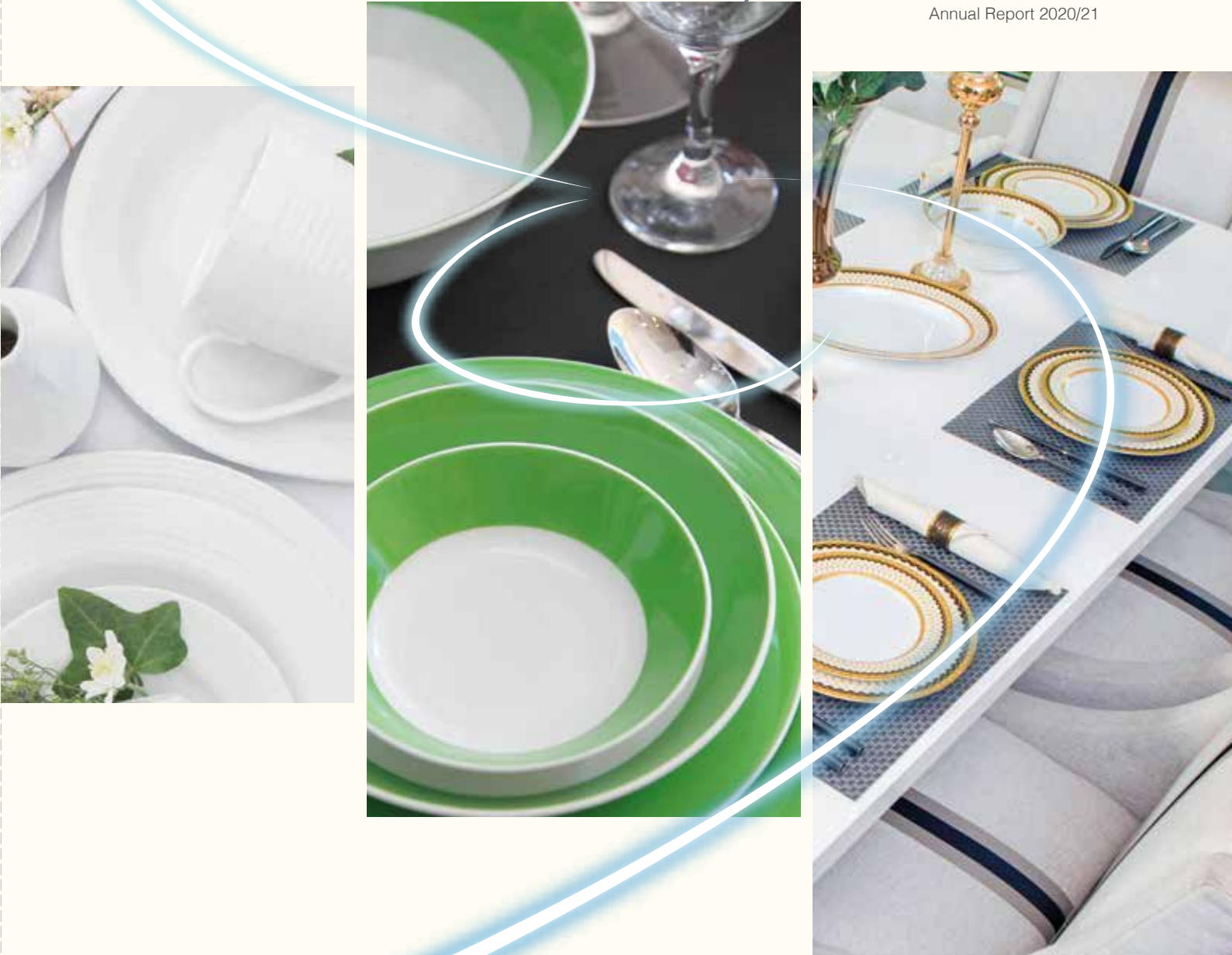


Crafting *Perfection*

Dankotuwa Porcelain PLC
Annual Report 2020/21



DANKOTUWA
World-class tableware

AN AMBEON COMPANY



Crafting *Perfection*

Dankotuwa Porcelain epitomizes the timeless traditions of our local artisans. As an eternal and legendary brand, we have conquered the global platform, with modern and contemporary elegance by elevating the fine art of porcelain to the next dimension of success.

Imbuing a sense of luxury, style and exquisiteness, our porcelainwear represents an age-old tradition. Firmly grounded on our rich heritage we have introduced refinement and graciousness to dining across the world. We move ahead with resilience and renewed vigour whilst keeping pace with the evolving and unique lifestyle aspirations of our customers by crafting perfection.

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Introduction to this Report

ABOUT THIS REPORT

We welcome you to the Annual Report of Dankotuwa Porcelain PLC under the theme 'Crafting Perfection'.

SCOPE & BOUNDARY

The Report includes information and developments pertaining to Dankotuwa Porcelain PLC (DPL) and Royal Fernwood Porcelain Limited (RFPL) referred to as the Group. The information presented herewith includes all business operations and financial outcomes, which occurred between the financial year commencing 1st April 2020 and ending 31st March 2021.

This Report presents herein the performance of the Group's operations, non-financial and operational information. The Group follows an Annual Reporting cycle and our previous report for the financial year ending 31 March 2020 was covered in the 2019/20 Annual Report.

REPORTING CONTENT & SCOPE

All financial statements declared in this annual report conforms to the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). Information disclosed within the report also adheres to laws and regulations of the Companies Act No. 7 of 2007 and the listing rules of the Colombo Stock Exchange. In addition, the report has added related disclosures, which conform to the Code of Best Practice on Corporate Governance issued jointly by the Securities Exchange Commission of Sri Lanka and the CA Sri Lanka in 2013.

We present reports on governance, internal controls and risk management. We have not restated any information and data published in the previous reports. The information and data for the report are collected and compiled by respective departments including the subsidiary operations. Several interviews with the Management and key executives were conducted in this regard. The financial information is based on the audited financial statements and the related notes.

TARGET AUDIENCE

This Annual Report is mainly aimed at supporting our shareholders to make informed decisions on our organisation's growth, strength, stability and sustainability aspects. We also intend look to support information requirements of other stakeholders, including customers, employees, suppliers, other business partners and local communities.

FORWARD LOOKING STATEMENTS

The Report includes forward-looking statements, which relate to the possible future financial position and results of the operations. These statements involve an element of risk and uncertainty, as they relate to events and depend on circumstances that may or may not occur in the future. However, we do not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise.

NAVIGATING THE REPORT



COMBINED ASSURANCE

We follow a combined assurance approach to establish the credibility of this report, ensuring that there are no material misstatements. Accordingly, the overall reporting process and the reliability and quality of the content are assured internally, by the Senior Management and the Board of Directors. The financial reporting including the financial statements and related notes have been assured by external and independent auditors, Messrs. Ernst & Young, Chartered Accountants, as set out in page 65 and 67 respectively.

FEEDBACK

We value feedback from our stakeholders and use it to ensure that we responsibly address their challenges and report on material topics that encapsulate their key concerns. Stakeholder concerns may be communicated to:

Dankotuwa Porcelain PLC

Kurunegala Road, Dankotuwa.
Email - info@dankotuwa.com

Group Profile

Our Vision

To be globally known as the best lifestyle product and service provider.

Our Mission

To enhance lifestyles by re-defining the art of fine dining with distinctive designs and elegant shapes while providing adequate returns to all stakeholders.

Corporate Values

INTEGRITY AND ETHICAL CONDUCT

We uphold high ethical standards and ensure honesty in all our interactions.

RESPECT

We treat our working colleagues, customers, suppliers and community with due respect.

RESPONSIBILITY AND DEPENDABILITY

We carry out our functions in a responsible manner and are seen as a dependable organization.

DISCUSSION AND DIALOGUE

We actively promote discussion and dialogue and promote a democratic style of management.

PROFESSIONALISM AND PRUDENCE

We maintain a high standard of professionalism in everything we do. While we encourage entrepreneurship and risk taking, we simultaneously temper them with prudence.

EQUALITY AND FAIRNESS

We are guided by the principles of equality and fairness in all dealings with our employees.

TRANSPARENCY AND OPENNESS

We maintain transparency and openness in all appropriate transactions.

TEAMWORK AND COHESIVENESS

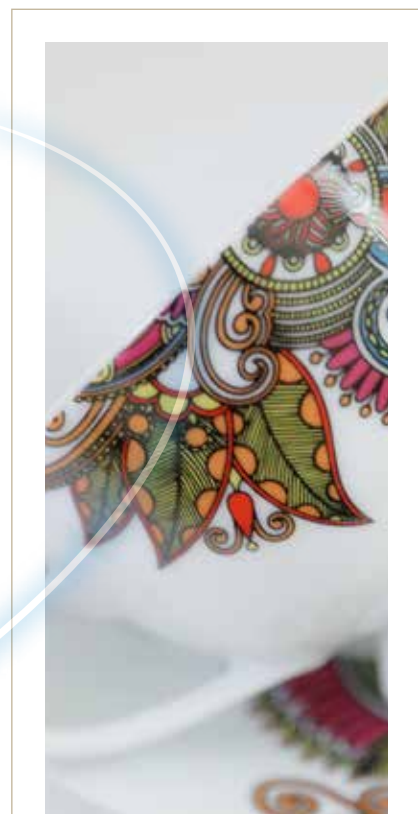
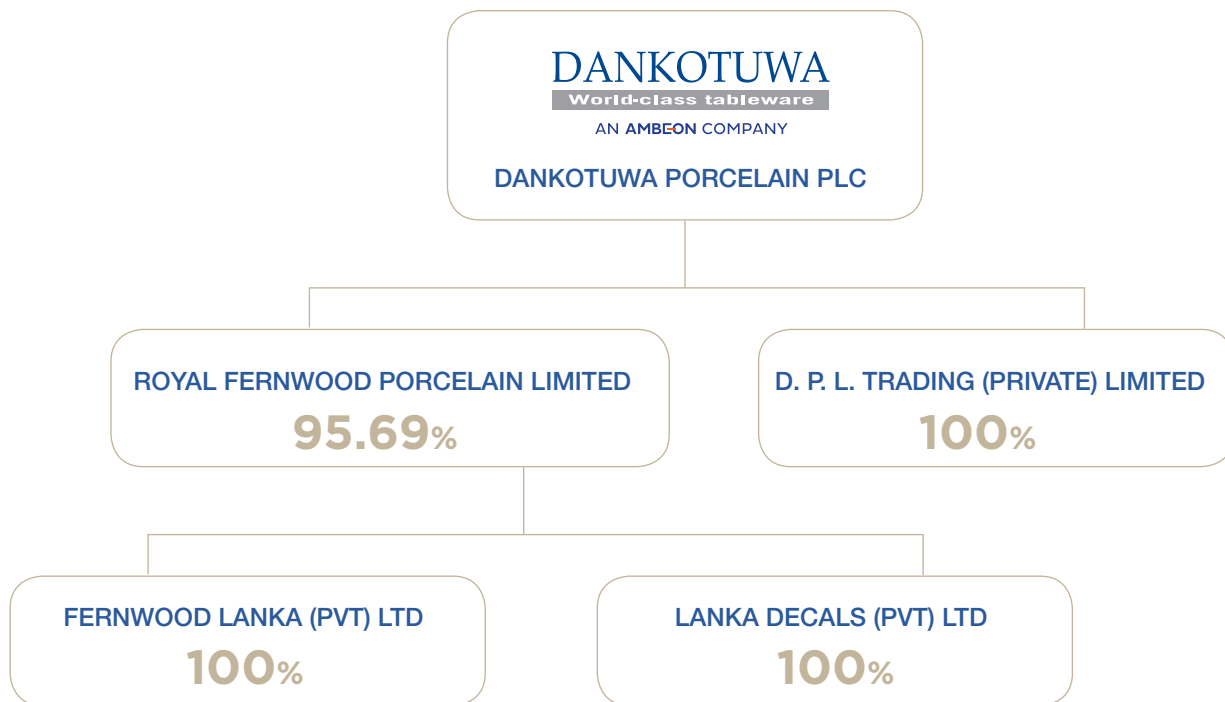
We promote a culture where all employees work as a high performing and united team aligned to reach the corporate goals.

CREATIVITY AND LEARNING

We actively promote innovation, continuous improvement and the acquisition of skills and knowledge.



Dankotuwa Porcelain PLC - Group Structure



Financial Highlights

	Group		Company	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	LKR'000	LKR'000	LKR'000	LKR'000
Results for the period				
Revenue - Export	1,397,885	1,230,732	843,329	581,287
Local	1,034,533	1,003,140	671,178	747,138
Total Revenue	2,432,418	2,233,871	1,514,507	1,328,425
Gross Profit	635,487	689,859	428,471	319,312
Net Profit/(Loss) Before Taxation	(395,955)	(264,148)	(134,531)	22,117
Net Profit/(Loss) After Taxation	(397,795)	(224,110)	(170,250)	52,663
Net Current Assets/(Liabilities)	(7,480)	391,085	(86,580)	22,817
Per Ordinary Share				
Earnings/(Loss)	(2.39)	(1.39)	(1.05)	0.32
Net Asset Value	13.85	15.16	15.31	15.29
Market Value	10.30	4.50	10.30	4.50
Ratios				
Return/(Erosion of) Capital Employed (%)	(9.86)	(4.06)	(1.62)	5.23
Equity to Assets (%)	46.61	48.02	59.21	60.11
Interest Cover (Times)	(1.71)	(0.70)	(0.43)	1.21
Total Debt to Equity Ratio %	67.36	73.35	38.41	43.36
Current Asset Ratio	1:1	1.19:1	0.94:1	1.02:1
Quick Asset Ratio	0.49:1	0.49:1	0.60:1	0.54:1
Dividend per Ordinary Share	-	-	-	-
Dividend Payout Ratio	-	-	-	-





Chairman's Review



Rajan Asirwatham
Chairman

“*During the year 2020/21 despite the adverse externalities we maintained growth levels in our export revenue by initiating new partnerships which augmented our existing portfolio of clients. Our presence in export markets has solidified across the years, and we continue to explore opportunities with both new and existing export destinations.*”



Dear Stakeholders,

It gives me great pleasure in presenting to you the progress achieved by Dankotuwa Porcelain PLC in an extraordinarily challenging Financial Year 2020 /21. The repercussions of the pandemic propelled the world towards uncharted territory where the livelihoods of many have been disrupted as economies have been upended beyond our worst fears. During this period, both Dankotuwa Porcelain (DPL) and Royal Fernwood Porcelain (RFPL) were able to stay focused on executing our strategy to reaffirm our commitment to deliver value to our stakeholders.

The Financial year 2020/21 commenced with the entire world being gripped by the COVID – 19 pandemic with nationwide lockdowns and movement restrictions imposed to contain infections. The closure of our factories till May 2020 impacted our operations directly wherein our delivery timelines of orders were affected along with disruptions to the supply chain. These externalities and

challenges that unfolded in the first quarter of the financial year 2020/21 made us take decisive and prudent action to adapt to the new normal. The initiatives taken have laid a solid foundation and has had a profound impact on the stability and sustainability of our business.

ECONOMIC CONTEXT TO PERFORMANCE

The pandemic exacerbated pre-existing vulnerabilities of the Sri Lankan economy especially in a setting where it was recovering from the devastating impacts of the Easter Sunday attacks of April 2019. However, the government was swift in introducing measures to help contain the first wave of the COVID-19 pandemic successfully. The reduction in global demand impacted export driven businesses. Job and earning losses disrupted private consumption and uncertainty impeded the investment climate of Sri Lanka. The economy began to recover in the third quarter while sustaining the growth momentum into the fourth quarter despite a second wave of COVID-19 infections.

While public expenditures increased, revenues declined, resulting in a widening of the fiscal deficit during the period. Due to the economic contraction and the elevated fiscal deficit amid the pandemic, public and publicly guaranteed debt is estimated to have increased to 109.7% of GDP. In line with the government strategy to reduce external debt over the medium-term, debt financing relied increasingly on domestic sources. An improved trade balance and strong remittance inflows narrowed the current account deficit. However, with financial inflows insufficient to meet external liabilities, reserves declined to an 11-year low in February 2021, before a currency swap worth US\$ 1.5 billion with the People's Bank of China was approved in March 2021. Due to a shortage of foreign currency, the exchange rate depreciated by 6.5% from January through March 2021. The CBSL took several measures to preserve foreign

exchange reserves and reduce pressure on the exchange rate.

NAVIGATING THROUGH THE PANDEMIC

After the onset of the pandemic and the subsequent lockdowns, manufacturing activities resumed in May 2020 and continued uninterrupted at our Dankotuwa and Kosgama facilities based on the strict directives of the Health and Safety Committee of the parent company Ambeon Holdings PLC, alongside regulations introduced by World Health Organisation (WHO) and the Ministry of Health. Our foremost priority was the health and wellbeing of our 1,053 employees. The Company integrated several new procedures to its Health and Safety Guidelines. Employees were educated on maintaining hygiene and in having a healthy lifestyle. The Group carried out focused efforts for ensuring a healthy work environment through a series of safety initiatives and precautions by laying the necessary infrastructure in both our manufacturing facilities.

The closure of the country due to the pandemic directly affected the performance during the first quarter affecting the local revenue levels due to subdued sales and temporary suspension of production, which negatively impacted our deliverables. Both our factories had considerable work in progress due to suspended operations resulting in profit erosion. Despite these challenges, both companies showed tremendous resilience to the challenging environment by adapting to the evolving realities and in offsetting the effects of subdued sales and reduced operational capacities. Processes and costs were realigned with the altered reality, redrawing our objectives for the short and medium terms. As a result, both DPL and RFPL achieved significant increases in productivity while minimizing costs.

Responding to the evolving lifestyle changes both companies assigned resources and capabilities in developing

innovative non-tableware products. These new revenue streams gave a boost to better profit margins and in staying aligned with strategic objectives.

