro Fertilizer (Private) Limited	Affiliate	-	-	645,000	2,519,268
Hayleys Business Solutions International (Pvt) Ltd	Affiliate	-	-	13,000	-
Hayleys Electronics Lighting (Pvt) Ltd	Affiliate	62,720	44,404	62,720	44,404
Kelani Valley Plantations PLC	Affiliate	-	-	2,350,000	651,717
Puritas (Pvt) Ltd	Affiliate	-	-	13,000	18,585
Talawakelle Tea Estates PLC	Affiliate	-	-	217,000	-
Logiwiz Limited	Affiliate	-	-	3,000	-
The Kingsbery PLC	Affiliate	-	-	-	15,750
Hayleys Aventura (Pvt) Ltd	Affiliate	66,225	-	66,225	-
Diesel & Motor Engineering PLC	Affiliate	-	-	-	27,010
		78,711,771	48,909,717	91,462,446	88,211,735



## 20. OTHER CURRENT LIABILITIES

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Provisions	268,411,092	139,592,273	292,546,902	155,961,367
Other Statutory Payables	130,425,734	53,999,422	150,624,921	62,027,514
	398,836,826	193,591,695	443,171,823	217,988,881

The contract assets primarily relate to Lanka Walltiles 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.

### 20.1 Contract Liability

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
As at 1st April	578,821,480	491,392,636	615,422,156	588,027,652
Advance received	1,671,062,757	-	1,762,717,301	-
Balances transferred on Amalgamation	-	21,346	-	-
Transfer to discontinued Operations	-	-	(13,892,293)	-
During the year recognized	(578,821,480)	87,407,498	(601,529,864)	27,394,504
As at 31st March	1,671,062,757	578,821,480	1,762,717,298	615,422,156

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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Cash & Bank Balances	1,872,231,517	404,384,949	4,924,639,370	1,004,625,691
Cash & Bank Balances attributable to discontinued operations	-	-	790,788	611,771

#### 21.2 Unfavourable Cash & Cash Equivalent Balances

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Bank Overdraft	(156,877,275)	(1,333,185,170)	(956,082,038)	(5,076,157,578)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	1,715,354,242	(928,800,221)	3,969,348,120	(4,070,920,116)



## 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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Type of goods or service</b>				
Sale of Tiles & Associated Products	12,524,229,238	6,445,391,264	31,964,825,172	20,320,283,507
Sale of Sanitaryware	-	-	3,285,197,130	2,511,154,746
Sale of Plantation produce	-	-	2,125,306,000	1,762,153,975
Sale of Packaging Material	-	-	3,824,356,562	3,672,226,811
Sale of Aluminium Products	-	-	3,767,191,411	3,139,146,419
Other	-	-	5,496,209	7,534,124
<b>Total revenue from contracts with customers</b>	<b>12,524,229,238</b>	<b>6,445,391,264</b>	<b>44,972,372,484</b>	<b>31,412,499,582</b>
<b>Geographical markets</b>				
Export Sales	57,577,375	85,452,781	1,230,069,137	913,531,455
Local Sales	12,466,651,863	6,359,938,483	43,742,303,347	30,498,968,127
<b>Total revenue from contracts with customers</b>	<b>12,524,229,238</b>	<b>6,445,391,264</b>	<b>44,972,372,484</b>	<b>31,412,499,582</b>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	12,524,229,238	6,445,391,264	44,972,372,484	31,412,499,582
<b>Total revenue from contracts with customers</b>	<b>12,524,229,238</b>	<b>6,445,391,264</b>	<b>44,972,372,484</b>	<b>31,412,499,582</b>

Segmental Information given on note 29 to these financial statements.



## 22.2 Contract balances

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Trade receivables (Note 11)	583,870,558	648,360,257	3,835,009,129	3,641,781,478
Contract assets (Note 11.3)	-	-	40,164,349	38,078,779
Contract liabilities (Note 20.1)	1,671,062,757	578,821,480	1,762,717,298	615,422,156

## 23. OTHER OPERATING INCOME

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Dividends on long-term & current investments with Related Parties	995,000,146	372,791,754	-	-
Dividends on long-term & current investments	281,302	972,173	281,302	972,173
Net Profit on financial Assets at fair value through profit or loss	15,491,248	426,337	15,491,248	426,337
Rental Income and Service Charge - Related Parties	281,790,156	608,874,593	-	-
Technical Fee Income - Related Parties	24,624,284	12,810,468	-	-
Sales Commission - Related Parties	-	62,598	-	-
Sales Commission - Others	-	-	3,527,002	10,417,577
Rent Income - Related Parties	-	1,725,850	-	-
Rent Income - Others	-	-	36,750,000	36,750,000
Profit/(Loss) on Disposal of Property, Plant & Equipment	31,712,440	(111,593)	37,492,343	(639,614)
Sundry Income	22,531,936	19,391,340	139,818,820	108,486,899
Amortisation of capital and revenue grants	-	-	7,386,000	6,800,450
Change in fair value of investment property	-	-	37,576,400	2,051,500
Change in fair value of consumable biological assets	-	-	40,089,000	56,692,628
	1,371,431,512	1,016,943,520	318,412,115	221,957,950



## NOTES TO THE FINANCIAL STATEMENTS

### 23.1 Other Operating Expenses

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Technical Fee Expense - Related Parties	62,622,699	32,166,442	79,209,701	58,610,882
BOI De-registration Expenses	-	-	-	17,972,341
Unabsorbed production cost	178,331,793	-	346,236,816	-
Provision for Termination Expenses - Rocell (Pty) Ltd	145,367,734	-	55,367,734	-
Impairment of Long Term Investment	-	192,791,228	-	-
	386,322,226	224,957,670	480,814,251	76,583,223

## 24. FINANCE COST AND INCOME

### 24.1 Finance Cost

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Interest Expense on Overdrafts	42,961,508	73,663,379	210,863,276	398,276,645
Interest Expense on Loans & Borrowings	370,075,498	524,337,034	1,036,821,310	1,748,801,701
Finance Charges on Lease Liabilities	142,556,541	142,250,052	200,200,177	192,333,567
Interest expense on Related party balances	38,759,567	211,760,530	-	-
Less : Capitalisation of borrowing costs on immature plantations	-	-	(41,390,000)	(59,731,727)
	594,353,114	952,010,995	1,406,494,763	2,279,680,186

### 24.2 Finance Income

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Interest Income	55,906,782	17,887,352	82,886,391	29,860,003
	55,906,782	17,887,352	82,886,391	29,860,003



## 25. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Stated after Charging /(Crediting)	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Included in Cost of Sales</b>				
Depreciation	420,315,844	276,407,412	1,484,718,294	1,416,180,162
Amortisation of Right of use Lease Asset	-	-	24,986,079	15,543,870
Employee Benefits including the following	858,961,243	586,979,195	3,916,320,236	3,720,043,045
Defined Benefit Plan Costs -Gratuity	46,837,131	31,236,458	175,148,006	175,116,976
Defined Contribution Plan Costs - EPF & ETF	71,317,245	65,102,715	335,134,331	335,513,489
<b>Included in Administrative Expenses</b>				
Depreciation	38,567,062	40,519,547	101,358,245	89,118,793
Employee Benefits including the following	290,836,054	236,145,042	737,733,777	594,243,100
Defined Benefit Plan Costs -Gratuity	11,418,925	12,021,004	64,941,722	46,493,448
Defined Contribution Plan Costs - EPF & ETF	19,574,485	21,591,807	56,397,761	54,655,359
Auditors' Fees and Expenses	2,861,698	1,677,917	12,382,647	11,605,185
(Gain)/Loss on translation of foreign currency	(13,664,728)	(26,281,514)	(34,377,213)	(23,551,045)
Donations	273,876	2,960,077	273,876	2,960,077
Amortisation of intangible assets	16,238,744	16,281,932	19,064,744	16,281,932
Amortisation of Right of use Lease Asset	-	-	9,649,412	4,822,000
<b>Included in Selling and Distribution Costs</b>				
Depreciation	276,382,100	265,645,823	304,349,480	311,907,512
Amortisation of Right of use Lease Asset	163,843,870	156,761,388	241,546,959	242,507,284
Amortisation of intangible assets	8,738,647	-	8,738,647	-
Employee Benefits including the following	838,239,218	702,553,948	1,184,707,460	972,530,972
Defined Benefit Plan Costs -Gratuity	19,950,476	25,039,304	26,582,437	29,130,526
Defined Contribution Plan Costs - EPF & ETF	64,745,630	54,698,485	83,395,687	72,000,491



## 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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Current Income Tax</b>				
Current Income Tax charge	307,463,526	-	1,264,230,360	579,565,556
Dividend Tax	87,281,016	-	87,281,016	3,243,151
Under/(Over) Provision of current taxes in respect of prior years	5,934,082	-	(29,505,166)	16,759,038
Unrecoverable ESC	20,218,386	-	45,775,386	12,599,940
	420,897,010	-	1,367,781,596	612,167,685
<b>Deferred Income Tax</b>				
Deferred Tax Charge/(Reversal) (Note 26.4)	172,987,691	122,965,938	(118,112,378)	190,547,501
Deferred Tax on Un distributable Associate Profit	-	-	58,844,529	-
Income tax expense reported in the statement of profit or loss	593,884,701	122,965,938	1,308,513,747	802,715,186
<b>Statement of Other Comprehensive Income</b>				
<b>Deferred Income Tax Charge/ (Reversal) related to items charged or credited directly to equity:</b>				
Deferred Tax effect on Employee Benefits	3,466,188	(3,672,036)	(3,193,767)	(11,005,997)
Deferred Tax effect on Land and Buildings revalued during the Year	-	-	149,602,559	-
Tax Rate Reduction effect to previously revalued Land and Buildings	(167,344,262)	-	(567,903,523)	-
<b>Income tax expense reported in equity</b>	<b>(163,878,074)</b>	<b>(3,672,036)</b>	<b>(421,494,731)</b>	<b>(11,005,997)</b>



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

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Accounting Profit (Profit before Taxation)	3,879,174,886	769,656,083	9,859,752,660	3,565,717,352
Share of results of associates	-	-	(1,814,096,011)	(1,372,972,899)
	3,879,174,886	769,656,083	8,045,656,649	2,192,744,453
Exempt Profit	(26,942,993)	(373,763,927)	(32,108,956)	(394,260,732)
Non deductible expenses	1,363,956,323	1,249,134,645	3,227,994,353	2,966,864,646
Deductible expenses	(2,288,715,806)	(1,186,901,332)	(4,740,303,679)	(3,190,675,592)
Tax losses utilized	(1,301,515,988)	(477,738,671)	(2,059,976,584)	(578,335,688)
Income considered as separate source of income	1,024,245,237	19,613,202	897,405,608	105,730,300
Qualifying Payment Relief	-	-	(1,557,000)	-
Taxable Income	2,650,201,659	-	5,337,110,391	1,102,067,387
Income Tax on Profit @ 28%	-	-	-	573,713,059
Income Tax on Profit @ 24%	21,085,766	-	177,558,187	2,621,309
Income Tax on Profit @ 18%	284,476,242	-	906,478,729	3,231,188
Income Tax on Profit of the local sales @ 15%	-	-	21,485,167	-
Income Tax on Profit @ 14%	1,901,518	-	158,708,277	-
Dividend Tax @ 14%	87,281,016	-	87,281,016	3,243,151
Deferred Tax on Un distributable Associate Profit	-	-	58,844,529	-
Charge/(Reversal) of Deferred Tax (Note 26.4)	172,987,690	122,965,938	(118,112,378)	190,547,501
Unrecoverable ESC	20,218,386	-	45,775,386	12,599,940
Adjustment of taxes in respect of prior years	5,934,082	-	(29,505,166)	16,759,038
	593,884,701	122,965,938	1,308,513,747	802,715,186



# NOTES TO THE FINANCIAL STATEMENTS

## 26.3 Deferred Tax Liability

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance as at 31st March	678,737,209	310,262,601	3,425,266,012	3,246,571,108
Transferred from Deferred Tax asset	-	-	-	(846,600)
Balances Transferred on Amalgamation (Note 26.3.1)	-	249,180,706	-	-
Charge/ (Reversal) Recognised in Profit or Loss	-	-	-	-
Arising on During the Year Movement	248,049,576	122,965,938	411,234,705	190,547,501
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	3,466,188	(3,672,036)	146,408,792	(11,005,997)
Due to Change in Tax Rates	(167,344,262)	-	(567,903,523)	-
At the end of the year	687,846,826	678,737,209	2,944,503,432	3,425,266,012
The closing net differed tax liability relate to the following;				
Capital allowances for tax purposes	538,710,208	771,635,411	2,097,237,062	2,805,255,104
Revaluation surplus on Land and Buildings	295,924,193	468,563,932	1,239,372,006	1,663,795,383
Revaluation surplus on Investment Property	-	-	255,758,557	287,868,913
Retirement benefit Liability	(87,327,737)	(121,014,499)	(280,733,475)	(328,168,602)
Unutilised tax losses	-	(371,350,097)	(272,778,000)	(858,614,817)
Deferred Taxation on Un distributable Associate Profit	-	-	58,844,529	-
Provision for Obsolete and Slow Moving, Consumables and Spares	(36,423,094)	(41,137,403)	(117,104,405)	(95,526,858)
Allowances for Doubtful Debts	(9,540,711)	(11,730,445)	(23,696,522)	(33,519,572)
Leases	(13,496,033)	(16,229,690)	(12,396,320)	(15,823,540)
	687,846,826	678,737,209	2,944,503,432	3,425,266,012

### 26.3.1 The closing net differed tax liability includes the following effects of amalgamation;

	Group	
	2021 Rs.	2020 Rs.
Capital allowances for tax purposes	-	(217,753,625)
Revaluation surplus on Land and Buildings	-	(71,273,888)
Retirement benefit Liability	-	29,929,853
Provision for Obsolete and Slow Moving, Consumables and Spares	-	9,916,954
Balances transferred on Amalgamation	-	(249,180,706)



## 26.4 Statement of Profit or Loss

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Deferred tax expense/(reversal) arising from;				
Capital allowances for tax purposes	(232,925,203)	55,964,407	(723,015,922)	149,426,017
Retirement benefit Liability	30,220,573	(14,194,977)	50,635,687	(28,633,980)
Provision for Obsolete and Slow Moving, Consumables and Spares	4,714,309	(21,766,712)	(12,072,633)	(32,285,317)
Allowances for Doubtful Debts	2,189,734	(11,730,445)	315,070	(17,411,079)
Transfers on Revaluation	(5,295,475)	-	(23,238,918)	(252,699)
Unutilised tax losses	371,350,097	130,923,355	587,253,118	135,528,099
Lease Liability	2,733,656	(16,229,690)	2,011,220	(15,823,540)
	172,987,691	122,965,938	(118,112,378)	190,547,501
Deferred Tax on Un distributable Associate Profit			58,844,529	-
Total Deferred Tax Charge/(Reversal) for the year	172,987,691	122,965,938	(59,267,849)	190,547,501
Effective Tax Rate	15.31%	15.98%	13.27%	21.82%

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

As per the transitional provisions of the Inland Revenue Act No. 24 of 2017, brought forward tax losses can be claimed against the taxable income for a period of six years with effective from 1 April 2018. The Company has a cumulative tax loss of Rs.346,485,238/- (2020- Rs. 394,122,28/-) as at 31 March 2021 which can be carried forward up to the financial year of 2023/2024.

The deferred tax asset of Rs. 83,159,000/- (2020- Rs. 110,354,000/-) has been recognized as at 31 March 2021 based on its recoverability assessed by Management on the estimated future taxable profits within the ensuing 3 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.

### Sensitivity analysis

Three years average annual revenue growth rate used in determining future taxable profit is 228% and If it is reduced by 50%, the deferred tax asset gets written-off by Rs. 23.1 Mn representing 28% of deferred tax asset 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 24% 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 commencing on April 1, 2019. Further, Agro Processing and Other Income liable at the rates of 14% and 24% respectively.

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 14% (2019/20 - 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 2021. The unutilised tax losses considered for the deferred tax is based on the probable future taxable profits available against which the Company can utilize there from. Hence a deferred tax asset of Rs. 84,054,541/- has not been recognised in respect of unutilised tax losses of Rs. 600,389,581/- as at 31st March 2021.

### 26.5 Carried forward tax losses of the Group is as follows:

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Tax loss brought forward	1,326,250,346	1,792,645,111	4,720,908,469	4,553,810,770
Loss for the year	-	-	32,339,688	813,739,310
Adjustment for prior years	(24,734,358)	11,343,906	(425,042,436)	40,314,610
Utilised during the year	(1,301,515,988)	(477,738,671)	(2,059,976,584)	(686,956,220)
Investment Income claimed	-	-	(3,806,572)	-
Tax loss carried forward	-	1,326,250,346	2,264,422,567	4,720,908,469

## 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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Net Profit for the year attributable to equity holders of the parent</b>				
Continuing operations	3,285,290,185	646,690,145	6,267,817,977	2,701,149,606
Discontinued operations			(133,305,704)	(115,381,159)
<b>Net Profit for the year attributable to equity holders of the parent</b>	<b>3,285,290,185</b>	<b>646,690,145</b>	<b>6,134,512,273</b>	<b>2,585,768,447</b>
Number of Ordinary Shares Used as the Denominator:	Company		Group	
	2021 Number	2020 Rs.	2021 Number	2020 Rs.
<b>Weighted Average number of Ordinary Shares in issue Applicable to basic Earnings Per Share</b>	<b>1,107,893,840</b>	<b>1,107,893,840</b>	<b>1,107,893,840</b>	<b>1,107,893,840</b>



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.

Basic Earnings Per Ordinary Share for the year 2020 have been restated based on the post subdivision weighted average number of ordinary shares.

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

## **28. DIVIDEND PER SHARE**

	Company/Group	
	2021 Rs.	2020 Rs.
2nd Interim Dividends for 2020/21	1,218,683,224	-
1st Interim Dividends for 2020/21	332,368,152	-
Final Dividends 2018/2019	-	166,184,076
1st Interim Dividends for 2018/2019	-	276,973,460
Total Gross Dividends	1,551,051,376	443,157,536
No of shares	1,107,893,840	1,107,893,840
Total Dividend per Share	1.40	0.40

Total Dividend Per Share for the year 2020 have been restated based on the post subdivision weighted average number of ordinary shares.