PERFORMANCE AMIDST CHALLENGES

The financial year commenced with the lockdown of the economy which was imposed during the first wave of the COVID-19 pandemic. The closure of our factories during this period impacted the overall operating gross profit margins. This impact was mitigated to a certain extent through cost rationalization initiatives which helped to reduce overheads by 3%. However, despite the extraordinary challenges in the local and international sphere, it was encouraging to witness an increase in revenue by 9% which was mainly driven by export sales and a marginal increase in local sales. Significant reduction of changes in the fair value of investment property compared to last year and reduction of finance income due to the low interest rates prevailing which led to the Group reporting a loss before tax of LKR 396 Mn during the financial period.

The Group maintained their dedication to new innovations, maintaining superior quality and craftsmanship of products, whilst staying aligned with Group strategy and core values.

RFPL together with DPL developed a breakthrough innovation, the porcelain steam inhaler. The concept for the breakthrough innovation was based on the insights gained from recommendations by medical professionals who are renowned in treating respiratory illnesses and this was a timely solution amidst the COVID-19 outbreak.

COMMITMENT TO SUSTAINABILITY

As a leading manufacturer and exporter, our responsibility to safeguard the environment from any environmental impact is a strategic priority. Both DPL

Chairman's Review

and RFPL are committed to ensure proper management of solid waste by setting in place stringent measures for waste disposal. Solid waste outputs are retained within the premises and are re-used wherever feasible, across the manufacturing process. Further, DPL has commenced setting standards in measuring the level of CO₂ emissions from the use of LPG within our production facility. This will enable us to completely remove or minimize our carbon footprint. Consumption of electricity across our facility is monitored.

SOUND GOVERNANCE

In the reporting year we were faced with a multitude of unique risks which had a direct bearing on business continuity and growth, which underscored the relevance of strong risk management and corporate governance. Our governance framework and risk management processes enabled us to identify the gaps and introduce timely remedial action to strengthen the existing processes to minimize the negative impacts. By adhering to standard operational procedures and governance practices we have implemented regular reviews that take place at the factory level, company level and group level with the involvement of Directors, Senior Management and Risk Management Committees. This has enabled us to take timely decisions and implement best practices in increasing value across the chain of operations.

Our robust corporate governance framework has been our roadmap for sustainable development. Over the years the Group has demonstrated a strong commitment to upholding good governance practices such as transparency and accountability, which has been embedded in our thinking and across our business processes. Our governance approach is executed through a systematic governance framework that recognizes good corporate governance as a vital element in the successful implementation of our business strategies.

WAY FORWARD

Over the years we have witnessed a consistent growth in our overseas export markets. During the year 2020/21 despite the adverse externalities we maintained growth levels in our export revenue by initiating new partnerships which augmented our existing portfolio of clients. Our presence in export markets has solidified across the years, and we continue to explore opportunities with both new and existing export destinations.

To provide the best service to our customers and to be ahead of the competition, investments were made in developing new innovative products. Some of these products which we introduced in response to the evolving medical crisis have been commended in many forums. These diversifications were a significant change for both DPL and RFPL which has enabled us to expand our product offering going beyond the traditional tableware which has been associated with our brand name. The Group is making a gradual change by moving away from OEM production and positioning itself as a recognized lifestyle brand. The brand has now gained recognition in the gift and kitchenware segments. We hope to pursue synergies in research, innovation, and marketing to invent exciting products. We believe that our core strengths could be harnessed to pursue growth in the post COVID era.

We are hopeful that the global economy will gradually move towards stability in FY 2021/2022, in tandem with the roll-out of vaccines. However, potential waves of infection from new strains of the virus will continue to pose a risk to economic recovery. The effectiveness of COVID-19 vaccines and equity in the distribution of vaccines worldwide will be a catalyst for economic growth. We are cautiously optimistic of the future, based on projections by the International Monetary Fund that Sri Lanka's economy will expand by 4% in the year ahead.

The Group is optimistic about the future and continues to lay out the strategies to carve out value by synergizing our strengths, our rich legacy and 37-year heritage of excellence.

APPRECIATION

This will be the last occasion I will be addressing you as Chairman since I am not offering myself for re-election at the AGM.

I have enjoyed my stint very much and wish to place on record my thanks for the support I received from my fellow directors, staff at all levels, union leaders and other stakeholders. Dankotuwa has over the years weathered many storms and survived. It has the potential to become a multinational company of Sri Lankan origin in the not too distant future.

May God bless all of you

(Sgd)

Rajan Asirwatham
Chairman

30th August 2021

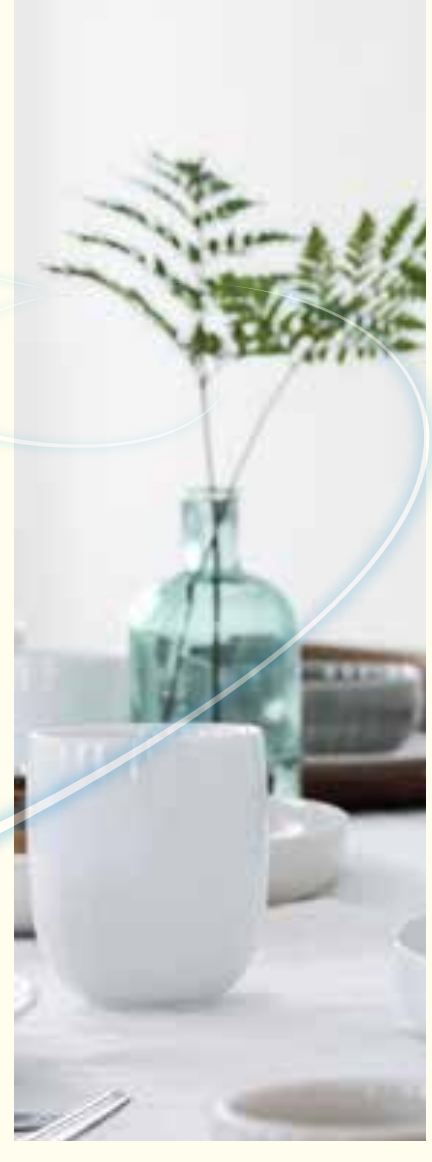


Chief Executive Officer's Review



Channa Gunawardana
Chief Executive Officer

“ *It is heartening to note that the Group was quick to pick up and build momentum on its manufacturing and export orders as soon as the country opened in May 2020. Thereafter manufacturing activities continued with certain interruptions due to the second wave of infections. We introduced several safety measures and hygiene protocols under the recommendations of the Health Authorities to ensure the health and wellbeing of our employees.* ”



Dear Stakeholders,

The COVID-19 pandemic created a wide and disruptive impact, propelling the world into turmoil. In this operating context, Dankotuwa Porcelain PLC weathered through the storm with a tenacious spirit of resilience. The Group's steady performance reflects the success of its transformational journey initiated in 2017 which focused on increasing efficiency levels by re-engineering processes and introducing automation. This created a solid stead enabling the Group to steer through one of the most defining phases in its 37-year history. Spirited resilience, agility and the strength of our globally accepted 'Dankotuwa' brand helped sustain the Group's stability amidst this challenging phase.

NAVIGATING THROUGH AN UNPRECEDENTED LANDSCAPE

The Financial Year 2020/21 commenced with the lockdown resulting in the Group's manufacturing operations coming to a standstill. Hence, the Group faced a subdued performance in the first quarter

recording reduced turnover levels in a period where we would have usually witnessed peak turnover levels spurred by increased domestic seasonal sales due to the Sinhala and Tamil New Year. The COVID-19 upheaval has had a significant impact on global markets and economies as the entire world was in different stages of lockdowns with many sectors and industries essentially ground to a halt creating supply chain and logistical issues.

It is heartening to note that the Group was quick to pick up and build momentum on its manufacturing and export orders as soon as the country opened in May 2020. Thereafter manufacturing activities continued with certain interruptions due to the second wave of infections. We introduced several safety measures and hygiene protocols under the recommendations of the Health Authorities to ensure the health and wellbeing of our employees. Recognizing the risk of infections within the factory premises we continued operations under a 'Bio-bubble' system through staff rotation schemes, zoning of employees with colour codes and social distancing measures to contain the spread of infections. The second quarter witnessed an encouraging uptick in our export orders with confirmation of export orders from long-standing customers.

Despite the multitude of challenges faced, the Group was successful in increasing its annual revenue by 9% mainly due to increased export revenue along with a marginal increase in local sales. Resultantly a revenue of LKR 2.4Bn was recorded compared to LKR 2.2Bn in the last financial year. However, the gross profits margins were at a reduced level of 26% mainly due to the challenges faced during the financial year and from the inventory movement. Strict controls over overheads to combat the challenging situation helped us reduce the burden on the bottomline by reducing overhead costs by 3% compared to the last financial year. Despite our modest financial performance, the far-reaching

improvements to the operating model will equip the Group face future challenges with resilience.

The present market conditions resulted in reduction in the fair value impact of the investment property significantly to LKR 14Mn from LKR 114Mn of the last year. The Group's finance income also reduced to LKR 19.3Mn from LKR 24.8Mn. This is mainly attributable to the reduced interest rates during the financial year. These factors led to the Group reporting a loss before tax of LKR 396Mn compared to the loss of LKR 264Mn generated last year.

Driving operational excellence through process efficiencies and cost rationalization has been a key medium-term priority. These efforts have nurtured a productivity-driven, cost conscious culture in the organization, which would enable the development of a leaner, agile organization to introduce price competitive products to the market. We take pride in having protected the jobs and income of our combined workforce of 1,053 employees through the pandemic phase. Despite the factories being closed during the months of April and May the salaries of our factory staff were settled promptly to ensure the financial stability of our employees.

EXPANDING OUR GLOBAL PRESENCE

The Group has over the years widened its global footprint with a strategic presence in over 50 countries. Our brands "Dankotuwa" and "Royal Fernwood" have been synonymous with exquisite and refined porcelainware. Its portfolio of internationally renowned prestigious clients such as Lenox, Macy's, Portmerion, Dansk, Caskata, Oneida, NEXT, Jashanmal, Crate & Barrel, Country Road, NotNeutral, VEGA, Porsgrund, Paul, Migross, Narumi, Berghoff, Yalco, Weissststal, Silsal Design House, Wallace & Co, Kashida, Manses Design and Nordic Nest, bears testimony to the brand's global acceptance.

During the year, the Company focused on expanding digital footprint, by showcasing its products in globally renowned e-commerce sites. Strengthening market visibility in the international sphere was pivotal as the Company did not have an opportunity to present itself at trade exhibitions due to the pandemic. Our presence in 'Nextrade' a global online platform in promoting our products within the European region, helped us move into untapped B2B opportunities. The Group, through the efforts of our international marketing team, continued to strengthen our presence across key export market countries such as the USA, India, Australia, Middle East and the European region. A concerted effort was taken in promoting both 'DPL' and 'RFPL' in India, Australia and Maldives.

Dankotuwa has over the last 15 years built a formidable presence in India and is positioned as a premium, luxury, aspirational brand popular among high-net worth individuals. Our products have blended well with the distinct tastes and preferences of the Socio Economic Classification (SEC) A and A+ segments. During the year we were able to penetrate the Indian market with greater success through online sales made through Amazon India.

A VERSATILE & ASPIRATIONAL LIFESTYLE BRAND FOR SRI LANKANS

Firmly entrenched with a strong market presence by infusing elegance and elevating the dining experience the pandemic was an opportunity to get closer to our customers who were spending an increased time at home with Work from Home arrangements and movement restrictions. Our brand affinity was extended as our products adorned the dining tables and lifestyles by infusing a sense of elegance to the 'home dining' experience of our customers.

Our Dankotuwa product range embellished with delicate designs

Chief Executive Officer's Review

etched in gold are associated with a strong legacy of mastery commanding premium prices. Our second-tier brand 'Laklain' has been able to penetrate the price conscious segments. Royal Fernwood has captured the young Gen Z and Millennials with their modern and captivating designs while the new range of products under the brand 'Earth and Ware' was established to capture the millennials and those who were concerned about nature. With these well-established strong brands positioning the Group hopes to reposition itself as a versatile non-tableware lifestyle brand. Along these lines several revolutionary product innovations have been launched by expanding the breadth of our product range transcending beyond the parameters of dinnerware by introducing a wide range of giftware, home décor, porcelain steam inhalers, and lifestyle products etc. The porcelain water bottles have been well-received by our customers and our newly developed wide array of planters are ready to be launched into the market. With our expanded product range, we hope to position ourselves as a lifestyle brand catering to our discerning clientele's evolving lifestyle needs.

We have recognized the potential of our local market by reinforcing our presence in a formidable manner through our extensive dealer network. Our flagship store at Guildford Crescent and the recently opened store in One Galle Face Mall has helped us position ourselves strongly in the local retail landscape as a 'one stop shop' for giftware. The import restrictions on porcelain products augurs well for the local porcelain industry which had been flooded by low cost imports.

The Hotel/Restaurant/Cafe (HORECA) sector has seen a gradual decline since the Easter Sunday attacks continuing with the pandemic. In order to cushion the impact of the loss of revenue from this sector, the Group has ventured towards several market development strategies to expand its wings within the Sri Lankan

market. The systematic expansion of our dealer network and our foray into the northern part of Sri Lanka are some of the market development initiatives which have yielded positive results.

OUR HUMAN RESOURCES

Despite the downturn in the business environment, we focused on our employees' career development by completing the evaluation process of our employees. We strongly believe that a well-motivated and recognized team is a prerequisite to drive operational excellence.

The Group has over the years consistently placed a significant emphasis on the health and wellbeing of our employees. We invested on several initiatives to help our employees maintain good health by creating awareness by providing access to medical facilities and tests to negate the health effects of Non – Communicable Diseases (NCDs). Our focus on the health and wellbeing of our employees widened due to the pandemic wherein a series of health protocols and safety procedures mandated by the World Health Organisation (WHO) and the Ministry of Health being introduced within the factory premises to create a safe and secure working environment for our employees.

EMBEDDING SUSTAINABILITY & ETHICAL CONDUCT

DPL considers environmental sustainability, as one of the core pillars of its value creation process. The Company is deeply conscious of its use of non-renewable resources such as water, minerals and LPG used in the production process and therefore takes every effort to ensure the sustainability of these scarce resources. The Company promotes an environmentally friendly green concept across both our factories. We are committed to create awareness amongst employees on the need for preserving the environment and reducing the Company's carbon footprint.

Both Dankotuwa and Royal Fernwood brands have espoused their brands to be free from carcinogenic materials such as Lead and Cadmium. We ensure conformance to the highest of quality standards, with both DPL and RFPL complying with the requirements of the local and global quality standards.

We continue to be conscientious in minimizing our environmental footprint. We have given precedence to bring in greater efficiency to material usage, intensifying our efforts in terms of reducing and recycling resources and implementing energy saving measures. We are in the process of installing a 4,250 KVA inverter capacity solar power plant at our factories during the second quarter of financial year 2021/2022. This project was planned to be on the roof renting model where the investment is matched to the revenue generation over the period.

CORPORATE CITIZENSHIP

During the year the Group donated its revolutionary product – the porcelain steam inhaler to several leading hospitals. This timely gesture was acclaimed by many health sector officials as this steam inhaler proved to be a very effective treatment for COVID patients. The Group as a practice donates porcelain products to hospitals, schools and places of worship, while also engaging with communities that surround our production facilities in Dankotuwa and Kosgama. During the year DPL donated patient monitoring pulse oximeters to newly build COVID care units of Dankotuwa and Marawila Hospital which was a critical requirement with the increase in patients infected with the virus.

AWARDS & ACCOLADES

The Group has over the years been bestowed with many recognitions and accolades. The year 2020/21 was no exception as the Dankotuwa Porcelain was recognized with a Gold Award under the ceramic and porcelain products –

large exporters category at the 28th National Chamber of Exporters Awards.

Dankotuwa was also recognised amongst the “Best of the Best brands”, being adjudged as the most loved homeware brand for the year 2021. The ‘Best of the Best Brands’ in Sri Lanka is based on a regular research conducted, and then compiled on an annual basis by Brand Finance which is published by LMD.

ADAPTING TO THE NEW NORMAL

The pandemic triggered several market dynamics and shifting consumer trends. During the year we continued to revamp our capabilities to build our potential to tap into the new opportunities that have emerged as a result of changes in the operating landscape. In responding to these developments, we looked into the long-term drivers of our industry while responding to the short-term developments that have occurred due to the pandemic.

Online sales gained traction and identifying this growing trend we accelerated our digital initiatives under the ‘Digital Dankotuwa’ project to engage with our customers closely. We ramped up the digitalization of sales and marketing to reach potential customers amidst physical showroom closures. Our ability to quickly pivot towards these changes was crucial in maintaining business resilience. This allowed us to respond in meaningful ways and capture new growth opportunities. Thus, we were able to achieve sizeable sales revenue through Amazon India capturing the opportunity of a buoyant digital sales environment. We also have increased our presence on online shopping platforms such as Daraz, Orel Buy, Kapruka, and House of Gifts, focusing more towards the local digital markets. We hope to venture into technological innovations such as 3D AR to be embedded into catalogues which will be an ideal solution to the “new normal”.

Tactical strategies have also been deployed to meet the fundamental changes in consumer behavior following the greater digitalization in the economy. The utilization of digital touchpoints with the design of an impactful online customer experience will be a key priority. In this quest our exclusive online shopping portal of Dankotuwa Porcelain is slated to be launched in 2021/2022.

Our rich heritage of over 37 years along with our wide arc of expertise and collective organizational wisdom will be directed towards fueling sustainable and long-term value creation. We are certainly enriched with the experiences of the current financial year which has enhanced our intellectual capital base with resilience and stability to successfully move ahead in our strategic aspirations. The Group will continue to drive cost rationalization methods whilst focusing inventory levels, payments, receivables, cash management, work-in-progress and waste management to build operational efficiencies into the business.