## **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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Revenue</b>										
Sales to external customers	31,964,825,172	20,335,154,718	3,285,197,130	2,511,154,746	2,125,306,000	1,762,153,975	3,824,356,562	3,672,226,811	3,767,191,411	3,139,146,419
Inter-Segment Sales	9,978,801	-	32,179,832	-	-	-	357,921,493	368,970,080	126,629,589	95,798,581
<b>Total Revenue</b>	<b>31,974,803,973</b>	<b>20,335,154,718</b>	<b>3,317,376,962</b>	<b>2,511,154,746</b>	<b>2,125,306,000</b>	<b>1,762,153,975</b>	<b>4,182,278,055</b>	<b>4,041,196,891</b>	<b>3,893,821,000</b>	<b>3,234,945,000</b>
<b>Results</b>										
Gross Profit	13,603,325,357	8,600,981,509	1,143,775,396	755,927,539	200,455,000	(217,541,559)	727,624,000	651,994,084	1,075,230,000	576,528,000
Other Income	525,251,778	302,115,746	1,538,479	14,521,224	47,535,000	63,592,926	74,734,000	55,889,175	9,531,000	11,040,000
Distribution Expenses	(4,725,219,249)	(3,596,179,218)	(692,349,075)	(582,650,572)	-	-	(145,943,000)	(153,342,626)	(333,102,000)	(244,597,000)
Administrative Expenses	(1,303,328,827)	(1,175,847,902)	13,721,378	(14,529,443)	(191,644,000)	(171,769,696)	(248,158,000)	(185,190,203)	(131,596,000)	(100,092,000)
Other Operating Expenses	(297,751,941)	(64,033,597)	(50,640,310)	(12,549,626)	-	-	-	-	-	-
Finance Costs	(1,007,658,749)	(1,612,427,342)	(85,053,931)	(194,621,429)	(137,363,000)	(146,642,393)	(51,249,000)	(76,485,269)	(171,234,000)	(296,337,000)
Finance Income	76,318,782	27,998,012	43,925,529	62,211,301	402,000	241,143	-	-	-	-
Share of Associate Company's Profit	-	-	-	-	-	-	-	-	-	-
Net Profit before Income Tax	6,870,937,151	2,482,607,208	374,917,466	28,308,994	(80,615,000)	(472,119,579)	357,008,000	292,865,161	448,829,000	(53,458,000)
Income Tax Expense	(1,036,949,289)	(683,172,337)	(72,172,966)	(18,187,684)	(13,744,000)	(24,493,193)	(11,731,000)	(82,132,943)	(107,008,000)	13,571,000
<b>Net Profit for the Year</b>	<b>5,833,987,862</b>	<b>1,799,434,871</b>	<b>302,744,500</b>	<b>10,121,310</b>	<b>(94,359,000)</b>	<b>(496,612,772)</b>	<b>345,277,000</b>	<b>210,732,218</b>	<b>341,821,000</b>	<b>(39,887,000)</b>
<b>As at 31st March</b>										
<b>Assets and Liabilities</b>										
Segment Assets	39,430,577,484	40,783,756,046	4,225,580,337	5,153,103,356	3,798,373,000	3,724,345,226	3,393,276,000	2,984,829,689	4,034,450,000	3,884,145,479
<b>Total assets</b>	<b>39,430,577,484</b>	<b>40,783,756,046</b>	<b>4,225,580,337</b>	<b>5,153,103,356</b>	<b>3,798,373,000</b>	<b>3,724,345,226</b>	<b>3,393,276,000</b>	<b>2,984,829,689</b>	<b>4,034,450,000</b>	<b>3,884,145,479</b>
Segment liabilities	16,814,816,211	23,178,599,742	681,729,904	1,764,160,415	3,051,100,000	2,924,629,430	1,807,480,000	1,647,301,508	2,589,180,000	2,710,418,689
<b>Total Liabilities</b>	<b>16,814,816,211</b>	<b>23,178,599,742</b>	<b>681,729,904</b>	<b>1,764,160,415</b>	<b>3,051,100,000</b>	<b>2,924,629,430</b>	<b>1,807,480,000</b>	<b>1,647,301,508</b>	<b>2,589,180,000</b>	<b>2,710,418,689</b>
<b>Other Segment Information</b>										
<b>Total cost incurred during the period to acquire</b>										
Property, Plant & Equipment	1,165,778,141	1,199,438,693	59,763,958	28,503,381	168,988,000	155,386,077	176,285,000	92,483,242	216,436,000	44,628,269
Depreciation & Amortisation	1,412,518,441	1,324,931,419	136,076,409	134,180,658	169,190,000	187,691,000	83,733,000	79,672,805	107,156,000	104,800,028
Provisions for retirement benefit liability	139,414,445	130,488,972	8,847,039	8,076,821	92,941,000	91,779,188	16,518,000	13,044,952	7,281,000	5,595,000



Finance		Other		Total Segments		Eliminations/Adjustments		Total	
2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
-	-	5,496,209.20	7,534,124	44,972,372,484	31,427,370,793	-	-	44,972,372,484	31,427,370,793
-	-	116,482,352	158,597,499	643,192,067	623,366,160	(643,192,067)	(623,366,160)	-	-
-	-	121,978,561	166,131,623	45,615,564,551	32,050,736,953	(643,192,067)	(623,366,160)	44,972,372,484	31,427,370,793
-	-	53,022,431	57,602,937	16,803,432,185	10,425,492,510	-	-	16,803,432,185	10,425,492,508
-	-	93,315,434	47,224,138	751,905,691	494,383,209	(433,493,576)	(272,425,258)	318,412,115	221,957,951
-	-	(8,886,042)	(11,470,038)	(5,905,499,367)	(4,588,239,454)	376,748,233	268,495,459	(5,528,751,134)	(4,319,743,995)
-	-	(55,721,593)	(51,341,199)	(1,916,727,041)	(1,698,770,443)	173,713,147	3,929,800	(1,743,013,894)	(1,694,840,644)
-	-	-	-	(348,392,251)	(76,583,223)	(132,422,000)	-	(480,814,251)	(76,583,223)
-	-	(8,149,875)	(13,757,207)	(1,460,708,554)	(2,340,270,640)	54,213,792	60,590,453	(1,406,494,763)	(2,279,680,186)
-	-	999,676	-	121,645,987	90,450,456	(38,759,596)	(60,590,453)	82,886,391	29,860,003
1,775,214,821	1,358,992,023	38,881,190	13,980,876	1,814,096,011	1,372,972,899	-	-	1,814,096,011	1,372,972,899
1,775,214,821	1,358,992,023	113,461,222	42,239,507	9,859,752,660	3,679,435,315	-	-	9,859,752,660	3,679,435,315
-	-	(8,063,962)	(5,056,332)	(1,249,669,218)	(799,471,489)	(58,844,529)	(3,243,697)	(1,308,513,747)	(802,715,186)
1,775,214,821	1,358,992,023	105,397,260	37,183,175	8,610,083,442	2,879,963,826	(58,844,529)	(3,243,697)	8,551,238,913	2,876,720,129
-	-	2,015,703,878	1,159,880,052	56,897,960,699	57,690,059,848	9,242,100,930	7,455,250,380	66,140,061,629	65,145,310,228
-	-	2,015,703,878	1,159,880,052	56,897,960,699	57,690,059,848	9,242,100,930	7,455,250,380	66,140,061,629	65,145,310,228
-	-	636,082,015	316,996,086	25,580,388,130	32,542,105,870	(1,417,847,311)	(1,940,281,222)	24,162,540,819	30,601,824,647
-	-	636,082,015	316,996,086	25,580,388,130	32,542,105,870	(1,417,847,311)	(1,940,281,222)	24,162,540,819	30,601,824,647
-	-	174,215,709	757,480	1,961,466,808	1,521,197,142	-	-	1,961,466,808	1,521,197,141
-	-	9,556,560	11,526,357	1,918,230,410	1,842,802,267	-	-	1,918,230,410	1,842,802,267
-	-	1,670,682	1,756,018	266,672,166	266,672,166	-	-	266,672,166	250,740,951



# NOTES TO THE FINANCIAL STATEMENTS

## 29 SEGMENT INFORMATION (CONTINUED)

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

	2021 Rs.	2020 Rs.
<b>Reconciliation of Net Profit for the year</b>		
Segment Net Profit for the year	8,610,083,445	2,879,963,826
Dividend Tax on Intercompany dividend Income	-	(3,243,697)
Deferred Tax effect on Associate undistributable profit	(58,844,529)	-
Group Net Profit for the year	8,551,238,916	2,876,720,129
<b>Reconciliation of assets</b>		
Segment assets	56,897,960,699	57,690,059,848
Assets of discontinued operations	64,551,945	52,029,091
Investment in subsidiaries (elimination)	731,989,349	668,920,903
Inter company balances (elimination)	(1,639,688,545)	(1,948,448,224)
Share of associate company's accumulated profit net of dividend received (elimination)	10,085,248,181	8,682,748,610
Group assets	66,140,061,629	65,145,310,228
<b>Reconciliation of Liabilities</b>		
Segment Liabilities	25,580,388,130	32,542,105,870
Liabilities of discontinued operations	162,996,705	8,167,002
Deferred Tax effect on Associate undistributable profit	58,844,529	-
Inter company balances (elimination)	(1,639,688,545)	(1,948,448,224)
Group Liabilities	24,162,540,819	30,601,824,648

## 30. CONTINGENT LIABILITIES

- a) Companies with in the group issued corporate guarantees in favour of Royal Ceramics Lanka PLC and Rocell Bathware 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. 150 Mn & at the reporting date total guaranteed value is Rs. 104.9 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 totalling 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 unfavourable outcome and the amount or range of potential loss cannot be quantified or commented upon at this stage.

Capital Grant received from the Ceylon Electricity Board (CEB) for Stand by Power Generators is subject to a condition of minimum usage of CEB Power as against the Generator Power. A liability will arise only if the above condition is not fulfilled.

**Contingent Rent on Government Annual Lease Rental: -**

Refer Note 16.3.2 to these Financial Statements.

**Court of Appeal Case No CA WRIT 143/2021**

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 daily wage rate of Tea / Rubber workers as Rs 1,000/- per day and gazetted its decision on 05th March 2021.

Therefore, a "Writ Application" was instituted by the RPCs in the Court of Appeal seeking an interim order, staying and /or suspending the operation of the Gazette issued by the Wages Board, but the Hon Judges of the Court of Appeal declined to issue an interim order but directed the respondents to file objections and the RPCs (Petitioners) to file Counter Objections. As at the date of the Statement of financial position, the above matter is under the purview of the Court of Appeal and, therefore the final decision is pending.

Having discussed with independent legal experts and based on the information available, the Directors are of the view that in the event of an unforeseen verdict unfavourable to the Company/Group from the above court case, the contingent liability on retirement benefit obligation liability would be Rs. 142,435,779 and of which Rs. 11,573,045 need to be charged to Profit or Loss and Rs. 130,862,734 to be charged under Other Comprehensive Income for the year ended 31 March 2021. However, no provisions have been made in the financial statements for the year ended 31 March 2021 in this regard.

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



# NOTES TO THE FINANCIAL STATEMENTS

## 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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Contracted but not provided for	173,350,393	177,357,818	326,756,393	183,303,992
	173,350,393	177,357,818	326,756,393	183,303,992

No provision has been made in these Financial Statements in this regard as at 31st March 2021.

### Lease commitments

- a). Horana Plantation PLC has commitments under Finance Lease Rentals Payable to the Secretary to the Treasury:

22.06.2021 to 21.06.2045 (per annum)	Rs. 5.648 million per Quarter
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- c). Swisstek Aluminium Limited has a commitment on letter of credits amounting to Rs.80.01 million as at the reporting date.

## 32. EVENTS AFTER THE REPORTING PERIOD

Sub-division of ordinary shares of the Company has been taken place based on the shareholding as at end of trading on 19th April 2021 as such every existing Ordinary Share (01 Share) was sub-divided into ten Ordinary Shares (10 Shares). Consequent to the subdivision the number of issued Ordinary Shares are increased from 110,789,384 Ordinary Shares to 1,107,893,840 Ordinary Shares.

The Company declared a final dividend of Rs. 1.20 per share for the year ended 31 March 2021 on 31 May 2021.

The COVID-19 pandemic is still evolving, and the long-term consequences will be largely influenced by the length of the current restrictive environment and the time it takes for economic activity to recover to pre-COVID-19 levels. The overall influence on consumer spending as well as the recovery of the country's businesses will be major determinants of our business's future performances. We predict a negative impact on Group revenue and health and safety-related expenditure based on current trends. To mitigate the impact on the business, the Group has adopted necessary cost controlling mechanisms and rationalisation measures in both operating and capital expenditure.

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**

	Rs.
Import Loan 1 (Hatton National Bank PLC)	
Immovable Property	110,000,000
Inventories and Debtors	145,000,000
Import Loan 2 (Standard Chartered Bank)	
Land and Building, Immovable Machinery and Debtors	70,000,000
Inventories and Debtors	134,000,000
Import Loan 3 (DFCC Bank)	
Inventories and Debtors	150,000,000

**Unidil Packaging Solutions Ltd**

Import Loans are secured by Primary on mortgage bond over land and building for Rs. 30 million at Naranpola, Dekatana for the banking facilities of Hatton National Bank PLC and registered primary floating mortgage bond over stock and book debts for Rs. 60 million for the banking facilities of Hong Kong & Shanghai Banking corporation.

**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 8.5%)	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 (Import Loan)	Trading Stock and Trade Debtors	AWPLR+0.5%	300,000
DFCC Bank (Term loan)	Primary mortgage over plant and machinery	AWPLR+1.5%	200,000
DFCC Bank (Import loan and Bank Overdrafts)	Secondary mortgage over stock and book debtors	AWPLR+0.5%	800,000



# NOTES TO THE FINANCIAL STATEMENTS

## 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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Statement of Profit or Loss</b>								
Sale of Goods	-	-	19,242,733	17,008,380	-	-	5,153,729	7,308,718
Purchase of Goods/Services	-	-	(260,738,532)	(288,620,176)	(4,180,256)	(7,095,017)	(40,274,149)	(29,177,256)
Rendering of Services	-	-	416,914,258	227,039,882	-	-	-	-
Rent Income	-	-	(2,735,014)	-	-	-	-	-
Dividend Income	-	-	561,521,381	-	433,478,784	372,791,754	-	-
Interest Income/(Expense)	-	-	(38,759,567)	(211,760,530)	-	-	-	-
Dividend Payments	(868,036,400)	(248,010,400)	-	-	-	-	-	-
Technical Fee	(17,202,391)	(35,706,853)	26,594,226	12,842,712	-	-	-	-
Investments made by the Company	-	-	-	(50,313,040)	-	-	-	-
Reimbursement of Expenses net of fund Transfer	22,157,506	37,810,988	168,658,615	(996,377,270)	-	-	-	-
Impairment provision of Investment	-	-	-	(192,791,228)	-	-	-	-
Write-off of Investment	-	-	(391,912,706)	-	-	-	-	-
<b>Statement of Financial Position</b>								
<b>Balance outstanding as at end of the year</b>								
Trade Debtors	-	-	-	2,250,533	-	-	24,024	8,311,176
Due from Related Parties	-	-	162,468,975	525,124,654	-	-	-	-
Due to Related Parties	(10,317,476)	(52,117,428)	(211,713,554)	(649,245,923)	-	-	-	-
Trade Creditor	-	-	(53,747,315)	(43,466,400)	(2,464,866)	(4,503,862)	(22,499,590)	-

Royal Ceramics Lanka PLC issued corporate guarantees in favour of Rocell Bathware Limited guaranteeing loans, interest and other charges of the loans as stated in note 16.4.



### 34.1.1 Transaction with the related entities-Group

Nature of Transaction	Parent		Affiliates	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Statement of Profit or Loss</b>				
Sale of Goods	-	-	29,736,565	271,490,718
Purchase of Goods/Services	-	-	(157,792,463)	(101,344,721)
Dividend Payments	(1,728,420,400)	(946,823,249)	-	-
Technical Fee	(303,911,900)	(168,301,849)	-	-
Reimbursement of Expenses net of fund Transfer	26,839,075	37,810,988	-	-
<b>Balance outstanding as at end of the year</b>				
Trade Debtors	-	-	8,897,447	15,587,093
Due from Related Parties	-	-	-	-
Due to Related Parties	(26,904,394)	(52,117,428)	-	-
Trade Creditor	-	-	(37,694,393)	(23,198,000)

Parent company is Vallibel One PLC

Transactions With the Subsidiaries include Rocell Bathware Limited, Royal Ceramics Distributors (Pvt) Ltd, Ever Paint & Chemical Industries (Pvt) Ltd, Lanka Ceramic PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek Ceylon PLC, Swisstek Aluminum Ltd, Horana Plantations PLC, Unidil Packaging Ltd, Unidil Packaging Solutions Limited, LWL Development (Private) Limited, Beyond Paradise Collection Limited, Rocell Pty Limited, Nilano Garments (Pvt) Ltd, CP Holdings (PVT) Ltd, LC Plantation Project Ltd, LTL Development Ltd and LW Plantation Ltd, Biscuit and Chocolate Company Ltd, Vallibel Plantation Management Ltd, LG Development (PVT) Ltd, Swisstek Investment (PVT) Ltd, Swisstek Development (PVT) Ltd.

Associates of the Group include L. B. Finance PLC and Delmage Limited.

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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Short term Employee Benefits	247,411,298	165,375,587	389,088,969	292,915,621
Post Employment Benefits	26,133,623	22,667,849	68,896,663	61,560,446
	273,544,921	188,043,436	457,985,632	354,476,067



## NOTES TO THE FINANCIAL STATEMENTS

### 34.2.2 Other Transactions with Key Management Personnel

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Rent Expenses	8,758,050	9,543,000	8,758,050	9,543,000
Transport Expenses	3,954,310	7,156,288	3,954,310	7,156,288
Advances Received	-	-	30,000,000	-

(\*) Key management personnel include the Board of Directors of the Company, Parent Company and its Subsidiaries. In addition, Director Finance and General Manager Manufacturing are Key management personnel of the Company.

### 34.2.3 Transactions, arrangements and agreements involving companies controlled by or with significant influence of the Key Management Personnel\*\*.

#### a) Statement of Profit or Loss

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Sale of Goods/Services	5,153,729	5,832,363	6,801,565	7,308,718
Purchase of Goods/Services	(44,454,405)	(29,177,256)	(56,139,962)	(48,905,721)
Dividend Income	-	562,500	-	562,500

#### b) Statement of Financial Position

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance outstanding as at end of the year				
Cash and Cash equivalents	-	33,545,050	-	33,892,118
Trade Debtors	24,024	8,311,176	1,880,447	9,284,093

\*\* Other Related Companies as cited below represent transactions of its business at commercial rates as agreed between other parties under the ordinary course with entities either controlled or in which significant influence is held by key management personnel or their close family members.

Delmege Forsyth Co. Limited, Grip Delmege (Pvt) Ltd, Hayleys Agriculture holdings Ltd, Hayleys Aventura (Pvt) Ltd, Singer (Sri Lanka) PLC, Hayleys Fabric PLC, The Kingsbury PLC, Haycarb PLC, Hayleys Advantis Ltd, Hayleys PLC, Hayleys power Ltd, Hayleys travel (Pvt) Ltd, Aitken Spence PLC, Kelani Valley Plantations PLC, Hayleys PLC, Delmege Forsyth & Co. (Shipping) Ltd, LB Finance PLC.