FUTURE OUTLOOK

The year 2021/2022 began on an optimistic note, with a progressive roll-out of vaccines. While this will certainly have a positive impact on containing the pandemic, the intensity of the spread of new mutations of the virus has cast a cloud over future growth prospects within the local and international arena. Furthermore, key downside risks within the local business context with exchange rate volatility, import restrictions and escalating raw material prices, given the global resurgence in industrial activity will have a direct bearing on future business performance. Despite these risks, we remain confident of the Group’s ability to maintain focus on our strategy, embracing and adapting to the new realities of a world which will never be the same again. The safety and wellbeing of our people will continue to be of paramount importance. We remain focused on

driving our business with long term objectives to derive stakeholder value whilst delivering our unique products redefined with the evolving lifestyle aspirations of our customers.

APPRECIATION

As we conclude one of the most challenging years in the Group’s history, I would like to convey my gratitude to the Chairman and Board of Directors for their guidance as well as Ambeon Holdings PLC for their continued and unwavering commitment to the Group’s growth. I extend my appreciation to our shareholders for their continued trust and confidence in being a strong pillar of support in helping us traverse through challenging times. My heartfelt appreciation goes out to the Management and employees of DPL and RFPL, who with their unflinching determination and commitment helped the Company move ahead in a stable manner in a turbulent phase. We are truly thankful for the unwavering support of our customers, suppliers, financial institutions, and business partners. Our strong bond with our customers is reflective of the trust they continue to place in the Company and our brands, for which we remain ever grateful. I take this opportunity to appreciate the proactive measures initiated by the Government of Sri Lanka and the selfless dedication of our front-line workers in managing the pandemic and enabling an environment conducive for the resumption of business. To all stakeholders, I extend a thank you.

(Sgd)

Channa Gunawardana
Chief Executive Officer

30th August 2021

Board of Directors



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1. Mr. Rajan Asirwatham

Chairman/Independent, Non-Executive Director

Mr. Rajan Asirwatham was the Senior Partner and Country Head of KPMG Ford Rhodes Thornton & Company from 2001 to 2008. Further 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. He is a Council Member of the University of Wayamba, Member of the Board of Post Graduate Institute of Medicine and Board of Management of S.W.R.D. Bandaranaike Memorial National Foundation and the Chairman of the Audit Committee of the Institute of Chartered Accountants of Sri Lanka.

He also serves on the Boards of Aitken Spence PLC, Aitken Spence Hotels PLC, Browns Beach Hotels, Ceylon Grain Elevators PLC, Colombo City Holdings PLC, Dilmah Teas, Mercantile Merchant Bank Limited, Peninsula Properties (Private) Limited, Renuka Hotels (Private) Limited, Royal Ceramics Lanka PLC, Three Acre Farms PLC, Vallibel One PLC & Yarl Hotels (Private) Limited.

2. Mr. Ajith Devasurendra

Deputy Chairman/Non-Independent, Non-Executive Director

Mr. Ajith Devasurendra is a veteran in the financial services industry in Sri Lanka and counts over 35 years of experience both in Sri Lanka and overseas.

Mr. Devasurendra is the Deputy Chairman of Ambeon Capital PLC and Dankotuwa Porcelain PLC and Director of Ceylon Hotels Corporation PLC.

3. Mr. Mangala Boyagoda

Independent, Non-Executive Director

Mr. Mangala Boyagoda has many years of experience in the fields of Banking and Treasury Management having worked at DFCC Bank, Standard Chartered Bank, Union Bank and Bank of Ceylon.

Chairman of Wealth Lanka Management (Pvt) Limited. Director of Wealth Trust Securities Limited, SAFE Holdings (Pvt) Limited, Asset Trust Management (Pvt) Limited, Ceylon Hotel Corporation PLC, Dankotuwa Porcelain PLC, Ceylinco General Insurance Limited, Sierra Construction (Pvt) Limited, Cargills Bank Limited, Royal Fernwood Porcelain Limited, Faber Capital (Pvt) Limited, United Hotel (Pvt) Limited, C A Crushing (Pvt) Limited, Sri Lanka Gateway Industries (Pvt) Limited, Chemanex PLC, Asset Holding Pvt Ltd and Dhamma Parami Trust.

Mr. Boyagoda holds a MBA from Irish University – European Union.

4. Mr. Sanjeev Gardiner

Non-Independent, Non-Executive Director

Mr. Sanjeev Gardiner is the Chairman and Chief Executive Officer of the Gardiner Group of Companies which includes the Galle Face Hotel Co Limited, Galle Face Hotel 1994 (Private) Ltd., Ceylon Hotels Holdings (Private) Ltd. (holding Co of Ceylon Hotels Corporation PLC) Kandy Hotels Company (1938) PLC (which owns the Queens and Suisse Hotels in Kandy) and, United Hotels Co (Pvt) Limited which owns The Surf (Bentota), The Safari (Tissa) and The Lake (Polonnaruwa). He is also a Director of Cargills (Ceylon) PLC since 1994.

Mr. Gardiner counts over 30 years of management experience in a diverse array of business. He holds a Bachelor's

Degree in Business from the Royal Melbourne Institute of Technology, Australia and a Bachelor's Degree in Business (Banking and Finance) from Monash University, Australia. He has been a Council Member of HelpAge Sri Lanka for several years.

5. Mr. Priyantha Maddumage

Non-Independent, Non-Executive Director

Mr. Priyantha Maddumage is the Group Chief Investment Officer of the Galle Face Hotel Group of Companies and counts over 23 years of Finance Management experience. He has a Bachelor of Commerce Special Degree from the University of Sri Jayawardenapura and a Master of Business Management from Edith Cowan University in Australia. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka, Member of CPA Australia & Associate Member of the Institute of Certified Management of Sri Lanka.

Mr. Maddumage is a Director of Ceylon Hotels Corporation PLC, Kandy Hotels Co (1938) PLC and several unlisted entities.

6. Mr. Revantha Devasurendra

Non-Independent, Non-Executive Director

Mr. Revantha Devasurendra holds a Bachelor of Arts with honours in Industrial Economics from the University of Nottingham and a certificate in Hotel Real Estate Investments and Asset Management from Cornell University's School of Hotel Administration.

Presently, Mr. Devasurendra is the Managing Director of British Ceylon Capital (Private) Limited and holds directorships in Cyril Rodrigo Restaurants (Private) Limited, Navitas Investments (Private) Limited, C H C Investments

Board of Directors

(Private) Limited, Ceylon Hotels Investments (Private) Limited, Eon Tec (Private) Limited, United Hotels Company (Private) Limited, Live is to travel (Private) Limited, Wild Ceylon (Private) Limited and Nidanwala Watta (Private) Limited.

7. Mr. Murali Prakash

Non-Independent, Non-Executive Director

Mr. Murali Prakash serves as a Non-Executive Director of several public quoted and private entities. He currently serves on the boards of Laugfs Gas PLC, Laugfs Power PLC, Laugfs Leisure Limited, Laugfs Eco Sri Limited, Colombo City Holdings PLC, Millennium I.T. E.S.P. (Pvt) Ltd and Millennium IT ESP Singapore (Pte) Limited.

With over 35 years of experience handling key management positions in the areas of general management, strategic restructuring, investments/credit management, manufacturing, marketing / sales and business consultancy, some of his previous roles include serving as Group Managing Director/Chief Executive Officer of Ambeon Holdings PLC/Ambeon Capital PLC, Executive Director of Laugfs Holdings Group, Group Managing Director/CEO of Browns Group of Companies, Chairman of Galoya Holdings (Pvt) Ltd and Sales Director of Singer (Sri Lanka) PLC. He has also served on the Boards of Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC Ltd and Singer Finance (Lanka) PLC and several other public, private and quoted companies over the years.

Mr. Prakash holds an MBA from the University of Southern Queensland and is a Certified Professional Marketer (Asia Pacific) and a Certified Management Accountant (Australia). He additionally holds an Executive Diploma in Business Administration from the University of

Colombo and is an Alumnus of the National University of Singapore and the Asian Institute of Management, Manila. He is also a Fellow Member of the Chartered Management Institute (London) and Certified Professional Managers, Sri Lanka.

8. Mr. Rohan Peris

Independent, Non-Executive Director

Mr. Peris has over 35 years' experience in manufacturing with the Hayleys Group. He worked with Haycarb PLC for 29 years and was the Director in charge of manufacturing from 2001 with overall responsibility for both local and overseas operations. And from 2012, he served as the Managing Director of Alumex PLC until his retirement in 2018.

Mr. Peris holds a B. Sc. Honours Degree in Industrial Engineering from Hatfield Polytechnic in the UK.

9. Mr. Niranjan Wijesekera

Independent, Non-Executive Director

Mr. Niranjan Wijesekera is a Business Consultant counting over 30 years of Executive and Non-Executive Board experience and C-Level Management expertise across diverse disciplines and geographies in the corporate world.

Having commenced his corporate journey at Reckitt and Colman, Mr. Wijesekera spent most of his career at MAS Holdings, playing leadership roles as the General Manager of Triumph International Lanka, CEO of Prym Intimates Sri Lanka, CEO of Stretchline Sri Lanka, CEO of MAS Brands and Director of Corporate Communications at MAS.

Mr. Wijesekera holds a Master of Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura, a

Master of Arts in Financial Economics from the University of Colombo, as well as a Diploma in Marketing, Chartered Institute of Marketing UK.

10. Mr. Yudhishtan (Yudy) Kanagasabai

Non-Independent, Non-Executive Director

Mr. Yudy Kanagasabai currently serves as the Chairman of the Board Audit Committee of Ceylon Tobacco Company PLC, Eswaran Brothers Exports (Private) Limited and Millennium IT ESP (Pvt) Limited, and as an Independent Non-Executive Director of Cargills Ceylon PLC, Hunter & Company PLC and Lanka Canneries Limited. He is also a Non – Executive Director of Cargills Food Company Limited, Cargills Bank Limited, Chairman of South Asia Textiles Limited.

He was the Chairman of the Audit Committee of Union Bank PLC from August 2016 to 31 December 2018, and a Commissioner of the Insurance Regulatory Commission of Sri Lanka from May 2018 to November 2018 and from December 2018 to November 2019.

Prior to taking up several board positions post retirement, he served as the Senior Partner of PricewaterhouseCoopers, Sri Lanka and Maldives. Having joined the Firm in 1981, he held progressively responsible positions before being admitted as a Partner in 1991, following a secondment to the Singapore Firm from June 1988 to May 1990 for training in Information Security.

Mr. Kanagasabai is a Fellow of the Institute of Chartered Accountants of Sri Lanka.

11. Mr. Shalike Karunasena

Alternate Director to Mr. Priyantha Maddumage

Mr. Shalike Karunasena presently serves as the Group Chief Financial Officer of the Galle Face Hotels Group of Companies. Mr. Karunasena has over 20 years of experience in Financial Management, Treasury and Strategy in the fields of Commodities Trading, Overseas Plantations, Refining & Manufacturing and Leisure/Hospitality with over 15 years of Senior Management experience functioning within the South East Asian Region. He is a Fellow of the Chartered Institute of Management Accountants, UK.

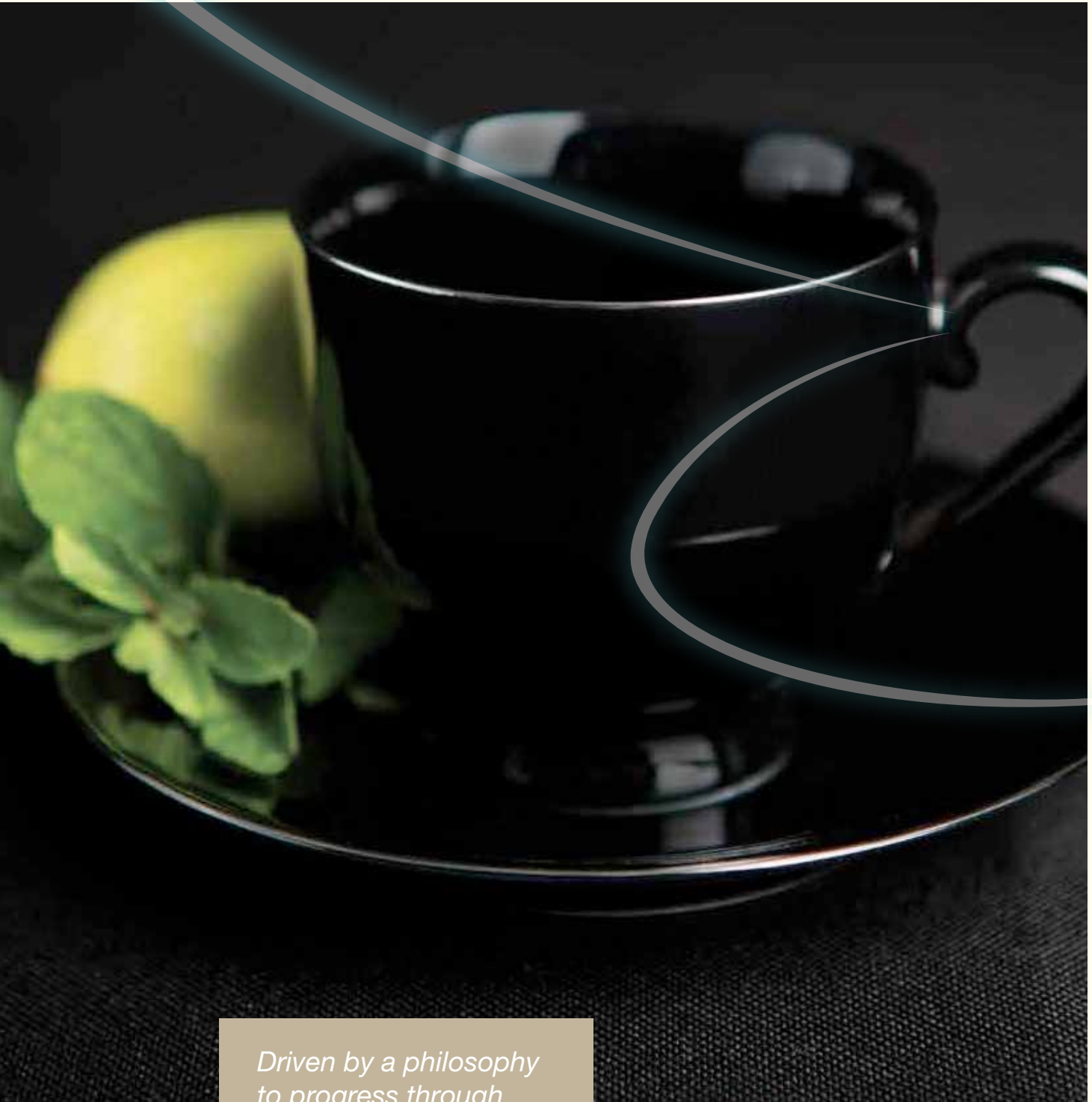
Presently Mr. Devasurendra is the Executive Director of Cyril Rodrigo Restaurants (Private) Limited, which operates the brands Green Cabin and Pagoda and holds directorships in Colombo City Holdings PLC, Navitas Investments (Private) Limited and Nidanwala Watta (Private) Limited.

12. Mr. Chirath Devasurendra

Alternate Director to Mr. Ajith Devasurendra

Mr. Chirath Devasurendra holds a First Class Honours in Bachelor of Science in Tourism & Hospitality Management from the University of Surrey, UK, a Certificate in Strategic Marketing from Imperial College London and Executive education from Harvard Business school and London Business School.





*Driven by a philosophy
to progress through
innovative strategies
we are powered to
navigate the changing
dynamics of volatile
landscape.*





**MANAGEMENT
DISCUSSION &
ANALYSIS**

The global and Local Operating Environment

GLOBAL ECONOMY

The global economy faced a recession due to the COVID-19 pandemic, with global output contracting by 3.3% following business disruptions and closures. Battling against the virus for over one year, the path to revival still remains uncertain with economic recovery diverging across countries and sectors as new waves and mutations challenge the resilience and strength of nations. Output losses have been particularly large for countries that rely on tourism and commodity exports and for those with limited policy space to respond. However, the demand for products that support working from home has remained strong, somewhat cushioning the impact on the global economy. The global economy is projected to grow at 6% in 2021 as per the IMF April 2021 World Economic Outlook, with recovery being dependent on the course of the pandemic, effectiveness of medical resources & aid, and the availability of multinational policy support to limit lasting damage.

LOCAL ECONOMY

The challenges unfolding in the global arena with the outbreak of the pandemic cascaded to the domestic economy, exerting pressure on the Sri Lankan economy, leading to a GDP contraction of 3.6% during 2020. Global travel restrictions and disruptions to international trade largely affected the Sri Lankan economy, with lowered tourism earnings, export earnings and migrant worker remittances. Furthermore, the actions taken to curb the spread of the COVID-19 pandemic, including the continuous lockdown across the country for nearly two months affected production and productivity.

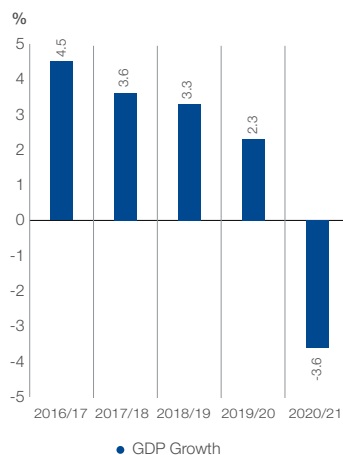
Agricultural activities recorded a contraction of 2.4% in 2020 in value added terms, compared to the growth of

1% in 2019, due to the significant decline in some of the major agriculture activities, including fishing, growing of oleaginous fruits, tea, forestry and logging, and animal production.

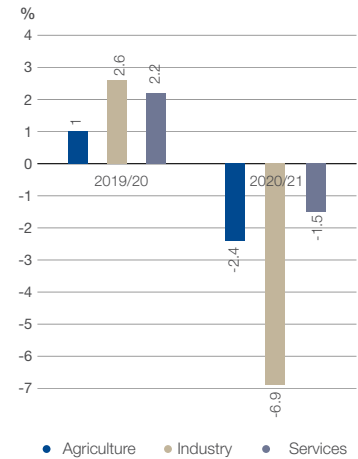
Industry activities contracted by 6.9% in 2020 with the spillover impacts of the global pandemic weakening demand especially for textile and wearing apparel related manufacturing activities. The value addition from manufacturing activities recorded a contraction of 3.9% in 2020 compared to the growth of 1.8% recorded in the previous year. The decline in the production of floor tiles, porcelain tableware and glass bottles largely contributed to the slowdown in the manufacture of other non-metallic mineral products sub-sector.

While the service sector suffered losses due to disruptions in transportation and tourism related activities, the pandemic had a positive impact on some service sub-sectors such as IT and telecommunication. These sub-sectors were seen to benefit largely from the hike in demand for digital platforms and communication solutions subsequent to the outbreak of the pandemic.

Annual Real GDP Growth



Sector GDP Growth

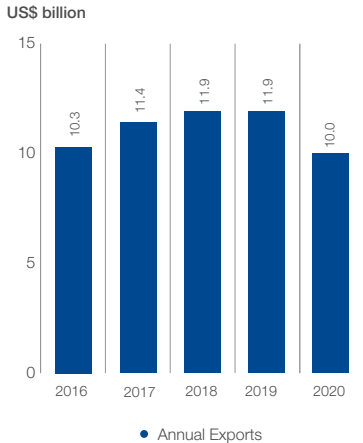


Trade Balance, Exports and Imports

The deficit in the trade account significantly reduced to USD 6Bn in 2020 from USD 8Bn recorded in 2019. This improvement in the trade account was a collective outcome of export earnings reaching the pre-pandemic levels sooner than anticipated and import expenditure declining in response to the policy measures introduced to curtail non-essential imports along with relatively low global oil prices.

Annual exports dropped to USD 10.1Bn during the year as opposed to USD 11.9Bn recorded in 2019, with April 2020 marking the largest monthly decline. Earnings from merchandise exports were severely impacted during the months in which the pandemic containment measures were more intense, with subdued external demand, disruptions to shipping and supply chains and rising raw material prices. Industrial exports registered an overall reduction of 18.6% in 2020 while agricultural exports registered a decline in earnings of 5.1%.

Annual Exports

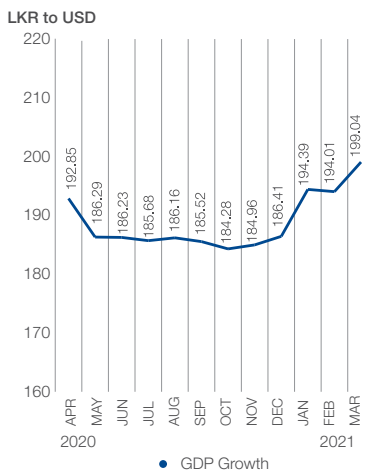


Expenditure on imports declined by 19.5% in 2020 compared to the prior year as a result of restrictions imposed by the Government on the importation of non-essential goods, low oil prices in the global market and disruptions to global supply chains.

Exchange rate

Exchanges rates remained highly volatile during the year after the eruption of the pandemic in the country, depreciating to LKR 199.04 as at March 2021 against the US Dollar, from the previous year's

Exchange Rate Movement



position of LKR 188.62, denoting an overall decrease of 5.52%.

Inflation

Amidst the low economic growth, headline inflation remained subdued, despite the slight acceleration in food inflation. The Colombo Consumer Price Index (CCPI) based headline inflation remained within the 4%-5% range over the year under the current flexible inflation targeting framework.

IMPACT TO THE GROUP

This has been a year unlike any other. The COVID-19 pandemic has impacted every part of our business and our wider communities with factory operations halted for the most part of the first quarter of the financial year. However, our strong purpose and values guided our response, ensuring we could always support our customers, colleagues and communities throughout this challenging period, ultimately allowing us to emerge stronger and more future ready.

With the mobility restrictions in place during the first quarter of the year we adjusted our strategic game plan and

pursued opportunities with customers capable of selling the products online. This strategy turned out to be a success as we were able to bounce back and regain our topline performance in terms of the overseas market. From the second quarter onwards, our factories were running at a reasonable capacity with increasing export orders. The support provided by the government in terms of allowing the export factories to function with special passes, under stringent health regulations provided a massive impetus for us to maintain our production and performance levels. Additionally, with the government blocking imports of porcelain to the country, the Company stood at an advantage as we were able to enhance our sales to the local market as well.

The performance of Dankotuwa Porcelain PLC and Royal Fernwood Porcelain Limited is discussed in detail in the ensuing section.



Management Report - Dankotuwa Porcelain PLC

This report captures the performance of DPL as a company and the subsidiary (RFPL) performance is discussed in the proceeding section in pages 29-35

DANKOTUWA

World-class tableware

AN AMBEON COMPANY

INTRODUCTION

Thriving on a proud legacy of over 37 years, Dankotuwa Porcelain PLC (DPL) has made its mark as a vibrant and world-class brand of porcelainware that is timeless and elegant. From its humble beginnings of traditional tableware DPL has now widely expanded its range to ornamental figurines and giftware which are augmented by intricate and exquisite craftsmanship, gaining wide and extensive international demand. Each and every product is delicately crafted to perfection as we align our production with the industry's best practices and international standards while embracing global insights and emerging trends.

The Company manufactures products for the domestic market as well as for some of the world's premium international tableware brands and retailers. With its passion for creativity and painstaking workmanship, the Company strikes a perfect balance between class & style and has undeniably raised the bar for porcelainware thereby securing deals with leading brands. Poised as Sri Lanka's leading exporter in porcelainware, 55% percent of our business relies on export clientele in USA, India, Japan, Europe, Australia, Middle East and Scandinavia, with around 40 international brands including porcelain manufacturers, department stores and hospitality service brands.



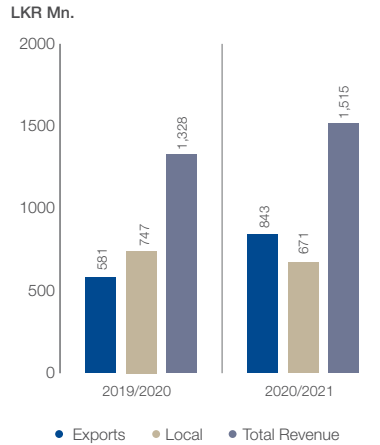
FINANCIAL PERFORMANCE

Amidst numerous challenges and unfavourable economic conditions which hampered our business activities, we managed to conclude the financial year with reasonable growth in business volumes. The Company managed its finances prudently and maintained strict discipline in making financial decisions. While placing effective controls to deal with uncertainty and related risks, the Company continued to comply with the best practices and standards of relevant local and international statutory and regulatory bodies.

Revenue

Despite the pandemic the Company generated a revenue of LKR 1.5Bn for the year under review in comparison to LKR 1.3Bn recorded in the previous year denoting an increase of 14%. Export sales recorded a significant rise recording LKR 843Mn during the year against LKR 581Mn of the previous year. This was mainly owing to the growth in sales in relation to the acquisition of new customers and offering an innovative product range for the existing customers. Favorable exchange rates movements have also contributed to the increase in export sales. Domestic sales experienced a decline, ending the year with a revenue of LKR 671Mn as against LKR 747Mn of the previous year. This was a direct result of intermittent country lockdowns and major impact coming from the dealer sales segment.

Total Revenue



Cost of Sales

With the corresponding rise in revenue, cost of sales too experienced an increase of 8%. Accordingly, the Company incurred a cost of sales of LKR 1.09Bn during the year in comparison to LKR 1.01Bn in the previous year. This has resulted in an increased gross profit margin of 28% in comparison to 24% in the last financial year.

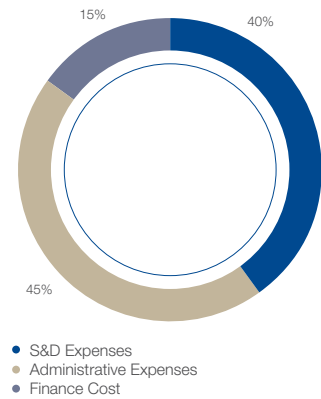
Operational Expenses

The Company's operational costs which consist of Administration and Selling & Distribution, recorded an increase during the year under review reaching LKR 520Mn as at year end. This marked a 15% increase against the previous year's cost of LKR 450Mn. The provisions against the aged inventory and additional costs incurred to battle COVID pandemic situation was the main triggers for the increase in Administration related expenses. Despite an increase in commission costs as a result of higher export sales and a rise in special sales expenditure due to greater volumes of special sales, the overall Selling & Distribution expenses recorded a reduction of 4% compared to the previous financial year.

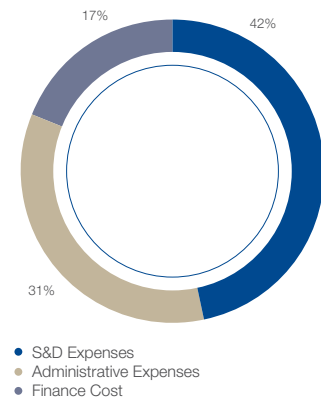
Finance Cost

Finance cost reduced by LKR 9.9Mn recording LKR 94.2Mn for the period under review. Increased settlements of outstanding facilities coupled with the downward trend in market interest rates led to the overall decline in the Company's finance costs.

Operational and Finance Costs - 2020/21



Operational and Finance Costs - 2019/20



Profitability

The Company reported better financial performance, prior to recording the impact of fair value adjustments of investment property and subsidiary, compared to the previous financial year. However the fair value adjustment of investment property and subsidiary recorded a lower positive impact to the financial performance by LKR 204Mn



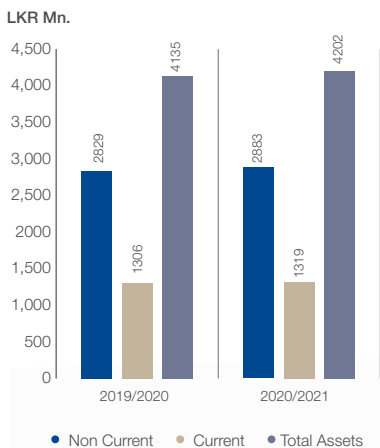
Management Report - Dankotuwa Porcelain PLC

compared to previous financial year. This has resulted in a net loss before tax of LKR 135Mn during the year, marking a decline against the previous year's profit of LKR 22Mn.

Total Assets

Total assets of the Company rose to LKR 4.2Bn as at 31 March 2021, recording an increase of 67Mn compared to the previous year's position of LKR 4.1Bn. While non-current assets rose by LKR 53Mn given the increase in property, plant and equipment by LKR 29Mn and revaluation of investment property by LKR 14Mn, the current assets too recorded an increase of LKR 13Mn. Inventories reduced by LKR 144Mn compared to the previous year as the pandemic which erupted in March 2020 resulted in the Company ending the year with a high inventory of finished goods. The Company's cash position increased by LKR 136Mn, while trade and other receivables also recorded an increase of LKR 27Mn, amounting to LKR 373Mn as at the end of the financial year.

Total Assets



Liabilities

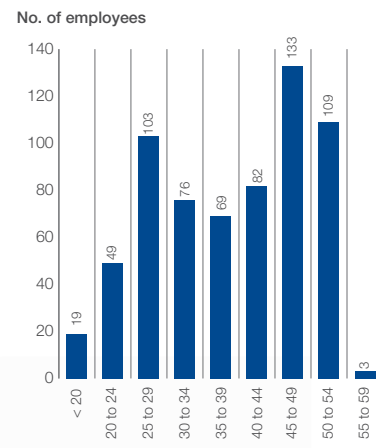
Interest bearing loans and borrowings experienced a drop of LKR 122Mn during the year with higher settlements of short-term loans. Accordingly, the Company ended the year with a borrowings position of LKR 956Mn as against LKR 1.1Bn recorded as at the previous financial year end.

EMPLOYEE VALUE PROPOSITION

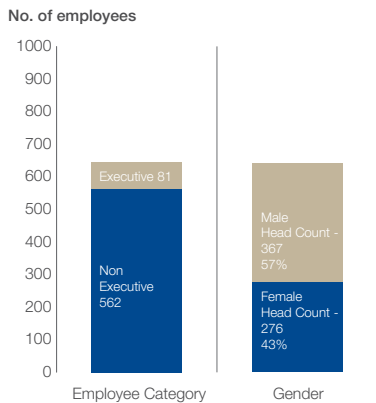
Our team

Our employees are our most valued asset driving business growth and excellence. Therefore, our main focus is to create a high-performance culture through effective employee engagement, excellence in people development and diligent resource management. The Company's performance and its success within the industry is directly related to the effectiveness of our people, who deliver the high-quality products that we are renowned for. Thus, we aim to attract, retain and motivate the highest caliber of individuals capable of adding sustainable value to the business.

Workforce by Age



Workforce by Employee Category & Gender



Professional development

The key to retention of our employees was recognizing as rewarding their hard work. Especially during a year such as this, where the pandemic altered our way of life, the commitment and perseverance of the Company's staff was fully displayed. Thus, we made sure every effort was taken to provide our employees with the appreciation they deserve to keep them motivated and energized.

The Company's annual performance evaluations concluded with 100% completion and success rates. These included evaluations of those within the Management and executive positions as well as those who belong to the non-executive category as well. Employees also received incentives based on performance in addition to spot rewards for exceptional performance.

We also make sure our employees are given the necessary training based on their individual skills assessments in order to foster a performance-based culture. Apart from technical training programs, emphasis is also placed on providing personality development sessions to create a well-rounded employee base that contributes positively towards the organization's goals.



Health and well-being

With the COVID-19 pandemic raging across the country we made sure all precautionary measures were in place to protect our workforce and ensure safe and healthy working conditions. Once the lockdown restrictions were lifted in May 2020, our factories operated at a limited capacity under a bio-bubble system where the entire factory workforce was categorized based on a colour code. Employees were encouraged to report to work according to their allocated grouping and transport facilities were provided to ensure the safety of our staff. Stringent procedures were implemented making sure all employees followed the health and safety guidelines provided by the health authorities. Hand washing stations were installed at the entry points of the factory and office premises while daily and random temperature checks were carried out as a precautionary measures. Employees were given masks, gloves and face shields and the Company also carried out continuous PCR and Rapid Antigen Tests. Our canteen premises were re-arranged, and employees were advised to have their meals based on given time slots with the food being prepared and packaged in a clean and safe manner.

In general, a positive health and safety culture permeates throughout our business operations. Regular safety training programmes are conducted to ensure that our workforce are aware of health, safety and welfare issues while at work, and makes an effective contribution towards maintaining and improving health and safety standards. By encouraging this safety culture, the Company aims to reduce accidents and provide a secure workplace and working environment.

Providing all employees with access to medical facilities and relieving them of having to incur medical expenses on tests and consultations remained a core focus

of the Company during the year under review. DPL invests funds aimed towards enabling employees to take regular tests for non-communicable diseases (NCD) and identifying underlying health risks. They are then referred to regional state hospitals the Company has partnered with, aimed at encouraging employees to seek medical advice and maintain healthy lifestyles.

Staff engagement

Due to the COVID-19 outbreak the Company carried out only a limited number of staff engagement activities during the year. However, in order to keep the staff morale high and help ease the additional pressures of the new normal work life rhythms, the Company organized a Motivational Speech given by Chandana Gunawardena in January 2021 as well as Ama Dissanayake's Life Lessons Program in February 2021.

SOCIAL VALUE PROPOSITION

Our customers

The Company is committed to putting its customers at the heart of everything it does by providing safe, high quality products, assuring value for money and developing and maintaining positive relationships. All employees are expected to behave respectfully and honestly in all their dealings with customers and the general public.

Embracing a more future-fit approach guided by the learnings of the pandemic and changes in customer behaviour, we have taken steps to increase our presence on online shopping platforms such as Daraz, Orel Buy, Kapruka, and House of Gifts. This has helped expand our reach and provided more convenience and accessibility to our valued customers.

We take every effort to make sure our products cater to the wide-ranging preferences of our customers. From a

gamut of choices from plates and bowls to accompaniments we offer tableware that is stylish and durable with the guaranteed assurance of high quality. The unmatched whiteness of our products as well as the gold and platinum decals and intricate hand painted designs have continued to attract customers allowing us to build and sustain strong relationships over the years.

Additionally, with the aim of building the Company's brand image as a gift hub, more emphasis was placed on diversifying our product range towards non-tableware, lifestyle based and electronic based products. Accordingly, the Company invested in new product developments such as porcelain water bottle, planter pots, steam inhaler. etc during the year based on both customer specifications as well as creative innovations introduced by the inhouse design teams.

Product responsibility

We maintain stringent quality assurance throughout our sourcing, production and distribution processes to ensure that the highest standards of product safety and responsibility are complied with. We are proud to say that our products are lead and cadmium free and are regularly tested to guarantee compliance with customer specifications. Simultaneously we adopt a cruelty free stance and ensure our products are free of animal bone ash. Consistent adherence to quality standards over the years has enabled the Company to build sustainable partnerships with numerous international retail brands such as Macy's, Debenhams, Portmerion, Jashanmal, Joules, Country Road, Porsgrund, Narumi, Berghoff, Yalco, Weissstetal and Galeria Kaufhof and gain the trust and loyalty of all its customers.

Management Report - Dankotuwa Porcelain PLC

Supplier and business partner relationships

The Company collaborates with suppliers who share a similar mindset and adhere to business principles consistent with its own. The Company's suppliers are selected following a stringent evaluation process which includes parameters on quality, business practices, ethics, social and environmental practices among others. The Company has partnered with several recognized suppliers over the years that adhere to best practices and provide high quality materials. The selection of new suppliers will be subject to them meeting high international standards of compliance.

Strong and mutually beneficial relationships have also been built and established with local market dealers. Currently DPL engages with 300 dealers on average and works closely with several retail chains such as Arpico and Damro.

Regulatory compliance

We ensure that all our business activities are conducted in accordance with the laws and regulations imposed by applicable regulatory bodies, allowing zero tolerance for any deviations or violations. Strong ethical values course through the Company's operations encouraging good corporate conduct and thus, we manage all our relationships with regulatory bodies with the highest level of accountability and transparency.