### 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. COVID-19 outbreak has resulted in consecutive reductions in policy rates and monetary easing policies by Central Bank of Sri Lanka to encourage banks and finance companies to reduce lending 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 basis points	Change in Profit before tax	Change in basis points	Change in Profit before tax
2021	100 (1%)	Rs. 37.8 Mn	100 (1%)	Rs. 74.1 Mn
2020	100 (1%)	Rs. 77.2 Mn	100 (1%)	Rs. 152.0 Mn

#### Foreign currency sensitivity

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. Local currency depreciated heavily against the US Dollar during the year on the back of economic lock down resulting from the COVID-19 pandemic. The Group companies exposed to foreign currency-denominated payments with local currency revenues are adversely impacted to undue fluctuations in exchange rates.



## NOTES TO THE FINANCIAL STATEMENTS

### 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
2021	5%	Rs. 11.2 Mn	5%	Rs. 74.3 Mn
2020	5%	Rs. 15.4 Mn	5%	Rs. 53.3 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. 44.5 Mn (2020 - 29.0 Mn). A change in 5% of the ASPI could have an impact on approximately Rs. 2.8 Mn (2020 - 5.5 Mn) on the Company/Groups profit before tax.

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks.

### Trade receivables

Customer credit risk is managed in accordance with the Group's established policy, procedures and control relating to customer credit risk management. Individual credit limits are defined in accordance with the prior experience with the customers. Outstanding customer receivables are regularly monitored. The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. Part of the trade receivable of the group are backed by bank guarantees. Hence the Group evaluates the concentration of risk with respect to trade receivables as low. 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 2021 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.
<b>As at 31 March 2021</b>						
<b>Company</b>						
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
<b>Group</b>						
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

	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Over 5 years Rs.	Total Rs.
<b>As at 31 March 2020</b>						
<b>Company</b>						
Interest-bearing loans and borrowings	1,333,185,170	2,351,339,537	1,138,021,407	2,548,792,417	-	7,371,338,531
Lease liability of right of use assets	-	26,276,429	82,674,617	504,927,238	990,333,717	1,604,212,001
Trade and other payables	-	1,439,970,156	-	-	-	1,439,970,156
	1,333,185,170	3,817,586,122	1,220,696,024	3,053,719,655	990,333,717	10,415,520,688
<b>Group</b>						
Interest-bearing loans and borrowings	2,267,947,959	8,912,085,040	4,055,325,790	5,828,204,856	773,149,260	21,836,712,905
Lease liability of right of use assets	-	50,594,310	158,348,676	736,731,981	1,634,415,336	2,580,090,303
Trade and other payables	-	3,630,842,078	-	-	-	3,630,842,078
	2,267,947,959	12,593,521,428	4,213,674,466	6,564,936,837	2,407,564,596	28,047,645,286



# NOTES TO THE FINANCIAL STATEMENTS

## 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 2021 and 31 March 2020.

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

	Company		Group	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Interest Bearing Borrowings	3,777,643,057	7,719,906,053	10,687,534,567	20,832,678,069
Equity	16,512,598,520	14,584,652,950	41,977,520,810	34,543,485,581
Gearing ratio	19%	35%	20%	38%

## 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	2021	2020
Lanka Ceramic PLC	Sri Lanka	Sri Lanka	26.44%	26.44%
Lanka Walltile 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%	-
LTL Development Ltd	Sri Lanka	Sri Lanka	60.17%	-
LC Plantation Project Ltd	Sri Lanka	Sri Lanka	26.44%	-
CP Holding(Private) Limited	Sri Lanka	Sri Lanka	33.31%	-



### Accumulated Balances of Material Non - Controlling Interest

	2021 Rs. 000's	2020 Rs. 000's
Lanka Ceramic PLC	256,525	222,888
Lanka Walltile PLC	2,950,038	2,440,922
Lanka Tiles PLC	5,301,543	4,181,471
Vallibel Plantation Management Limited	157,205	152,058
Swisstek (Ceylon) PLC	1,131,108	873,362
Swisstek Aluminium Limited	929,066	754,509
Horana Plantation PLC	539,776	585,804
Unidil Packaging Limited	636,156	562,878
Unidil Packaging Solutions Limited	153,720	114,195
LWL Development (Private) Limited	74,100	73,296
Beyond Paradise Collection Limited	109,138	105,618
Lankatiles (Pvt) Ltd	10,071	9,383
Swisstek Development Limited	(10)	53
LW Plantation Investments Limited	(33)	-
LTL Development Ltd	(166)	-
LC Plantation Project Ltd	-	-
CP Holding (Private) Limited	113,223	-
Less - Cross investments	(1,227,090)	(1,113,970)
Add - Attributed Goodwill	445,990	445,990
<b>Accumulated Material Non- Controlling Interest</b>	<b>11,580,363</b>	<b>9,408,457</b>

### Profit allocated to Material Non - Controlling Interest

	2021 Rs. 000's	2020 Rs. 000's
Lanka Ceramic PLC	17,940	6,135
Lanka Walltile PLC	395,392	17,282
Lanka Tiles PLC	1,353,010	301,897
Vallibel Plantation Management Limited	(7,494)	(1,249)
Swisstek (Ceylon) PLC	199,760	141,389
Swisstek Aluminium Limited	219,734	(25,641)
Horana Plantation PLC	(56,208)	(357,199)
Unidil Packaging Limited	92,202	62,274
Unidil Packaging Solutions Limited	64,733	32,491
LWL Development (Private) Limited	805	(2,678)
Beyond Paradise Collection Limited	3,660	612
Lanka Tiles (Private) Limited	196	258
LW Plantation Investments Limited	(33)	-
LTL Development Ltd	(166)	-
Swisstek Development Limited	(63)	-
CP Holding (Pvt) Ltd	(47)	-
<b>Accumulated Material Non- Controlling Interest</b>	<b>2,283,421</b>	<b>175,571</b>



## 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 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

### Summarised statement of profit or loss for year ended 31 March 2020:

	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	166,132	3,493,619	6,694,824	-	1,418,975	3,234,945
Cost of sales	(108,529)	(2,537,014)	(4,275,376)	-	(1,021,078)	(2,658,417)
Administrative expenses	(51,674)	(185,660)	(388,677)	(1,744)	(49,457)	(88,192)
Finance costs	(13,757)	(220,077)	(334,564)	(1)	(70,868)	(308,237)
Profit before tax	28,259	59,124	695,033	18,177	286,977	(53,458)
Income tax	(5,056)	(21,099)	(193,316)	-	(78,508)	13,571
Profit for the year from continuing operations	23,202	38,025	501,717	18,177	208,469	(39,887)
Total comprehensive income	24,385	30,846	502,113	18,177	208,018	(41,124)
Attributable to non-controlling interests	6,449	14,020	302,135	(1,249)	141,082	(26,436)
Dividends paid to non-controlling interests	-	-	-	-	-	-



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
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	-	-	-	-	-	-	-

Horana Plantation PLC	Unidil Packaging Limited	Unidil Packaging Solutions Limited	LWL Development (Private) Limited	Beyond Paradise Collection Limited	Lankatiles (Private) Limited
Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
1,762,154	2,928,834	1,112,363	-	-	-
(1,979,696)	(2,426,159)	(963,044)	-	-	-
(170,053)	(154,324)	(17,014)	(5,309)	(391)	(301)
(146,615)	(69,213)	(21,125)	(682)	-	-
(470,374)	211,532	95,095	(5,893)	809	338
(24,493)	(58,521)	(23,612)	-	208	(14)
(494,868)	153,011	71,483	(5,893)	1,017	323
(513,022)	151,290	71,345	(5,893)	1,017	18
(370,303)	61,491	32,428	(2,678)	612	15
-	9,511	7,273	-	-	-



# NOTES TO THE FINANCIAL STATEMENTS

## 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	8,810,543	345,868	1,667,752	1,445,271	747,812

## Summarised statement of financial position as at 31 March 2020:

	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	139,401	3,552,846	6,491,998	2,949	837,566	2,945,293	309,543
Non- Current Assets	1,020,479	5,857,981	6,345,899	346,407	1,598,505	1,479,518	3,411,854
Current Liabilities	64,342	2,856,761	3,660,067	14,812	655,754	2,735,081	1,225,155
Non- Current Liabilities	252,655	1,183,520	2,228,716	-	492,598	474,879	1,684,663
Total equity	842,884	5,370,547	6,949,115	334,544	1,287,720	1,214,853	811,579
Attributable to:							
Equity holders of parent	619,996	2,929,625	2,767,644	182,486	414,305	460,344	225,776
Non-controlling interest	222,888	2,440,922	4,181,471	152,058	873,415	754,509	585,804
	842,884	5,370,547	6,949,115	334,544	1,287,720	1,214,853	811,580



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	163,036	181,375	12,638	(15)	(276)	(73)	339,858	-

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
1,492,078	583,367	15,253	4,200	11,848
942,641	118,850	556,216	394,819	-
955,993	428,972	354,174	175,841	74
240,334	22,003	56,030	47,885	-
1,238,393	251,242	161,266	175,292	11,774
675,515	137,047	87,970	69,954	2,392
562,878	114,195	73,296	105,338	9,383
1,238,394	251,242	161,266	175,293	11,775



## NOTES TO THE FINANCIAL STATEMENTS

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

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

### Summarised cash flow information for year ending 31 March 2020:

	Lanka Ceramic PLC Rs. 000's	Lanka Walltiles PLC Rs. 000's	Lanka Tiles PLC Rs. 000's	Vallibel Plantation Management Limited Rs. 000's	Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's
Operating Cash Flow	20,724	(378,206)	(821,733)	(19,901)	160,482	417,983
Investing Cash Flow	(289)	(181,463)	(624,498)	19,922	(100,219)	(44,565)
Financing Cash Flow	(28,303)	244,985	965,376	-	(69,573)	(403,932)
Net increase / (decrease) in cash and cash equivalents	(7,868)	(314,684)	(480,855)	21	(9,310)	(30,514)



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
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	-	-	-	-

Horana Plantation PLC	Unidil Packaging Limited	Unidil Packaging Solutions Limited	LWL Development (Private) Limited	Beyond Paradise Collection Limited	Lankatiles (Private) Limited
Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
(152,041)	142,471	(27,638)	6,996	-	300
(165,100)	(89,090)	(3,393)	(9,641)	-	-
103,123	(74,498)	1,407	(518)	-	-
(214,018)	(21,117)	(29,624)	(3,163)	-	300



# NOTES TO THE FINANCIAL STATEMENTS

## 38. SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

	L. B. Finance PLC		Delmage Limited	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Revenue / Operating Income	16,659,086,441	15,871,551,678	6,335,829,124	6,035,620,872
Cost of sales / Operating Expenses	(5,661,950,367)	(5,939,804,692)	(4,659,092,814)	(4,396,965,467)
Other Income and Gains	-	-	81,776,640	116,813,040
Administrative expenses	-	-	(606,594,613)	(648,317,722)
Selling and Distribution Costs	-	-	(534,500,502)	(477,519,581)
Other Operating Expenses	-	-	(2,601,139)	-
Finance costs	-	-	(364,766,370)	(579,908,705)
Finance Income	-	-	93,168,114	70,805,839
Tax on Financial Services	(1,669,323,000)	(2,278,560,105)	-	-
Profit before tax	9,327,813,074	7,653,186,881	343,218,440	120,528,276
Income tax Expenses	(2,521,007,780)	(2,442,327,898)	(140,579,125)	(40,673,675)
<b>Profit for the year</b>	<b>6,806,805,294</b>	<b>5,210,858,983</b>	<b>202,639,315</b>	<b>79,854,601</b>
<b>Other Comprehensive income</b>	<b>82,828,071</b>	<b>36,009,732</b>	<b>1,016,170</b>	<b>124,241,350</b>
<b>Total Comprehensive income</b>	<b>6,889,633,365</b>	<b>5,246,868,715</b>	<b>203,655,485</b>	<b>204,095,951</b>
<b>Group share of profit for the year</b>	<b>1,775,214,821</b>	<b>1,358,992,023</b>	<b>38,881,190</b>	<b>13,980,876</b>
<b>Group share of Total comprehensive income for the year</b>	<b>1,796,816,382</b>	<b>1,368,383,361</b>	<b>39,161,974</b>	<b>36,963,630</b>
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Current Assets	92,090,263,177	86,207,305,000	3,896,949,691	3,977,229,303
Non- Current Assets	48,853,185,562	58,114,345,348	4,757,584,354	4,793,624,530
Current Liabilities	86,138,732,859	86,249,929,000	4,097,161,791	3,684,039,791
Non- Current Liabilities	26,417,474,035	34,911,940,568	1,202,707,248	1,935,726,122
<b>Total Equity</b>	<b>28,387,241,845</b>	<b>23,159,780,780</b>	<b>3,354,665,006</b>	<b>3,151,087,920</b>
<b>Group's Carrying amount of the investments</b>	<b>9,137,145,388</b>	<b>7,773,807,791</b>	<b>948,102,793</b>	<b>908,940,819</b>
<b>Group Share of Contingent liabilities</b>	<b>45,056,547</b>	<b>44,994,520</b>	<b>-</b>	<b>-</b>
<b>Capital and other commitments</b>	<b>175,078,170</b>	<b>428,865,779</b>	<b>-</b>	<b>-</b>



### 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

	Notes	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.
<b>Other Financial Assets</b>	13				
Investments at fair value through profit or loss		44,532,650	-	-	44,532,650
		44,532,650	-	-	44,532,650
<b>Property, Plant &amp; Equipment</b>					
Freehold and Clay Mining Land	3.8	-	-	8,216,971,306	8,216,971,306
Buildings	3.8	-	-	6,916,962,256	6,916,962,256
Consumable Biological Assets	3.13	-	-	630,578,122	630,578,122
Investment Property	4	-	-	1,980,307,545	1,980,307,545
		44,532,650	-	17,744,819,229	17,789,351,879

There were no transfers into and transfers out of the hierarchy levels during 2020 & 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. 535 Mn (2020 - Rs. 813 Mn) 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.



2020			
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.
29,041,404	-	-	29,041,404
29,041,404	-	-	29,041,404
-	-	7,845,078,068	7,845,078,068
-	-	6,413,216,291	6,413,216,291
-	-	632,176,945	632,176,945
-	-	1,727,301,260	1,727,301,260
29,041,404	-	16,617,772,564	16,646,813,968

### 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. AMALGAMATION/ACQUISITION OF ADDITIONAL INTEREST

### Amalgamation of Royal Porcelain (Private) Limited

The Boards of Directors of Royal Ceramics Lanka PLC and its fully owned subsidiary, Royal Porcelain (Private) Limited, by Resolutions passed on 6th of September 2019, resolved to amalgamate Royal Porcelain (Private) Limited with Royal Ceramics Lanka PLC, in terms of Section 241(l) of the Companies Act No. 07 of 2007 whereby Royal Ceramics Lanka PLC will continue as the Amalgamated Company. The said amalgamation has taken place on 1st of November 2019 and thereby, Royal Porcelain (Private) Limited ceased to exist effective from that date.

Since the Sri Lanka Accounting Standards are silent on the accounting treatment of an amalgamation, the Company adopted the following reporting practice based on the recommended financial reporting guidelines.

At the date of the amalgamation, the assets and liabilities of Royal Porcelain (Private) Limited were transferred to Royal Ceramics Lanka PLC at carrying Values. The carrying values of assets and liabilities at the date of transfer are as follows.

	Carrying Value as at 01.11.2019 Rs.000's
<b>Assets</b>	
Property, Plant & Equipment	1,972,614
Right to use lease assets	60,604
Other Financial Assets	716,266
Other Non financial assets	153,701
Inventories	2,424,076
Trade and Other Receivables	4,847,234
Cash and Cash Equivalents	17,966
	10,192,461
<b>Liabilities</b>	
Interest Bearing Loans & Borrowings	(3,069,497)
Deferred Tax Liabilities	(249,181)
Retirement Benefit Liability	(106,892)
Trade and Other Payables	(953,250)
Other Non Financial Liabilities	(76,257)
Income Tax Liabilities	(293,451)
	(4,748,528)
<b>Total identifiable net assets at carrying value</b>	5,443,933
Investment in the subsidiary by the Company at carrying value	(500,000)
<b>Total equity balances transferred on amalgamation</b>	4,943,933
<b>Components of Cash and Cash Equivalents</b>	
Cash & Bank Balances	17,966
Bank Overdraft	(775,402)
<b>Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement</b>	(757,436)



Total equity balances transferred on amalgamation is allocated to the following components of the equity based on the component in which they were recognised in the financial statements of the merged subsidiary; Royal Porcelain (Private) Limited.

	Carrying Value as at 01.11.2019 Rs.000's
- in Revaluation Reserve	362,344
- in Retained Earnings	4,581,589
	4,943,933

#### 41. 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 products 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:

	Group					
	2021			2020		
	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	-	133,664,807	133,664,807
Cost of Sales	-	(42,789,666)	(42,789,666)	-	(78,421,433)	(78,421,433)
Operating Income	-	42,042,124	42,042,124	-	55,243,374	55,243,374
Other Operating Income	-	30,439,384	30,439,384	1,074,361	-	1,074,361
Distribution Expenses	(1,331,003)	(130,623,164)	(131,954,167)	(2,154,947)	(101,274,600)	(103,429,547)
Administrative Expenses	(421,027)	(3,030,133)	(3,451,160)	(582,610)	(2,481,268)	(3,063,878)
Finance Expenses	-	(5,063,153)	(5,063,153)	-	(6,515,127)	(6,515,127)
Other Operating Expenses	-	(65,318,732)	(65,318,732)	-	(58,690,342)	(58,690,342)
Loss for the year from discontinued operations	(1,752,030)	(131,553,674)	(133,305,704)	(1,663,196)	(113,717,963)	(115,381,159)
Basic Earnings Per Share	(0.09)	(52.75)		(0.08)	(45.60)	



## NOTES TO THE FINANCIAL STATEMENTS

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

	2021			2020
	Ever Paint and Chemical Industries (Private) Limited Rs.	Rocell Pty Ltd Rs.	Total Rs.	Ever Paint and Chemical Industries (Private) Limited Rs.
<b>Assets</b>				
Property, Plant & Equipment	36,721,633	-	36,721,633	36,721,633
Trade and Other Receivables	12,022,615	22,571	12,045,185	14,695,687
Other Non Financial Assets	-	1,261,256	1,261,256	-
Other Financial assets	-	10,070,905	10,070,905	-
Cash and Cash Equivalents	790,788	3,662,178	4,452,966	611,771
Assets Held for Sale	49,535,036	15,016,909	64,551,945	52,029,091
<b>Liabilities</b>				
Trade and Other Payables	(7,849,379)	(29,148,472)	(36,997,851)	(8,167,002)
Other Current Liabilities	-	(3,345,095)	(3,345,095)	-
Interest Bearing Loans & Borrowings	-	(122,653,760)	(122,653,760)	-
Liabilities Directly Associated with the Assets Held for Sale	(7,849,379)	(155,147,327)	(162,996,705)	(8,167,002)
<b>Net Assets Directly Associated with Disposal Group</b>	<b>41,685,657</b>	<b>(140,130,418)</b>	<b>(98,444,761)</b>	<b>43,862,089</b>

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

	Group					
	2021			2020		
	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	179,016	(9,668,445)	(9,489,429)	(2,466,724)	(33,252,576)	(35,719,300)
Investing	-	(2,209,350)	(2,209,350)	1,074,361	9,778,920	10,853,281
Financing	-	(2,320,277)	(2,320,277)	-	(27,577,144)	(27,577,144)
<b>Net cash (outflow)/inflow</b>	<b>179,016</b>	<b>(14,198,072)</b>	<b>(14,019,056)</b>	<b>(1,392,363)</b>	<b>(51,050,800)</b>	<b>(52,443,163)</b>



**Ever Paint and Chemical Industries (Private) Limited.**

The fair value of land and buildings amounting to Rs. 36 Mn was determined by Mr. A.A.M. Fathihu, an independent professionally qualified valuer in reference to market based evidence. (valuation report dated 9 April 2018).