Community development

While we have embedded strategic corporate sustainability into our business model, we remained committed towards creating a more sustainable and inclusive tomorrow for the communities we engage in and the society as a whole, offering shared growth opportunities wherever possible. Supporting the local hospital

with critical, expensive medical equipment to help combat the COVID-19 third wave was one such social responsibility drive carried out during the year.

ENVIRONMENTAL VALUE PROPOSITION

DPL places great emphasis on environmental sustainability, considering this as one of the core pillars embedded in its value creation process as it relies on the environment for raw materials. The Company utilizes non-renewable resources such as water, minerals and LPG in its production process and therefore takes every effort to ensure the sustainable use of these scarce resources.

The Company promotes the green concept across the organization and raises awareness amongst employees on the need for preserving the environment and reducing the Company's carbon footprint. Accordingly, it continues to measure the levels of CO2 emissions from its production facilities and has embarked on a journey of harnessing solar energy through solar panels displaying its dedication towards building a clean and green future. DPL also continues to monitor the consumption of electricity across the facility to minimize waste. The Company remains committed towards ensuring proper management of solid waste and has set in place stringent measures for waste disposal. Solid waste outputs are retained within the premises and are re-used wherever feasible, across the manufacturing process.

WAY FORWARD

Enhancing our global footprint

- Continues to grow in the Indian market.
- Improve and revamp our presence in Europe.
- Initiate preliminary discussions regarding entering the Australian arena.
- Collaborations with international designers to promote new designs to existing and new markets.
- Promoting our products through Embassies and High Commissions to get and access to foreign territories.

Embracing technology

- Create a shift from physical markets to e-markets.
- Revamp our internal processes with the introduction of new technologies under the theme 'Digital -Dankotuwa' and instill a more digital oriented mindset among our workforce.
- Introduce our own e-commerce platform.
- Automating information processing.
- Developing technical capabilities for making electrical insulators.



Management Report – Royal Fernwood Porcelain Limited



INTRODUCTION

Since the Company's inception in 1994, the overwhelming response received from customers has positioned the Royal Fernwood brand as an industry leader which has further heightened its responsibility to sustainably grow amidst constant change and volatile business conditions. Guided by principles of good corporate governance and an unceasing drive for innovation we have succeeded in meeting the desires, expectations and interests of all our stakeholders through our world-class, vibrant and versatile range of porcelain ware.

By manufacturing export quality products which meet international standards in design and durability, Royal Fernwood Porcelain Limited (RFPL) has built solid relationships with some of the world's leading table ware brands. Renowned for its use of cutting-edge technologies such as hand glazing, hand painting, platinum, silver and gold-laced decals as well as its elegant patterns including blooms, nature based and geometric designs, the Company has won awards on multiple occasions and continues to harness this expertise to reinvent itself to meet the changing needs of its customers and all other stakeholders.



Management Report – Royal Fernwood Porcelain Limited

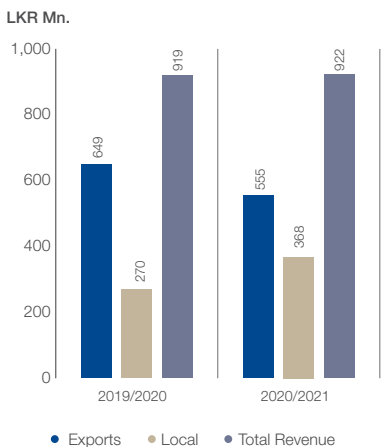
FINANCIAL PERFORMANCE

Despite challenging macro-economic conditions and various operational limitations the Company journeyed on achieving better than anticipated sales volumes during the year. Armed with the learnings of the first quarter, the Company demonstrated its resilience, seeking new avenues of managing its operations, enhancing productivity and embracing new business opportunities.

REVENUE

Revenue for the financial year amounted to LKR 922Mn marking an increase compared to the previous year's total of LKR 919Mn. This increase was mainly generated by the 36% growth in domestic market revenue which amounted to LKR 368Mn as at the end of the year. Revenue from export sales experienced a decline reaching LKR 555Mn compared to the previous year's value of LKR 649Mn. Despite challenging conditions during the first quarter of the year which led to a reduction in production and sales volumes, the Company demonstrated a good comeback during the remainder of the year.

Total Revenue



COST OF SALES

Cost of sales amounted to LKR 722Mn denoting an increase of 31% compared to the previous year's total of LKR 551Mn. The material, labour, fuel power, packing and factory overheads impacted the cost of sales.

OPERATIONAL EXPENSES

Administrative expenses for the period under review rose to LKR 302Mn with increased provisioning against inventory stocks, whilst selling and distribution costs marked a minor increase of 2% recording LKR 99Mn.

FINANCE COSTS

Finance costs stood at LKR 57Mn making a minor increase during the year.

PROFITABILITY

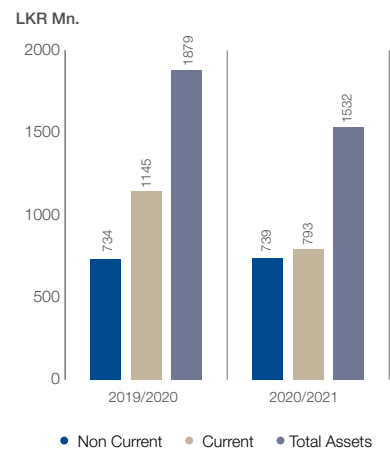
The Company reported a gross profit of LKR 200Mn during the year compared to LKR 368Mn of the previous year. Regardless of the rise in revenue, the overriding rise in cost of sales led to the overall decline in y-o-y gross profits. Operating under challenging business conditions and pandemic induced restrictions the Company ended the financial year with a net Loss before tax of LKR 255Mn.

TOTAL ASSETS

Non-current assets stood at LKR 739Mn as at 31 March 2021 while current assets amounted to LKR 792Mn. The Company acquired property, plant and equipment to the aggregate value LKR 28.7Mn during the year with the net book value amounting to LKR 616Mn as at year end. Total assets as at year end stood at LKR 1.5Bn marking a decline against the prior year's asset value of 1.9Bn. This was mainly due to the new inventory provision of LKR 138Mn, reduction in the finished goods inventory by LKR 81Mn and work-in-progress of LKR 23Mn.

A notable reduction in advances and pre-payments amounting to LKR 152Mn also contributed to the decline in current assets.

Total Assets



LIABILITIES

During the year, loans and borrowings decreased by 170Mn to LKR 560Mn as a result of increased emphasis placed on settling outstanding loans through foreign inward remittances. Trade and other payables increased by LKR 72Mn to LKR 292Mn due to the extended credit periods with suppliers. Accordingly, total liabilities of the Company decreased to LKR 901Mn from LKR 1,029Mn reported during the previous financial year.

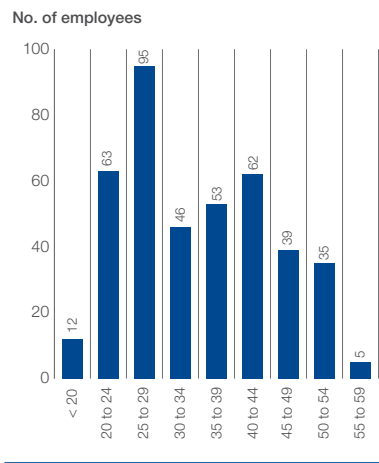


EMPLOYEE VALUE PROPOSITION

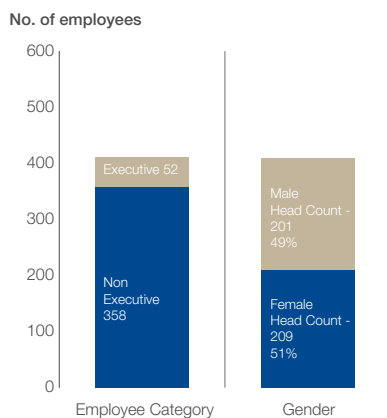
Our Team

Our colleagues have gone above and beyond the call of duty, displaying commendable commitment while battling the challenges brought on by the pandemic. In turn we have worked hard to support them and promote a culture of openness where all employees have been encouraged to communicate any difficulties and challenges faced in adjusting to the new way of work. As at 31 March 2021 our team comprised of 410 individuals who have put the Company’s strategy into action allowing us to deliver on our promises to our stakeholders.

Workforce by age



Workforce by Employee category & Gender



Professional development

Having acknowledged the vitality of creating a performance-driven culture, we continued to enhance our core competencies, building knowledge, attitudes, and skills of our employees to gain a competitive edge in the market, while enhancing productivity and efficiency levels. We aim to recruit the best talent possessing a ‘can-do’ attitude and put in our best effort to retain them while keeping them motivated and satisfied. New employees are offered an induction program allowing them to get a clear understanding of the business operations, its vision and goals, making them feel welcome and part of our family right from the start.

The Company also has in place well-structured training programs that enable employees to stay ahead of the latest technical and technological developments and encourage critical thinking and continuous interaction to improve the processes and procedures. Additionally, the Company also invests in grooming its employees to become future leaders, providing the necessary soft skills and personality development training based on the employee performance evaluations. Due to the prevailing pandemic conditions the Company faced certain difficulties in carrying out the training programs as planned during the year under review.

The Company successfully concluded its performance evaluations during the year rewarding its high performing individuals and providing necessary feedback for further improvements where applicable. Employee salaries are on par with industry standards and employees also received various other benefits.

Health and well-being

Ensuring a healthy and safe workplace for our employees was considered vital during the year. Operating amidst the



COVID-19 pandemic we strengthened our health and safety procedures based on the directive of the Health and Safety Committee of the parent company Ambeon Holdings PLC, encompassing regulations introduced by the World Health Organisation and the Ministry of Health. We ensured that all new policies and procedures were clearly communicated to all employees and strict monitoring was carried out to ensure adherence to the set guidelines. Some of the main initiatives taken in support of minimizing any exposure to the virus are as follows:

Management Report – Royal Fernwood Porcelain Limited



- Cleaning and sanitizing the entire factory premises before the arrival of the workers after the lockdown
- Spraying anti-virus liquid to common areas such as the canteen, washrooms and office areas
- Conducting awareness sessions for security and medical staff on how to:
 - Instruct employees and visitors
 - Use the forehead thermometer
 - Respond in an emergency situation
- Displaying awareness posters about COVID-19 across the factory
- Setting up a foot operated tap for hand washing and providing hand sanitizer at the main entrances
- Installing sanitizers near each fingerprint machine
- Informing nurses to check employee temperature levels at the entrance and during midday
- Conducting daily awareness announcements, educating employees on the risks of COVID-19, how it spreads and prevention methods
- Marking 1-meter gaps at the canteen and fingerprint queues
- Marking approved seating places in the offices and canteen with a distance of 1 meter.
- Implementing foot-operated door openers
- Preparing an isolation room to use in any case of emergency
- Mandatory wearing of face masks at all possible times
- Restricting guest access into the factory premises without prior approvals from authorized personnel

While implementing these additional protocols the Company continued to maintain its general health and safety procedures to safeguard the employees from work related accidents and risks. Employees were provided with the necessary safety gear and given adequate training on the proper use of machinery, tools and equipment while health and safety audits were carried out to affirm the adequacy of our safety protocols.

The Company also encouraged its employees to undergo regular health checkups and has partnered with several state hospitals close to the Kosgama facility enabling them easy access to follow up sessions.

STAFF ENGAGEMENT

The Company generally carries out a variety of staff engagement events including sports tournaments, sustainability projects and competitions to provide employees an opportunity to relax and demonstrate their interests and skills. Due to the pandemic, the Company had to restrict its planned engagement events as employee safety took priority. However, we made sure our staff was kept happy and motivated at all times during this challenging year.

SOCIAL VALUE PROPOSITION

Our Customers

Customers are at the heart of everything we do and guide every decision we make. Thus, we push ourselves to improve our product offerings in support of our core purpose of doing right by our customers and serving them a little better every day.



Catering to retailers, HORECA based clients and corporate buyers in over 14 countries	08 new clients acquired during the year	Investment in 58 new products	Investment in promotions and communications
We take every effort to maintain the relationships built with our customers over the years. Our intricately crafted products have helped the Company secure export consignments to upscale manufacturers and prestigious international brands in Europe, Australia, Japan, United States, Middle East, India and Scandinavia.	<ul style="list-style-type: none"> • Next – UK • Berghoff- Belgium • EMBR- United Arab Emirates • Shopper Stop- India • Capedimonte- Italy • Syarikat Menang Glassware- Malaysia • Wheel & Barrow- Australia • Avid Nordiquest- Sweden 	As consumer preferences evolve over time, we make sure we are one step ahead by providing innovative, versatile, vibrant designs that match their expectations. Matt glazed organic shaped products, terra cotta products using local clay, tea infuser mugs, exquisite candle holders, raised decal embossed products and the heater insulator are some of the key innovations carried out during the year.	The Company connects with its customers through digital and social media platforms as well as through combined efforts in marketing and promotions and international marketing campaigns.

Investment in **58** new products

Customer	Samples	Customer	Samples
NEXT	10	Capademonte	3
SDH	9	CNB	3
CR	8	Magnor	3
Monica	5	Jashanmal	1
W&B	5	Nestle Sweden	1
LSI	4	Portmeirion	1
Terra cotta project	4	Tea infuser	1

PRODUCT RESPONSIBILITY

RFPL continues to maintain the highest standards in quality assurance and holds the following certifications and accreditations.

- ISO 9001- 2015 certificate and ISO 9001-2015 international standard, which specifies requirements for a Quality Management System (QMS).
- First and only manufacturer of porcelain tableware to achieve the SLS 1222:2001 accreditation.
- Conformance with the Customs Trade Partnership Against Terrorism (CTPAT), which is a component of the US Customs and Border Protection’s (CBP) multi-layered cargo enforcement strategy.
- Adherence to the Sedex Members Ethical Trade Audit (SMETA) method of ethical auditing best practices.
- Business Social Compliance Initiative BSCI Certification, which promotes workplace conditions in conformance with UN Charter on Human Rights and ILO conventions.

SUPPLIER AND BUSINESS PARTNER RELATIONSHIPS

Our suppliers are essential to ensure uninterrupted business operations and to maintain the brand presence associated with RFPL products. Accordingly, the Company maintains ongoing communication with its suppliers via online and offline means while also visiting them from time to time. These solid relationships built with suppliers over the years have enabled the Company to achieve short lead times and high-quality raw materials which are vital towards meeting customer expectations and maintaining quality specifications.

Our partnerships include local supply companies, suppliers from New Zealand, UK, Japan and China, and world-renowned machine manufacturers such as Netschz Gmbh- Germany, Drayton Kilns Co. Ltd.- United Kingdom and Kajiseki (Takahama) and S.K.K.- Japan. During the year, several new partnerships were formed with both local and foreign suppliers in order to fulfil raw material, packaging and machinery requirements.

Management Report – Royal Fernwood Porcelain Limited

Over its 25 years in operation the Company has also succeeded in establishing mutually beneficial relationships with its dealers. While enabling both parties to enjoy financial benefits these connections have provided a great impetus towards our growth within the local market. The physical presence and distribution capabilities of our business partners have enabled us to further expand to the Northern Province of the country opening new avenues of growth and expansion.

	2021	2020
Total Local sales	367,543,928	269,674,619
Dealer sales	155,956,363	138,059,807
As a % of total local sales	42%	51%
No. of dealers	160	233

REGULATORY COMPLIANCE

The Company ensures strict compliance with all financial, labour and quality-based regulations, as well as product standards of all our international principals. We have also complied with the relevant financial standards stipulated by the Institute of Chartered Accountants of Sri Lanka and conduct operations according to the



environmental regulations and quality standards mandated by the Sri Lanka Standards Institute and the International Organisation for Standardization.

COMMUNITY DEVELOPMENT

As a responsible corporate citizen, we place great importance on uplifting and empowering the community. We provide employment opportunities for individuals in the areas surrounding our factory as well as to differently abled individuals (with Autism, hearing problems etc.) in collaboration with the Department of Social Services – Sri Lanka. However,

due to the pandemic the Company had to control its CSR activities during the year.

ENVIRONMENTAL VALUE PROPOSITION

The Company is dedicated towards protecting the natural environment and upholding a high degree of environmental responsibility. Thus, it places high importance on preserving energy usage and eliminating waste and emissions and has established policies and procedures relating to the sustainable use of resources and environmental impact management. The Company uses minerals such as Kaolin, Feldspar, Quartz and Dolomite as raw materials and consumes a considerable amount of water in its manufacturing process. Additionally, LPG is also a key input in the manufacturing process used for heating and firing kilns and ovens. As a result, the Company makes a conscientious effort to ensure optimum usage of these materials and encourage a resource efficient business operation. Some of the key initiatives taken are as follows:

Water Management	Water once used for production is recycled for watering the gardens that surround the Kosgama facility.
Waste Management	Regulated waste control measures have been implemented across the production facility including: <ul style="list-style-type: none"> • Porcelain waste and Plaster of Paris waste: Recycled by the Company in producing bi-products. • Waste clay: Reused and a percentage from damaged biscuits is also recycled and reused. • Solid or liquid outputs: Crushed through a process of compacting porcelain-based waste while some are reused at appropriate points within the production process. • Paper: Minimizing the usage of paper by implementing online worksheets and job card systems, restricting the use of stationery from the general storage facility and optimizing the usage of paper in the printing department.
Emissions Management	<ul style="list-style-type: none"> • Measuring the level of CO₂ emissions from production activities. • Ensuring that machines and kilns consume energy efficiently.

WAY FORWARD

Enhancing our brand presence

- Pursuing potential growth opportunities in the Australian and New Zealand markets
- Developing a new range of products for Portmeirion
- Re-directing the organisation's focus towards the lifestyle and gift market
- Introduce new design themes that boost our brand identity and attract clients with discerning tastes

Embracing technology

- Continuing to optimize internal processes, operations, and costs using new technology such as AI
- Pursuing the implementation of 3D technology in producing samples, 3D printed ceramics and molds instead of standard sample development





Propelled by the trust our stakeholders have placed in us we deliver consistent value through a robust corporate governance and risk framework.



Corporate Governance

Corporate Governance

Good Corporate Governance ensures that stakeholder interests are protected and this facilitates the growth and development of the Company. The corporate governance framework drives accountability, transparency and integrity at every level of the organisation, ensuring stability during challenging conditions. The Board of Directors is the apex governing body and holds responsibility for setting the strategic direction, formulating policies and exercising oversight over the affairs of the Company

The Dankotuwa Group continues to prioritize a holistic corporate governance framework, where compliance is encouraged and ensured across every department, and across every process. Constant review enables this Governance Framework, to be continuously strengthened throughout the Dankotuwa Group to ensure that all subsidiaries within the Group are focussed on protecting stakeholders' interests.

1. DELIVERING VALUE

The Dankotuwa Group is committed to delivering stakeholder value and believes this can best be done by ensuring the operational and financial success of the Group. Good Corporate Governance is supported by establishing and maintaining high internal standards through principles, which can be found in the Code of Business Conduct and Ethics of Dankotuwa Porcelain PLC.

2. THE DANKOTUWA CULTURE OF GOVERNANCE

The importance importance given by the Board of Directors to good governance sets the benchmark for all levels of employees within the Group. This is underscored by the ethical business practices and conduct expected of all employees.

The Group emphasizes responsibility and accountability and facilitates this through transparency of operations within the clearly established governance structure.

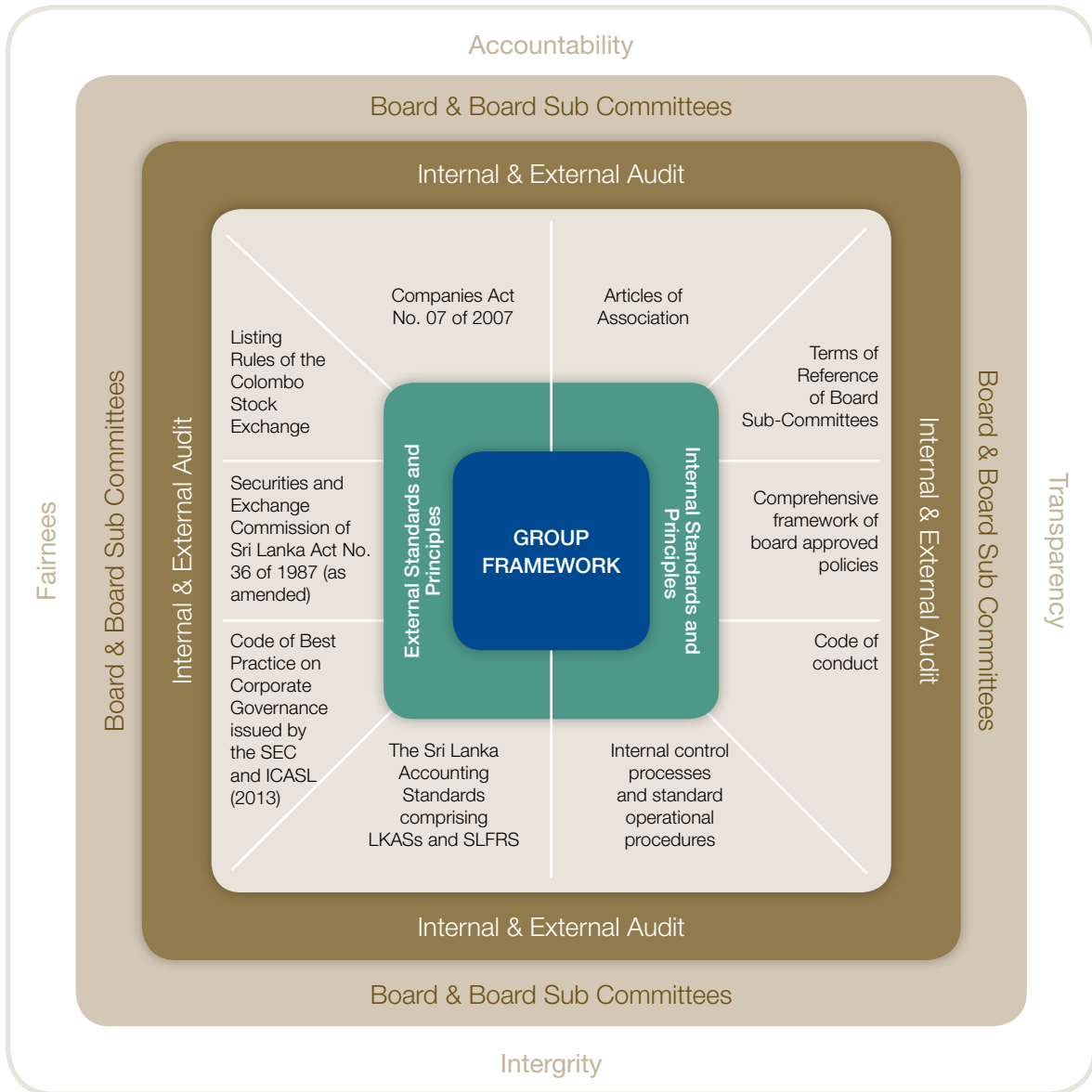
3. GOVERNANCE FRAMEWORK

In formulating the governance framework, the Dankotuwa Group has taken into consideration all regulatory and statutory requirements, including those of the Colombo Stock Exchange (CSE) and the Securities and Exchange Commission of Sri Lanka, industry best practices and international standards in corporate governance. Also included are internal standards, operational and control procedures and Board approved policies.

Through these, the Group addresses strategy formulation, decision making, human resource governance, integrated risk management, IT governance, and stakeholder management and communication. The Group also has in place an integrated risk management mechanism, that is aligned with the overall Group structure of Ambeon Holdings PLC.

The framework also provides for performance parameters to be laid down, and a review and reporting process enables the Board to monitor not only compliance with requirements but also the progress and stability of the Group.

CORPORATE GOVERNANCE FRAMEWORK

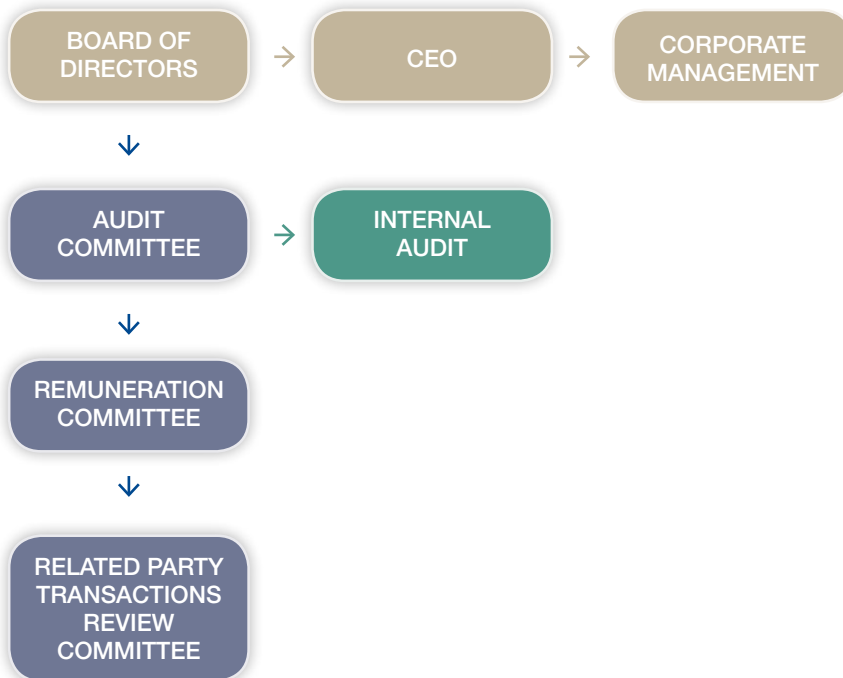


Corporate Governance

4. GOVERNANCE STRUCTURE

The Board has appointed three Sub Committees to assist it in its task of monitoring and reviewing good governance. Operational and financial performance and compliance are to be conducted in conformance with documented policies, standards and the CEO's of Dankotuwa Porcelain PLC and its subsidiary Royal Fernwood has the responsibility of ensuring this.

Internal Audits have been embedded into the corporate framework and are carried out across both production facilities based on the nature of the functions.



4.1 The Board

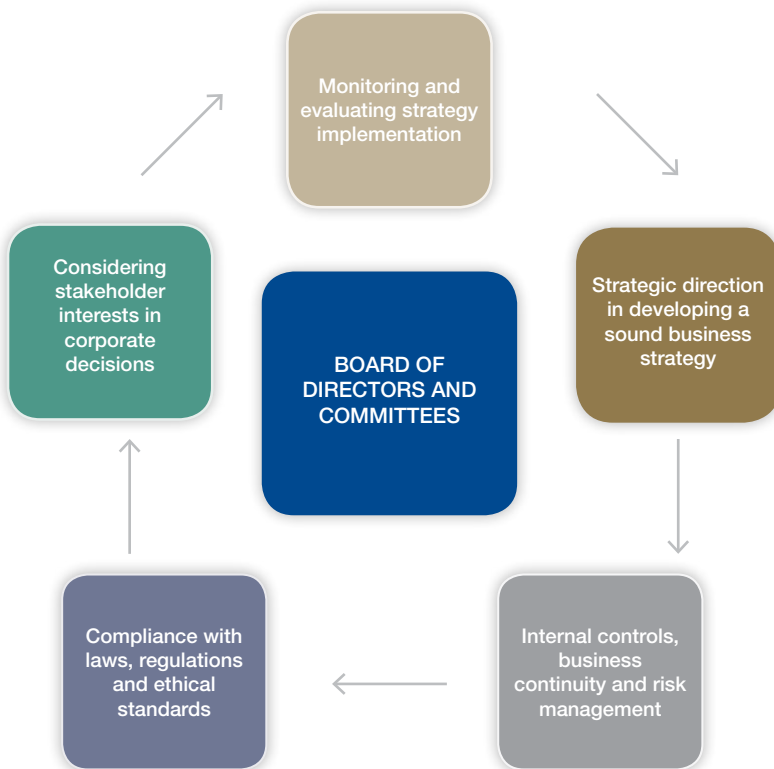
The Company's business and Group operations are managed under the supervision of the Board. The Board of Directors comprise eminent professionals who hold positions of leadership within their respective professional fields and industries. These experienced Directors collectively provide the Company with a well-balanced mix of diverse competencies and experiences in leadership and governance.

4.2 The Board Mandate

The Board is collectively responsible for the overall stewardship of the Company. The responsibilities of the Board include:

- Providing entrepreneurial leadership to the Group.
- Providing strategic guidance and evaluating, reviewing and approving corporate strategy and the performance objectives of the Group.
- Approving and monitoring financial and other reporting practices adopted by the Group.
- Effectively reviewing and constructively challenging the performance of the Management in meeting the agreed goals, monitoring the reporting of performance and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives.
- Setting the risk appetite and ensuring the Group's risk exposure is maintained within the defined parameters.
- Ensuring effectiveness of systems in place to secure integrity of information and internal controls.

The Board is able to play this role effectively because each Director's unique insights and their diverse perspectives enable the Board as a whole to approach issues with impartiality and take a multi-faceted view which strengthens analysis.



4.3 Board Composition and Diversity

Directors combine a unique depth and breadth of skills which include entrepreneurial, corporate and academic expertise. Non-executive directors are eminent professionals in their respective fields, bringing diverse perspectives to board deliberations.

The Board comprises ten (10) Non-Executive Directors who are able to contribute considerable depth of collective knowledge and experience gained from serving in a variety of public and private companies in diverse industries. The Board includes three qualified Accountants who provide the Board with the requisite financial acumen and knowledge on financial matters.

The Board considers that the composition and expertise of the Board is sufficient to meet the present needs of the Dankotuwa Group but will continue to review the composition and the mix of skills and expertise on an on-going basis to align it to the business needs and complexity of the Group's operations.

Corporate Governance

The composition of the Board of Directors during the financial year and as at date is as follows;

Mr. Rajan Asirwatham (Chairman) – Independent, Non-Executive Director

Mr. Ajith Devasurendra (Deputy Chairman) – Non-Independent, Non-Executive Director

Mr. Mangala Boyagoda – Independent, Non-Executive Director

Mr. Sanjeev Gardiner – Non-Independent, Non-Executive Director

Mr. Priyantha Maddumage - Non-Independent, Non-Executive Director

Mr. Revantha Devasurendra - Non-Independent, Non-Executive Director

Mr. Murali Prakash – Non-Independent, Non-Executive Director

Mr. Dilush Perera – Independent, Non-Executive Director
(resigned w.e.f. 01 June 2021)

Mr. Rohan Peris – Independent, Non-Executive Director
(appointed w.e.f. 01 April 2021)

Mr. Niranjan Wijesekera – Independent, Non-Executive Director
(appointed w.e.f. 01 April 2021)

Mr. Yudy Kanagasabai – Non-Independent, Non-Executive Director (appointed w.e.f. 01 June 2021)

Mr. Shalike Karunasena – Alternate Director to Mr. Priyantha Maddumage

Mr. Chirath Devasurendra – Alternate Director to Mr. Ajith Devasurendra (appointed w.e.f. 05 November 2020)

4.4 Board Independence

Based on the annual declarations made by each of the Non-Executive Directors in accordance with the requirements set out in the Listing Rules of the CSE, Mr. R N Asirwatham, Mr. R P Peris and Mr. N S Wijesekera are considered independent. Furthermore, the Board considers Mr. M Boyagoda as 'independent', given his objective and unbiased approach to matters of the Board notwithstanding that he is an independent Director of the parent company.

These directors are independent of Management and free from any business or other relationship, which could materially interfere with the exercise of their judgment. The Board considers the other six Non-Executive Directors, namely Mr. A L Devasurendra, Mr. N M Prakash, Mr. S E Gardiner, Mr. P P Maddumage, Mr. R T Devasurendra and Mr. Y Kanagasabai as Non-Independent, as they are nominees of Ambeon Holdings PLC, the major shareholder of the Company.

4.5 Board Meetings and Attendance

To facilitate planning and participation, Board meetings for each financial year are scheduled in advance. Having obtained the Directors' agreement, the annual Board meeting calendar is finalized and is tabled at the Board meeting in the final quarter of each preceding year. The Agenda and Board papers are circulated at least 7 days prior to the Board meeting to allow the Directors sufficient time to review the matters, which will be deliberated at the meetings.

On occasion, the Board invites members of the Management Team or external advisors to the Board Meeting, to provide further clarity on an issue and special Board meetings are convened whenever needed to deal with specific matters. The pandemic situation which prevailed during the year prevented the Board from meeting regularly, as planned however a total of three physical Board meetings via online platform were held during the financial year and matters which required approval of the Board were obtained by Circular Resolutions. The attendance at Board meetings during the year are given below;

Director	Attendance
Mr. Rajan Asirwatham	3/3
Mr. Ajith Devasurendra	3/3
Mr. Mangala Boyagoda	3/3
Mr. Sanjeev Gardiner	2/3
Mr. Priyantha Maddumage (by his alternate Director)	2/3
Mr. Revantha Devasurendra	3/3
Mr. Murali Prakash	3/3
Mr. Dilush Perera (resigned w.e.f. 01 June 2021)	2/3
Mr. Rohan Peris (appointed w.e.f. 01 April 2021)	0/0
Mr. Niranjan Wijesekera (appointed w.e.f. 01 April 2021)	0/0
Mr. Yudy Kanagasabai (appointed w.e.f. 01 June 2021)	0/0

4.7 Board Access to Information and Resources

Directors have unrestricted access to management and organisation information, as well as to resources required to carry out their duties and responsibilities, independently and effectively. Executive management makes regular presentations with regard to the business environment and in relation to Group operations. Access to independent professional advice is available to Directors at the Company's expense.

4.8 Induction and On-Going Training for Directors

On appointment, Directors are provided with an orientation pack containing all relevant external and internal regulation documents. The Directors keep abreast of local and global developments affecting business, including regulatory changes, economic movements and industry trends. Training and professional development take place by their attending seminars/ workshops/conferences, participating as speakers at events, using web-based learning resources and reading business updates.

4.9 Professional Development and Performance Evaluation

The Remuneration Committee is responsible for evaluating the Board's performance. The Committee decides on how the Board's performance may be evaluated and proposes objective criteria.

4.10 Re-appointment and Re-Election of Directors

In accordance with the Company's Articles of Association, Directors who were appointed during the year must submit themselves to the shareholders for re-election at the first AGM following their appointment. Further, 1/3 of the Non-Executive Directors

are subject to retirement by rotation at every AGM. The Directors who retire by rotation are those who have been longest in office since their appointment/ re-appointment, and they may offer themselves for re-appointment.

5. BOARD COMMITTEES

To facilitate more in-depth study and discussion, the Board has delegated some of its functions to the Board Sub-Committees. Accordingly, proposals from these sub-committees are submitted to the Board to enable a decision to be agreed upon. Members of these sub-committees can focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise.

All Board sub-committees have written Terms of Reference approved by the Board. The Board receives reports of their proceedings and deliberations along with recommendations for approval by the Board. The Chairpersons of each of the Board Committees apprise the Board on the sub-committee discussions, and the relevant decisions are incorporated into the Minutes of the Board Meetings. M/s Nexia Corporate Consultants (Private) Limited acts as the Secretary to all the Board Committees.

The Board sub-Committees are supported by a comprehensive and effective internal governance structure, headed by the CEO who oversees the operations of the Company. Reporting to the CEO is the Senior Management Team that oversees the effective management of the Company.