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.

**42. IFRIC INTERPRETATION 23 UNCERTAINTY OVER INCOME TAX TREATMENT**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- ☐ Whether an entity considers uncertain tax treatments separately
- ☐ The assumptions an entity makes about the examination of tax treatments by taxation authorities
- ☐ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- ☐ How an entity considers changes in facts and circumstances

The Group/Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group/Company considered whether it has any uncertain tax positions particularly those relating to transfer pricing. Accordingly, the Group/Company determined, based on its tax compliance review, that it is probable that its tax treatments (including those for transfer pricing) will be accepted by the taxation authorities.

The Group/Company adopted IFRIC 23 using the retrospective method of adoption, with the date of initial application of 1 April 2019.



# NOTES TO THE FINANCIAL STATEMENTS

The effect of adopting IFRIC 23 is, as follows:

	As at 31.03.2020 Rs.	As at 31.03.2019 Rs.	As at 31.03.2018 Rs.
<b>Company</b>			
Impact on the statement of financial position -increase/(decrease):			
Amounts due to related parties	211,760,530	252,562,158	104,001,363
Deferred tax liability	(59,292,948)	(70,717,404)	(29,120,382)
<b>Total liabilities</b>	<b>152,467,582</b>	<b>181,844,754</b>	<b>74,880,981</b>
Impact on the statement of profit or loss - increase/(decrease):			
Interest expenses	211,760,530	252,562,158	104,001,363
Income tax expenses (DT reversal)	(59,292,948)	(70,717,404)	(29,120,382)
<b>Profit for the year</b>	<b>(152,467,582)</b>	<b>(181,844,754)</b>	<b>(74,880,981)</b>
Impact on statement of cash flows -increase/(decrease):			
Profit before tax	(211,760,530)	(252,562,158)	(104,001,363)
<b>Working Capital Changes</b>			
Increase in Trade and Other Payables	211,760,530	252,562,158	104,001,363
	-	-	-
Impact on the basic/diluted earnings per share. (increase/(decrease))	(0.14)	(0.16)	(0.07)

	As at 31.03.2020 Rs.	As at 31.03.2019 Rs.	As at 31.03.2018 Rs.
<b>Group</b>			
Impact on the statement of financial position -increase/(decrease):			
Deferred tax liability	(59,292,948)	(70,717,404)	(29,120,382)
Income Tax Liabilities	59,292,948	59,504,181	29,120,382
<b>Total liabilities</b>	<b>-</b>	<b>(11,213,223)</b>	<b>-</b>
Income Tax Recoverable	-	(11,213,223)	-
<b>Total Assets</b>	<b>-</b>	<b>(11,213,223)</b>	<b>-</b>



# TEN YEAR SUMMARY - COMPANY

Trading results (RS.'000)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Net Turnover	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	2,178,913
Other Income	1,371,432	1,016,944	1,039,703	2,759,288	1,808,744	1,679,396	1,256,470	1,435,441	1,425,346	2,128,946
Profit before interest & Tax	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	1,913,930
Interest	(594,353)	(952,011)	(795,936)	(432,816)	(386,935)	(360,784)	(376,515)	(518,989)	(364,554)	(834,642)
Profit After Interest Before Tax	3,879,175	769,656	32,940	2,247,381	1,489,818	1,177,680	635,642	668,861	918,762	1,270,331
Tax Reversal/Expense	(593,885)	(122,966)	24,779	(218,578)	(130,701)	15,315	143,881	185,780	67,724	(15,716)
Net Profit	3,285,290	646,690	57,719	2,028,803	1,359,117	1,192,996	779,524	854,641	1,017,873	1,254,614

Statement of Financial Position (RS.'000)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
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	1,360,280	1,192,935	830,591	830,591	213,634	213,634	213,634	213,634	213,634	-
Retained Earnings	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	3,558,585
Shareholders Funds	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	4,927,259
Fixed Assets	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	1,338,152
Right to use lease asset	855,049	965,787	-	-	-	-	-	-	-	-
Other non financial assets	18,017	41,304	-	-	-	-	-	-	-	-
Investments	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	4,602,552
Other Financial Assets	436,933	74,240	64,758	146,928	43,981	56,771	131,735	197,210	196,470	192,395
Current Assets	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	2,062,624
Current Liabilities	(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)	(2,085,282)
Non Current Liabilities	(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)	(1,183,183)
Total Equity	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	4,927,259

Ratios and Statistics	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Ordinary Dividends (Rs.'000)	1,551,051	443,158	221,579	997,104	997,104	664,736	443,158	-	221,579	443,158
Dividend per Share (Rs)*	1.40	0.40	0.20	0.90	0.90	0.60	0.40	-	0.20	0.40
Dividend Payout Ratio(%)	47	69	92	49	73	56	57	-	22	35
Earnings Per Share (Rs.)*	2.97	0.58	0.05	1.83	1.23	1.08	0.70	0.77	0.92	1.13
Market value per share- closing(Rs.)**	257.00	55.90	59.00	105.40	119.00	100.10	111.00	79.30	99.50	115.00
Market value per share- Highest(Rs.)**	439.50	99.10	109.50	134.70	125.30	137.00	125.00	112.00	118.50	167.50
Price Earnings Ratio(Times)*	8.67	9.58	113.25	5.76	9.70	9.30	15.78	10.28	10.83	10.16
Net Assets Per Share(Rs.)*	14.90	13.16	8.53	8.72	7.25	6.91	6.43	6.13	5.36	4.45
Return on Equity(%)	20	4	1	21	17	16	11	13	17	25

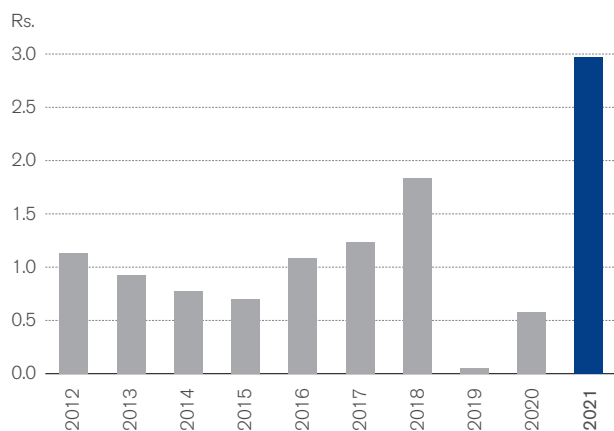
\* On 19 April 2021, the Company effected the sub-division of Ordinary Shares on the basis of a sub-division of every one (01) Ordinary Shares into ten (10) Ordinary Shares, thus increasing the existing 110,789,384 issued Ordinary Shares of the Company to 1,107,893,840 Ordinary Shares. Therefore Dividend per share, Earnings per share and Net price per share adjusted to reflect the correct status for 10 years.