Corporate Governance

Details of the three Board Sub-Committees are given below:

Board Sub-Committee	Areas of oversight	Composition
Audit Committee	<ul style="list-style-type: none"> Financial Reporting Statutory Compliance Internal Controls and Risk Management Internal and External Audits <p>Refer the Report of the Audit Committee on page 55 for more information.</p>	03 Non-Executive Directors
Remuneration Committee	<ul style="list-style-type: none"> Assist the Board on succession planning Determine the rewards strategy Make recommendations to the Board on rewards and remuneration of executives and non-executive directors <p>Refer the Report of the Remuneration Committee on page 56 for more information.</p>	03 Non-Executive Directors
Related Party Transactions Review Committee	<ul style="list-style-type: none"> Review Related Party Transactions Ensure that interests of shareholders are taken into account when entering into a transaction <p>Refer the Report of the Related Party Transactions Review Committee on page 57 for more information.</p>	03 Non-Executive Directors

6. DIVISION OF RESPONSIBILITIES

The roles of the Chairman and the Chief Executive Officer (CEO) are clearly demarcated and there is a clear distinction of responsibilities between them. Thus, monitoring and oversight is separated from execution and implementation to ensure balance accountability. The role of Chairman and CEO have been segregated, in line with best practices in Corporate Governance ensuring that no one Director has unfettered power and authority. The Chairman leads the Board of Directors, ensuring that it conducts its activities in the best interest of the Company. The CEO is accountable to the Board for the exercise of authority delegated by the Board of Directors and for the performance of the Group. The role of the CEO is to implement the policies and

the strategies approved by the Board and to develop and recommend the business plans and budgets that support the Group's long-term strategy and vision that would lead to generating shareholder value.

7. EMPLOYEE EMPOWERMENT

The Group has put in place the necessary processes and procedures to ensure effective recruitment, development and retention of employees. The Group considers its employees to be a pivotal force that will drive the Organisation towards its objectives. Constant dialogue and facilitation are also maintained ranging from work related issues to matters pertaining to general interest that could affect employee wellbeing. The Group fosters an open-door culture for its employees across all levels.

8. ENGAGEMENT WITH SHAREHOLDERS

The Company is committed to having regular, proactive and effective communication with the investors and shareholders. The Company demonstrates its respect of the rights of the shareholders and other investors by ensuring they have access to regular information about the Company's position and progress.

The Company maintains engagement with the shareholders through the following means of communication:

(a) Annual General Meeting (AGM)

The AGM is one of the most significant ways by which the shareholders can meet with the Board. This also provides shareholders with an opportunity to

communicate their views on various matters affecting the Company. The Senior Management, External Auditors and Company Lawyers also attend the AGM and are thereby available for additional information or clarity.

(b) Announcements to the

Colombo Stock Exchange (CSE)

Announcements of quarterly interim financial results and announcements on corporate actions are disclosed to the CSE in a prompt and timely manner in compliance with the Listing Rules of the CSE.

(c) Media Releases.

The Company ensures that media releases are made to the media on all significant corporate developments

and business initiatives through its Group Corporate Communications.

9. RELATIONS WITH INVESTORS

The Group Investor Relations (IR) Team engages regularly and proactively with investor groups through sharing and disseminating relevant information about the Group in a timely manner. The IR team maintains a close relationship with the investor community through personal meetings, tele-conferences, and emails to ensure that the Group's strategies, operational activities and financial performance are shared and made available to them.

10. ACCOUNTABILITY AND AUDIT

The Board is responsible for presenting a balanced, accurate and understandable

assessment of the Company's, performance, financial position and prospects. Interim performance reports are circulated within 45 days of each quarter end whilst other price sensitive information is disclosed to shareholders through the Colombo Stock Exchange. The Company's financial statements are prepared in accordance with the Sri Lanka Financial Reporting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act.

11. MAJOR TRANSACTIONS

During the financial year, there were no transactions which could be deemed as a 'major transaction' as defined in the Companies Act No. 07 of 2007

Statement of compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure.

	Requirement	Remarks
a)	Names of persons who during the financial year were Directors of the Entity	page 60 to 61.
b)	Principal activities of the entity and its subsidiaries during the year, and any changes therein.	page 74.
c)	The names and the number of shares held by the 20 largest shareholders of voting and non-voting shares and the percentage of such shares held	page 135.
d)	The public holdings percentage	page 134.
e)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year	page 136.
f)	Information pertaining to material foreseeable risk factors of the Entity.	page 50 to 54.
g)	Details of material issues pertaining to employees and industrial relations of the Entity.	page 62.
h)	Extent, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	page 92 to 97
i)	Number of shares representing the Entity's Stated Capital	page 62.
j)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	page 134.
k)	Financial ratios and market price information	page 6, 134.
l)	Significant changes in the Entity's or it's subsidiaries fixed assets, and the market value of land, if the value differs substantially from the book value.	page 89 to 102.
m)	Details of funds raised through a public issue, rights issue and a private placement during the year.	N/A
n)	Information in respect of Employees Share Ownership or Stock Option Scheme	N/A
o)	Disclosures pertaining to Corporate Governance practices in terms of Rule 7.10.3, 7.10.5 C, and 7.10.6 C of Section 7 of the Listing Rules of the CSE	page 46 to 49.
p)	Related Party Transactions exceeding 10% of the equity and 5% of the total assets of the Entity as per the audited financial statements, whichever is lower.	Note 27.1.3 on page 126.

Corporate Governance

Statement of compliance under Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure

Section	Requirement	Compliance Status	Remarks
7.10.1 (a)	The Board of Directors of a Listed Entity shall include at least two Non-Executive Directors or such number of Non-Executive Directors equivalent to 1/3rd of the total number of Directors whichever is higher.	✓	All Directors are Non-Executive Directors
7.10.2 (a)	Two or 1/3rd of the Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be 'independent'.	✓	Out of the Non-Executive Directors, four are independent.
7.10.2 (b)	The Board shall require each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria	✓	Non-Executive Directors have submitted their confirmation of independence as per the criteria set out by the CSE Rules.
7.10.3 (a)	The Board shall determine annually as to the independence or non-independence of each Non-Executive Director based on such declaration and other information available to the Board and shall set out in the Annual Report the names of Directors determined to be 'independent'.	✓	The Board has made such determination and the basis for determination of 'Independence' is in line with the definition of the CSE Regulations in force.
7.10.3 (b)	In the event a Director does not qualify as 'independent' against any of the criteria set out in the regulation but if the Board, taking into account all the circumstances, is of the opinion that the Director is nevertheless 'independent', the Board shall specify the criteria not met and the basis for its determination in the Annual Report.	✓	Non-Executive Directors have declared their independence or non-independence.
7.10.3 (c)	The Board shall publish in its Annual Report a brief resume of each Director on its Board which includes information on the nature of his/her expertise in relevant functional areas.	✓	Profile of each Director is given on page pages 17 to 19 of the Annual Report
7.10.3 (d)	Upon appointment of a new Director to its Board, the entity shall forthwith provide to the Exchange a brief resume of such Director for dissemination to the public.	✓	Whenever there is a new Director appointed to the Board, disclosure is made to the Colombo Stock Exchange together with his/her brief resume.
7.10.5 (a)	The Remuneration Committee shall comprise, of a minimum of two Independent Non-Executive Directors (in instances where an Entity has only two Directors on its Board) or of the Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.	✓	Composition of the Remuneration Committee is given on page 56 of the Annual Report under Remuneration Committee Report.
7.10.5 (b)	The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer of the Listed Entity and/or equivalent position thereof, to the Board of the Listed Entity which will make the final decision upon consideration of such recommendation	✓	Remuneration received by the Directors is set out in Note 21 to the Financial Statements on page 119

Section	Requirement	Compliance Status	Remarks
7.10.5 (c)	The Annual Report should set out the names of the Directors comprising the Remuneration Committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.	✓	The names of the Directors of the Remuneration Committee are set out on page 56 of this Report.
7.10.6 (a)	<p>The Audit Committee shall comprise, of a minimum of two Independent Non-Executive Directors (in instances where an Entity has only two Directors on its Board) or of the Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.</p> <p>The Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend Audit Committee Meetings.</p> <p>The Chairman or one Member of the Committee should be a Member of a recognized professional accounting body.</p>	✓	<p>Audit Committee consists of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director. The report of the Audit Committee is given on page 55 to the Annual Report.</p> <p>The Chief Executive Officer and the Chief Financial Officer attends the Audit Committee Meetings by invitation.</p> <p>Out of the Three Members, one Member is from a recognized professional accounting body.</p>
7.10.6 (b)	<p>Functions of the Audit Committee shall include,</p> <ul style="list-style-type: none"> • Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards. • Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. • Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards. • Assessment of the independence and performance of the Entity's external auditors. • To make recommendations to the Board pertaining to appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors. 	✓	Report of the Audit Committee set out on page 55 of the Annual Report describes the scope performed by the Committee during the year under review.
7.10.6 (c)	The names of the Directors comprising the Audit Committee should be disclosed in the Annual Report. The Committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the Annual Report. The Annual Report shall contain a Report by the Audit Committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the Annual Report relates.	✓	Names of the Directors on the Audit Committee and its report are given on page 55 of the Annual Report.

Corporate Governance

Statement of Compliance under Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE).

Section	Requirement	Compliance Status	Remarks
9.2.1 & 9.2.2	All Related Party Transactions should be reviewed by the “Related Party Transactions Review Committee”. The Committee should comprise a combination of Non-Executive Directors and Independent Non-Executive Directors. The composition of the Committee may also include Executive Directors, at the option of the Listed Entity. One Independent Non-Executive Director shall be appointed as Chairman of the Committee.	✓	Composition of the Related Party Transactions Review Committee is given on page 57 of the Related Party Transactions Review Committee Report. The Chairman of the Committee is an Independent Non-Executive Director.
9.2.4	The Committee shall meet at least once a calendar quarter. The Committee shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors	✓	Attendance of the Related Party Transactions Review Committee is given on page 57 of the Annual Report under the Related Party Transactions Review Committee Report.
9.3.1	A Listed Entity shall make an immediate announcement to the Colombo Stock Exchange of any non-recurrent Related Party Transaction with a value exceeding 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements, or of the latest transaction, if the aggregate value of all non-recurrent Related Party Transactions entered into with the same Related Party during the same financial year amounts to 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements. The listed Entity shall disclose subsequent non-recurrent transactions which exceed 5% of the Equity of the Entity, entered into with the same Related Party during the financial year.	✓	Related Party Transactions are disclosed on Note 27.1.3 to the Financial Statements. During the financial year there were no non-recurrent related party transactions that require immediate disclosure to the Colombo Stock Exchange (CSE).
9.3.2 (a)	In the case of Non-Recurrent Related Party Transactions, if the aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements the related information must be presented in the Annual Report.	✓	There were no non-recurrent related party transactions that require disclosure in the financial statements.
9.3.2 (b)	In the case of Recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of Recurrent Related Party Transactions entered into during the financial year in its Annual Report	✓	Please refer Note 27.1.3 to the Financial Statements.

Section	Requirement	Compliance Status	Remarks
9.3.2 (c)	The Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following; <ul style="list-style-type: none"> Names of the Directors comprising the Committee A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated the comments/observations to the Board of Directors The policies and procedures adopted by the Committee for reviewing the Related Party Transactions. The number of times the Committee has met during the Financial Year. 	✓	Please refer Report of the Related Party Transactions Review Committee on page 57 of the Annual Report.
9.3.2 (d)	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	✓	An affirmative statement is included on page 63 of the Annual Report.

Statement of Compliance of Companies Act No. 07 of 2007

Section	Requirement	Annual Report Reference
168 (1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period	page 60.
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	pages 65 to 131.
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	page 65 to 67.
168 (1) (d)	Accounting Policies and any changes made during the accounting period	pages 74 to 88.
168 (1) (e)	Particulars of the entries made in the Interest Register during the accounting period	pages 125 to 126.
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Note 27.2 on page 126.
168 (1) (g)	Corporate donations made by the Company during the accounting period	page 62.
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	page 60 to 61 and page 140.
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	page 63.
168 (1) (j)	Auditors' relationship or any interest with the Company and its subsidiaries	page 63.
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board	page 63.

Risk Management Report

The Group seeks to proactively identify, measure and mitigate emerging risks that could potentially impact its performance and/or value creation. The conditions that prevailed during the year, resulted in a dramatic shift in the Group's risk landscape, necessitating a strengthening of risk management practices.

The Group's solid risk management framework has mitigated risks whilst empowering the subsidiary to pursue opportunities for sustainable growth.

Navigating through the financial year 2020/2021 we have recognized the importance of a robust risk management framework in building organizational resilience. This is particularly vital as the Group's earnings are primarily revenue derived from exports where focus is paramount when taking strategic decisions (considering our export market and cross-border ventures). Our integrated risk management framework has been designed not only to ensure stakeholder wealth creation and maximization but in building resilience into the framework, especially important when faced with unprecedented risks of the scale experienced in the year under review.

RISK GOVERNANCE

The Board of Directors holds apex responsibility for managing the Group's risk exposure and is supported by the Audit Committee in discharging its risk related duties. They carry the responsibilities of managing the risk framework and approving control mechanisms as well as implementing policies in the effective implementation of risk mitigation strategies. They are also the leading authority in ensuring that the strategies are shared across the Company and the Dankotuwa Group, while simultaneously creating awareness amongst employees. Directors also conduct periodic reviews of risks and evaluate those that have a perceived level of impact on the Group.

Risk identification is an organisation-wide process, which combines the efforts of all functional and business unit staff. The Manager – Governance, Risk and Compliance of the parent entity conducts periodic risk assessments to ensure that all risks are proactively identified and mitigated. He is a member of the Group's Senior Management and works in close rapport with management teams of all levels. He oversees the levels of risk appetite and ascertains the best measures in minimizing the exposure to unpredictable risks and identifying mechanisms in mitigating such risks if and when they occur.

INTEGRATED RISK MANAGEMENT FRAMEWORK

As part of the much stronger and holistic strategic structure of the Ambeon Group, the Dankotuwa Group continues to work within a prudently designed Integrated Risk Management (IRM) process that is robust with clearly identified risk parameters.

Risk management of subsidiaries has been centralized under the IRM approach and is a robust framework that can be applied to each distinctive business within the Group's portfolio. This has unified and aligned the risk management process across Ambeon Group and enables an efficient and flexible approach to decision-making at a strategic level. Key strategic risks are tracked at a Group level, while risks that are specific to each business (operational risks) are managed at the company level by each Business Head and the respective CEO's.

With clearly identified material risks and impacts, the Company has set in place a risk mitigation plan that has identified interconnected dependencies between stakeholders as parties connected to the progress and growth of the Dankotuwa Group. We have also taken into consideration measures that enable us to better respond to disruptions in

our production process, supply chain, markets and importantly along with the dynamic challenges that arise from macro-economic, environmental, and social changes.

As a manufacturer and exporter, we have identified a broad spectrum of material risks that have a direct impact on our business operations. These include strategic, operational, and financial risks that can directly threaten the stability of our business, these could arise from both the internal and external environment.

ENTERPRISE RISK MANAGEMENT

An essential tool that has been inbuilt into the entire framework is the Ambeon Group's Enterprise Risk Management (ERM) system – 'CAMMS ERM', an international, online automated risk management solution. This has enabled us to implement practices and processes that are essential to the proper functioning of our IRM approach. The solution uses a framework that is in compliance with the COSO Enterprise Risk Management Framework, and also complies with ISO 31000 (2008) International Risk Management Standards. Implemented in 2017, the CAMMS solution has assisted the Group to take an effective and systematic approach in managing risks.

STRATEGIC AND OPERATIONAL RISKS

CAMMS ERM identifies, and segregates risks as operational, strategic and project related risks at the Ambeon Group level, enabling the Board of Directors to take precautionary mitigation plans for strategic risks which are then taken on and implemented across its subsidiaries. CEO's of the relevant business units, including respective heads of Dankotuwa Porcelain (DPL) and Royal Fernwood (RFPL) are responsible for developing appropriate mitigation strategies and assigning relevant resources in mitigating

the risks, while developing a timeline for the overall process of mitigation.

Operational risks can be categorized as those that may occur from routine operations. Such risks and its sources can be related to physical resources in the internal environment and can be due to causes such as human errors, machinery malfunctions and software related disruptions. As per the Group’s IRM Framework, the Senior Management of each Strategic Business Unit (SBU) including DPL and RFPL is responsible for identifying such operational risks within their companies and are required to develop a strategy to mitigate such risks or bring them to within the risk tolerance parameters.

Both the operational and strategic risks are updated on a regular basis in the CAMMS ERM Risk Register. The Management and the Audit Committee also review the Risk Register periodically.

PRUDENT RISK MANAGEMENT MEASURES

During the period under review, the porcelain cluster adopted several measures in enhancing its integrated risk management process.

GROUP RISK TEAM AUDITS

During the year, several audits were performed at the Dankotuwa outlets for the purpose of identifying risks faced in our retail network and in devising the best solutions based on these assessments. With the pandemic situation a central area of focus was abiding and ensuring the safety guidelines to create a safe and secure shopping space for our customers whilst safeguarding our employees.

Meetings were also conducted with internal auditors on several occasions. These became necessary in ascertaining lapses within the risk control mechanisms and in discussing measures, which could be used in strengthening the internal

control environment as well as the risk management framework of the Company.

The Risk Division performed a thorough analysis of the operational risks in the entire Group during the financial year. This was conducted in a more pertinent manner, subsequent to the onset of COVID 19, for better assessment of the related risk exposures. The Risk and Compliance Division devised sound control mechanisms in mitigating exposure to such risks and recommended prudent measures in implementing strategies.

INTERNAL AND STATUTORY AUDITS

A crucial component of the risk management process; internal and statutory audits are outsourced to reputed audit, firms with the purpose of carrying out quarterly and annual audits. The internal audit is carried out according to the terms of reference outlined by the Board, whilst the Audit Committee reviews the findings of both internal and statutory audits.

THE BOARD OF DIRECTORS

Cascading from a top-down approach, the broader oversight of the entire risk management process remains with the Board of Directors of DPL and RFPL.



INTERNAL RISK MANAGEMENT COMMITTEE

In identifying, evaluating and managing risks across the Group’s operations, the Risk Management Committee was formed with a diverse group of staff members with wide representation in technical areas of finance, production, marketing and supply chain. These members meet on a regular basis with the purpose of discussing operational risks, compliance to policies and procedures and in reviewing the status of implementations in relation to the recommended courses of actions by the group risk team and internal auditors.