\*\* Market price per share not adjusted for share split

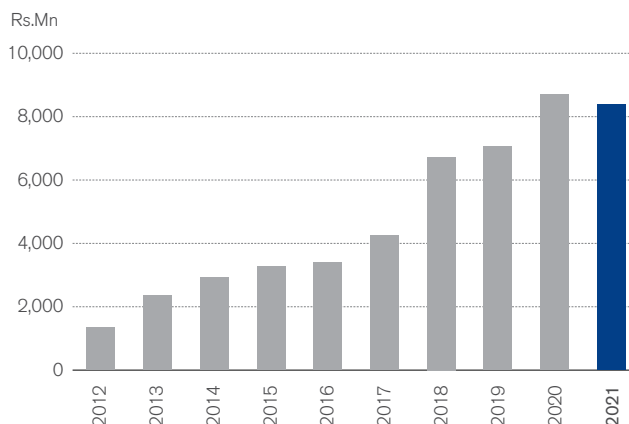


## TEN YEAR SUMMARY - COMPANY

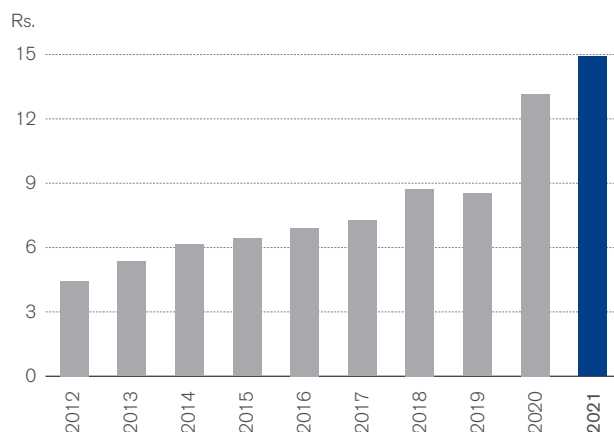
Earnings Per Share



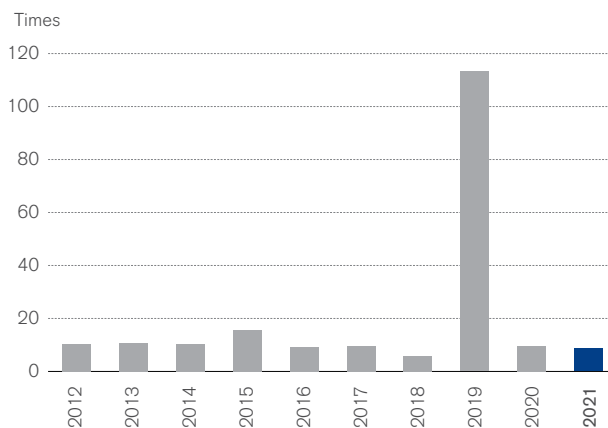
Fixed Assets



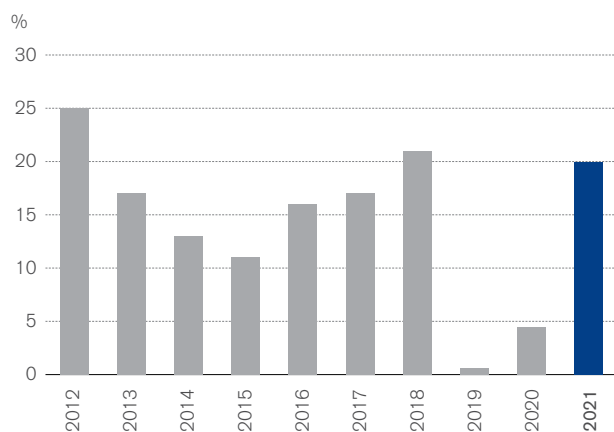
Net Assets Per Share



Price Earnings Ratio



Return on Equity





# GROUP VALUE ADDED STATEMENT

	2021			2020		
	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%
Turnover	47,993,431			34,446,958		
Finance & Other Income	401,299			251,818		
Share of Associate Company's profit	2,471,574			2,017,053		
	50,867,154			36,715,829		
Less: Cost of Material & Services bought in	28,436,105			19,843,905		
	22,430,199			16,871,924		
<b>Value Allocated to Employees</b>						
Salaries and Wages and Other Benefits		5,838,761	26%		5,286,817	31%
<b>To Government</b>						
Income Tax	1,308,514			1,446,795		
VAT/NBT	3,021,058	4,329,572	19%	3,344,746	4,791,541	29%
<b>To Providers of Capital</b>						
Dividends	2,184,765			443,158		
Finance Cost	1,406,494	3,591,259	16%	2,279,680	2,722,838	16%
<b>To Expansion and Growth</b>						
Retained in Business	6,780,180			2,253,521		
Depreciation	1,890,427	8,670,607	39%	1,817,206	4,070,728	24%
		22,430,199	100%		16,871,924	100%



# SHARE INFORMATION

## SHARE DISTRIBUTION

### Shareholding as at 31st March 2021

There were 13,557 registered shareholders as at 31st March 2021, distributed as follows

Number of Shares Held	Number of Shareholders	Number of Shares	% Shareholding
1 - 1,000	11,507	2,518,271	2.27
1,001 - 10,000	1,600	5,336,559	4.82
10,001 - 100,000	391	12,068,308	10.89
100,001 - 1,000,000	56	12,394,619	11.19
1,000,000 & over	3	78,471,627	70.83
<b>Total</b>	<b>13,557</b>	<b>110,789,384</b>	<b>100.00</b>

Category Shareholders	Number of Shareholders	Number of Shares	% Shareholding
Local Individuals	12,914	17,712,986	16.00
Local Institutions	512	92,103,298	83.13
Foreign Individuals	123	469,664	0.42
Foreign Institutions	8	503,436	0.45
<b>Total</b>	<b>13,557</b>	<b>110,789,384</b>	<b>100.00</b>

### Share Prices for the year

	2020/21		2019/20	
	Date	Price	Date	Price
Highest during the year	27.01.2021	439.50	28.11.2019	99.10
Lowest during the year	12.05.2020	47.00	20.03.2020	53.00
As at end of the year		257.00		55.90

Public Holding Percentage as at 31st March 2021 - 42.90%

Number of shareholders representing the above Percentage - 13,547

The float adjusted market capitalization as at 31st March 2021 - Rs. 12,217,077,876.00

The Float adjusted market capitalization of the Company falls under Option 4 of Rule 7.13.1 (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.



## TWENTY MAJOR SHAREHOLDERS

		31st March 2021		31st March 2020	
		No of Shares	% of Issued Capital	No of Shares	% of Issued Capital
1	Vallibel One PLC	62,002,600	55.964	62,002,600	55.964
2	Employees Provident Fund	15,277,998	13.790	15,277,998	13.790
3	Seylan Bank PLC/Hotel International (Pvt) Ltd	1,191,029	1.075	-	-
4	Employees Trust Fund Board	599,840	0.541	479,349	0.433
5	Mercantile Investments And Finance PLC	550,000	0.496	550,000	0.496
6	Mrs. S.N. Fernando	550,000	0.496	550,000	0.496
7	Amaya Leisure PLC	521,600	0.471	521,600	0.471
8	Seylan Bank PLC/Janashakthi Capital Limited	519,416	0.469	-	-
9	Bank Of Ceylon - No 2 A/C (BOC PTF)	469,410	0.424	469,410	0.424
10	JN Lanka Holdings Company (Pvt) Ltd	463,119	0.418	-	-
11	Mr. K.A.S.R. Nissanka	427,700	0.386	112,030	0.101
12	First Capital Limited	400,000	0.361	-	-
13	Mr. D.L.B.C.Perera & Mrs. I.V. Kariyakarawana	319,242	0.288	319,242	0.288
14	Mr. A.M. Weerasinghe	304,704	0.275	862,401	0.778
15	Seylan Bank PLC /Priyantha Pushpakumara Maddumage	273,603	0.247	-	-
16	AIA Insurance Lanka Limited A/C No.07	266,856	0.241	785,491	0.709
17	Mr. A De Zoysa & Mr. A.S. De Zoysa	255,000	0.230	-	-
18	Commercial Bank of Ceylon PLC /Capital Trust Holdings Limited	248,393	0.224	-	-
19	Hatton National Bank PLC/Ihalagamage Punarjeeva Karunanayake	248,384	0.224	-	-
20	Hatton National Bank PLC/Mr Gerad Shamil Niranjana Peris	245,436	0.222	-	-
		85,134,330	76.843	81,930,121	73.951
	Others	25,655,054	23.157	28,859,263	26.049
	<b>Total</b>	<b>110,789,384</b>	<b>100.00</b>	<b>110,789,384</b>	<b>100.00</b>



# GRI INDEX

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# 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.

## 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 RATION

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 31st Annual General Meeting of the Company will be held by way of electronic means on 30th June 2021 at 2.00 pm centered 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 2021 and the Report of the Auditors thereon.
2. To re-elect Mr. N J Weerakoon, 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 re- appoint Mr. R N Asirwatham who is 78 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 78 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"

4. To pass the ordinary resolution set out below to re- appoint Mr. L N de S Wijeyeratne who is 71 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 71 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"

5. To elect Mr. S R Jayaweera who retires in terms of Article 94 of the Articles of Association, as a Director of the Company.
6. To elect Mr. J R Gunaratne who retires in terms of Article 94 of the Articles of Association, as a Director of the Company.
7. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.
8. To authorize the Directors to determine payments for the year 2021/2022 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 2021

## Notes:

1. A shareholder entitled to participate and vote at the above virtual meeting is entitled to appoint a proxy to participate and vote in his/her place by completing the Form of Proxy enclosed herewith.
2. A proxy need not be a shareholder of the Company.
3. Shareholders who are unable to participate in the above virtual meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to participate and vote on their behalf.
4. For more information on how to participate by virtual means in the above virtual meeting, please refer Guidelines and Registration Process enclosed herewith.



## NOTES



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## NOTES



# FORM OF PROXY

\*I/We ..... holder of NIC No. ....  
of ..... being a \*Shareholder /Shareholders of Royal Ceramics Lanka PLC, do hereby appoint  
..... holder of NIC No. .... of .....or failing him/her

Mr. 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 2021 at 02.00 p.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To re-elect Mr. N J Weerakoon, 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 78 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 78 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 re- appoint Mr. L N de S Wijeyeratne who is 71 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 71 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect Mr. S R Jayaweera who retires in terms of Article 94 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To elect Mr. J R Gunaratne who retires in terms of Article 94 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. 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"/>
7. To authorize the Directors to determine payments for the year 2021/2022 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 One.

.....  
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 Office at No. 20, R A De Mel Mawatha, Colombo 03 or must be emailed to [rcl.pwcs@gmail.com](mailto:rcl.pwcs@gmail.com) not later than 48 hours before the time appointed for the Meeting.



# CORPORATE INFORMATION

## NAME OF THE COMPANY

Royal Ceramics Lanka PLC

## LEGAL FORM

A Public Quoted Company with limited liability incorporated Under the provisions of Companies Act No. 7 of 2007

## DATE OF INCORPORATION

29th August 1990

## COMPANY REGISTRATION NUMBER

PQ 125

## NATURE OF BUSINESS

Manufacture and sale of Porcelain & Ceramic Tiles

## BOARD OF DIRECTORS

Mr. 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

(Appointed w.e.f 28th April 2021)

Mr. J R Gunaratne

(Appointed w.e.f 28th April 2021)

## 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.

Designed & produced by

**emagewise**

Digital Plates & Printing by  
Softwave Printing and Publishing (Pvt) Ltd





**ROYAL CERAMICS LANKA PLC**

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

[www.rocell.com](http://www.rocell.com)