AUDIT COMMITTEE

Specific to risk management, the audit committee primarily engages in examining the adequacy, efficacy of the risk management controls that have been implemented in order to ascertain, prevent and moderate exposure to risks.

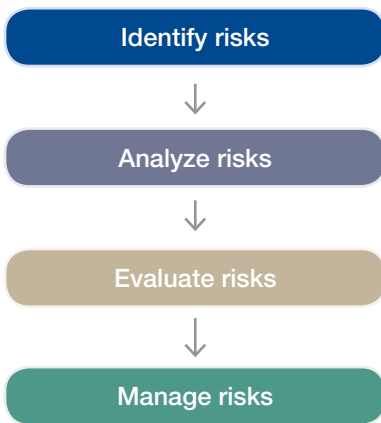
Working on behalf of the Board of Directors, and carrying out delegated responsibilities, the audit committee conducts periodical reviews of the risk profile pertaining to the porcelain cluster. The committee also reviews reports based on operational, strategic and project-based risks and engages in comprehensive discussions in terms of key risks and mitigation plans. Subsequent to an extensive review and discussion, these are then brought to the attention of the Group Audit Committee for their recommendations and direction.

RISK MANAGEMENT PROCESS

With a capable and comprehensive system of risk management that is linked to the overall strategic objectives of the Group and its subsidiaries, the online risk management framework provides a clear and comprehensive risk dashboard of the Organization. This system captures and identifies risk which are present and / or have the likelihood of impacting future operations of the organization.

Risk Management Report

The system automatically generates a ranking/evaluation of the potential risk exposures according to their likelihood of occurrence and the level of impact of the risk,



The IRM system of the CAMMS ERM enables material risks to be identified and enables businesses at the sector level to ascertain the impact from exposure to risks.

Risks that have been identified at the Group level are then communicated to the respective businesses where applicable to devise suitable risk mitigation strategies to be implemented under the leadership of the respective CEOs, of the DPL Group.

The process of managing risks, which includes identification, analysis, evaluation, and management of risks, is assisted by the system, ensuring that adequate controls are implemented to control and mitigate likely occurrences and responses upon exposure to risks. Most importantly, its purpose is

in integrating risk management with organizational plans and performance measurement frameworks as well as key business processes.

RISK MANAGEMENT STRATEGIES

The conditions that prevailed during the year resulted in unprecedented risks to the Group's risk landscape. The following table provides a high-level overview of these risk exposures. The risks presented below are not exhaustive and merely present the key risks that warranted the Group's attention and are likely to be dominant in the Group's risk landscape for the coming year.

Material Risks	Impact	Mitigation Plan
High cost of raw materials / energy	<ul style="list-style-type: none"> The increase in raw material results in significant cost escalations. Given the competitive intensity in the market space, we only passed on a portion of the cost increases to the customers affecting profitability margins. However, we are venturing into cost minimization strategies to maintain margins. 	<ul style="list-style-type: none"> Supply rationalization for better prices and credit terms. Capitalizing on the combined purchase volume of DPL and RFPL to reduce cost. Identify substitute raw materials suppliers at competitive cost. Test new body mixes. Achieve operational efficiency in all areas of production.
Competitive rivalry -Locally	<ul style="list-style-type: none"> This has a short – term impact on the turnover levels of the Company. Restrictions imposed on imports will augur well for the Group in the future. 	<ul style="list-style-type: none"> Introduce more innovative products to the local market. Improving visual merchandising. Aggressive advertising. Streamline dealer business through effective Sales Force Automation (SFA). Introduce special sales programs. Strengthen dealer relationships. Introduce Shop-In-Shop concept. Capitalizing on the brand name of Dankotuwa Porcelain.

Material Risks	Impact	Mitigation Plan
International market competition	<ul style="list-style-type: none"> The intensity of competition in the overseas market on pricing of products will have an impact on profit margins. However, the Group could build its value proposition with its strong brand heritage to win international orders. 	<ul style="list-style-type: none"> Expand the customer base through an effective marketing strategy. Evaluate the possibility of offering more capacity to current customers. Register on e-commerce platforms such as Amazon and Next-Trade. Enhance the quality and diversity of the product offering. Enhance, the gift range and other suitable product ideas. Implement stronger customer relationship management practices
High Production Costs	<ul style="list-style-type: none"> This impacts the overall profitability levels of the Group. Furthermore, it is important to maintain the machinery to ensure uninterrupted manufacturing process. 	<ul style="list-style-type: none"> Dankotuwa Porcelain has developed a phased CAPEX plan aiming at improving the machinery, over a period of time. Improve process efficiency. Better supply chain management and workforce optimization aimed at reducing the raw material and payroll costs. Effective execution of the production plan. Reduce reject rates. Prioritize larger repetitive orders.
Erosion of export markets due to pandemic	<ul style="list-style-type: none"> The pandemic has shifted the growth levels of many developed countries. In such situations demand levels have been affected. In this context the Group needs to explore new export markets. This has also created shifts in lifestyle where the type of products demanded by export markets have also changed. 	<ul style="list-style-type: none"> Develop new export markets with higher concentration on e-commerce sales. Drive international sales to a minimum of 70% of production. Continuous research into the latest trends in the global porcelain industry.
Adverse movement in forex	<ul style="list-style-type: none"> This has a direct impact on the cost of imported raw materials. Furthermore, since the Group is primarily an export revenue driven business it needs to manage and monitor its forex inflows consistently. 	<ul style="list-style-type: none"> Managing exchange rate movements through hedging techniques. Obtain insights from the Group treasury advising unit. Consistently monitoring the forex rates.
Working capital management	<ul style="list-style-type: none"> Effectively managing the operations to have an effective cash conversion cycle. 	<ul style="list-style-type: none"> Close monitoring and forecasting of cash flows Building strong relationship with banks. Close monitoring of maturity mismatch between current assets and liabilities Better management of receivable and payable days. Implementing effective inventory management methods

Risk Management Report

Material Risks	Impact	Mitigation Plan
Credit risk	<ul style="list-style-type: none"> Impacts liquidity and profitability levels of the Group. 	<ul style="list-style-type: none"> Introducing more efficient credit verification and granting procedure. Implementing a stringent credit policy. Set up efficient recovery practices and follow up.
Data security	<ul style="list-style-type: none"> Impacts business continuity and protection of information. 	<ul style="list-style-type: none"> Implement a cyber security control framework. Introduce a Business Continuity Plan (BCP), firewalls and IT protocols. Establish a mechanism to protect and recover from cyber-attacks.
Health and safety	<ul style="list-style-type: none"> The pandemic has increased vulnerabilities to health and safety risks to unprecedented levels. The manufacturing sector is particularly vulnerable to the risks of cross infection given the relatively large number of employees operating in a single location. 	<ul style="list-style-type: none"> Stringent health and safety guidelines implemented across all operations with strict adherence to all relevant health guidelines. Ongoing awareness sessions on the importance of safety and hygiene Random PCR testing and Rapid Antigen Tests Continuous management review of the health and Safety procedures in place.
Pandemic-led disruptions	<ul style="list-style-type: none"> Disruptions to operations could lead to the inability in serving the demand, potential drop in manufactured volumes and thereby revenue implications of corporate reputation and community relationships 	<ul style="list-style-type: none"> Stringent health guidelines implemented across all operations Proactive monitoring of emerging developments Strict adherence to all guidelines of the government and health authorities

RISK ENVIRONMENT OF 2020/2021

Despite the challenges faced in logistics, mobility, operating our facilities and general customer reticence, the Group did well to stand where we are today. We foresee the Group coming out very strong in 2020/2021. The Group was able to operate with a minimum impact on operations and its top line performance. The Group’s Risk Division provided timely recommendations that enabled our business units to reinforce and sustain operations, enabling the entire porcelain cluster to maintain an effective risk management framework.

INFORMATION TECHNOLOGY SECURITY

As our operations have a recognizable level of integration with technological innovations and IT security, the Dankotuwa Group has placed immense

focus on having the right system controls and policies related to Information Technology. These ensure that operational information remains secure and that our IT infrastructure remains robust and well established across our companies. Therefore, we have already set in place a prudent IT governance framework in leveraging competitive benefits, whilst ensuring that any potential risks are assessed along with control mechanisms. These structures and policies are revisited and improved by the Dankotuwa Group on an annual basis.

COMPLIANCE

Compliance is an area within the Group’s IRM framework and corporate governance frameworks. In order to minimize or eliminate risks that could result due to non-compliance with laws and regulations, we strive to ensure conformity with legal standards and

governance ordinances, regulations and amendments to existing frameworks. These measures ensure that operations across DPL and RFPL remain undisrupted and successful.

A culture of compliance is supported across DPL and its subsidiary, where compliance to such requirements is embedded into everyday operations through systematic processes, professional conduct, ethical behaviour and integrity.

Report of the Audit Committee

COMPOSITION

The Audit Committee comprised of three Non-Executive Directors, out of whom, as required by the Listing Rules of the Colombo Stock Exchange two Directors were Independent.

Mr. R N Asirwatham – Chairman/
Independent, Non-Executive Director

Mr. E M M Boyagoda – Member/
Independent, Non-Executive Director

Mr. N M Prakash – Member/Non-
Independent, Non-Executive Director

Mr. R N Asirwatham is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

The profiles of the members are given on pages 17 to 19 of the Annual Report.

MEETINGS

The Audit Committee met four times during the financial year which consisted of a combination of physical meetings via online platform and Circular Resolutions. Attendance by the Committee Members at each of these meetings are given below;

Name of the Director	Attendance at Meetings
Mr. R N Asirwatham	4/4
Mr. E M M Boyagoda	4/4
Mr. N M Prakash	4/4

The Chief Executive Officer and the Chief Financial Officer attended all Audit Committee Meetings by invitation. The Company Secretary functions as the Secretary to the Committee. The engagement partner of the Company's external auditors attends meetings when matters pertaining to their functions come up for consideration.

ROLE OF THE COMMITTEE

The Audit Committee has written terms of reference, which clearly defines the oversight role and responsibility of the Audit Committee as summarized below;

1. The integrity of Financial Statements in accordance with Sri Lanka Financial Reporting Standards
2. The compliance with legal and regulatory requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
3. The External Auditor's independence and performance.
4. Review 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.

REGULATORY COMPLIANCE

A procedure has been laid down for reporting on the statutory compliance/non-compliance of the Company and its subsidiary on a quarterly basis. This report is certified by the Chief Executive Officer and the Chief Financial Officer. Such non-compliances are followed up to ensure appropriate corrective actions are taken.

EXTERNAL AUDITORS

The Committee meets the Independent Auditors at least once a year to review their findings, issues raised, as well as the effectiveness of the internal controls in place.

The non-audit services provided by the Independent Auditors were also

reviewed to ensure that the provisions of these services do not impair their independence.

INDEPENDENCE OF AUDITORS

To the extent that the Audit Committee is aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company and the Group, which in the opinion of the Audit Committee, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka as at the reporting date.

RE-APPOINTMENT OF AUDITORS

The Audit Committee having evaluated the performance of the External Auditors, has decided to recommend to the Directors the re-appointment of Messrs. Ernst & Young, Chartered Accountants for the financial year ending 31 March 2022 upto the next Annual General Meeting, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

CONCLUSION

The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and that the financial position and the results disclosed in the Audited Accounts are free from any material misstatement.

(Sgd.)

R N Asirwatham
Chairman
Audit Committee

30th August 2021

Report of the Remuneration Committee

COMPOSITION

The Remuneration Committee, appointed by and responsible to the Board of Directors, comprises two Independent Non-Executive Directors and one Non-Independent, Non-Executive Director as given below.

Mr. R N Asirwatham – Chairman/
Independent, Non-Executive Director

Mr. E M M Boyagoda – Member/
Independent, Non-Executive Director

Mr. R T Devasurendra – Member/Non-
Independent, Non-Executive Director

POLICY

The remuneration policy of the Company is designed to attract, motivate and retain staff with the appropriate professional, managerial and operational expertise to achieve the objectives of the company.

SCOPE

The scope and responsibility of the remuneration committee include;

- To consider internal as well as external remuneration factors and to ensure that the remuneration policy of the company recognizes and addresses the short and long-term needs of the organization in relation to performance, talent retention and reward.
- To recommend to the Board a competitive remuneration and reward structure which is linked to performance.
- To decide on the remuneration packages of Key Management Personnel.
- To evaluate the performance of the Key Management Personnel, management development plans and succession planning.

- To approve annual salary increments, bonuses, changes on perquisites and incentives.

REMUNERATION

All Non-Executive Directors receive a fee reflecting the time, commitment and responsibility of their role and is based on industry and market surveys. They do not receive any performance or incentive payments. Due to the pandemic situation which prevailed during the year, in the country, the Non-Executive Directors weren't paid any fees for their services.

MEETINGS

The Committee meets at least once a year with a view to discharging its duties. The pandemic situation which prevailed during the year prevented the Committee from meeting and also the need did not arise for the Committee to meet.

PROFESSIONAL ADVICE

The committee has the authority to seek external independent professional advice on matters within the purview of the committee and to invite professional advisors with relevant experience to assist in various duties.

(Sgd.)

R N Asirwatham

Chairman
Remuneration Committee

30th August 2021

Report of the Related Party Transactions Review Committee

The purpose of the Related Party Transactions Review Committee (the Committee) is to assist the Board in meeting its oversight responsibilities to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions (RPTs) and to prevent Directors, Key Management Personnel or substantial shareholders taking advantage of their positions.

COMPOSITION

The Committee consists of three members with a combination of Independent Non-Executive Directors and Non-Independent, Non-Executive Directors. The members of the Committee are;

Mr. R N Asirwatham – Chairman/
Independent, Non-Executive Director

Mr. N M Prakash – Member/Non-
Independent, Non-Executive Director

Mr. R T Devasurendra – Member/Non-
Independent, Non-Executive Director

The above composition is in compliance with the provisions of the Listing Rules of the Colombo Stock Exchange. Brief profiles of the members are given on pages 17 to 19 of the Annual Report.

CHARTER OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

- Receive regular reports from the Management and be provided with any information it requires relating to its responsibilities.
- Establish policies and procedures that provide general pre-approvals to certain 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, is required to 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.

MEETINGS

The Committee meets quarterly with a view to discharging its duties. However, due to the pandemic situation which prevailed during the year, in the country, the Committee could not meet every quarter. Where necessary approval was obtained for urgent related party transactions via a resolution in writing which contained several documents in a like form, each signed and assented to by the members who were entitled to receive notice of a related party transactions review committee meeting. A total of four (04) meetings were held during the financial year which consisted of a combination of physical meetings via online platform and Circular Resolutions. Attendance by the Committee Members at each of these meetings are given below;

Name of the Director	Attendance at Meetings
Mr. R N Asirwatham	4/4
Mr. N M Prakash	4/4
Mr. R T Devasurendra	4/4

The Chief Executive Officer and the Chief Financial Officer attended all Related Party Transactions Review Committee Meetings by invitation.

POLICIES & PROCEDURES

Declarations are obtained from each Director/Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the information furnished in these declarations the related party transactions are identified from information maintained with the Company.

All forecasted recurrent RPTs are submitted by Management on a quarterly basis to the Committee for consideration and review. Non-recurrent RPTs are also reviewed and approved by the Committee prior to the transaction being entered into or if the transaction is expressed to be conditional on such review, prior to the completion of the transaction and the recommendation communicated to the Board for consideration.

The Committee is satisfied that all RPTs have been reviewed by the Committee during the financial year and have communicated their observations to the Board. The details of related party transactions entered into during the financial year are given on Note 27 to the Financial Statements, on pages 125 to 126 of this Annual Report.

DECLARATION

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on pages 62 to 63 of this Annual Report.

(Sgd.)

R N Asirwatham
Chairman
Related Party Transactions Review
Committee

30th August 2021



We are strengthened by our portfolio of world-renowned brands which are designed to deliver excellence and value across every stakeholder category.



FINANCIAL STATEMENTS

FINANCIAL CALENDAR

1st Quarter Interim Report	10th September 2020
2nd Quarter Interim Report	09th November 2020
3rd Quarter Interim Report	16th February 2021
4th Quarter Interim Report	31st May 2021
Annual Report 2020/2021	30th August 2021
37th Annual General Meeting	29th September 2021



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

The Board of Directors of Dankotuwa Porcelain PLC takes pleasure in presenting their Report on the Affairs of the Company together with the Financial Statements for the year ended 31 March 2021, conforming to the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards. The report also includes certain disclosures required to be made under Listing Rules of the Colombo Stock Exchange and are guided by the recommended best practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Colombo Stock Exchange.

Corporate Profile

Dankotuwa Porcelain PLC is a public quoted company with limited liability incorporated under the provisions of Companies Act No. 17 of 1982 as a Private Limited Company in Sri Lanka on 06 January 1984 and converted to a Public Company by special resolution on 08 July 1994. Pursuant to the requirements of the new Companies Act No. 7 of 2007, the Company was re-registered on 17 September 2007 and bears registration number PQ 79.

Principal Activities of the Company and review of performance during the year

The principal activity of the company is manufacturing and marketing porcelain tableware targeted to export and domestic markets. A review of the operations of the company during the twelve months period and the results of those operations are contained on pages 65 to 131 of this Annual Report.

Group Structure

The Group Structure is demonstrated on page 5 of the Annual Report.

Review of Performance

A review of the Company and its subsidiaries performance during the Financial Year together with the future outlook is available in the Chairman's message, CEO's message and Management Review on pages 8 to 15 and pages 22 to 35 of this Annual Report.

Financial Statements

The Financial Statements of the Company for the year ended 31 March 2021 are duly certified by the Chief Financial Officer and approved by the Board of Directors and signed on behalf of the Board by two Directors in compliance with the Companies Act No. 07 of 2007 and are given on pages 65 to 131 of this Annual Report.

Summarized Financial Statements

	Group		Company	
	2020/2021	2019/2020	2020/2021	2019/2020
	LKR. '000	LKR. '000	LKR. '000	LKR. '000
Revenue	2,432,418	2,233,871	1,514,507	1,328,425
Profit/(Loss)				
Before Tax	(395,955)	(264,148)	(134,531)	22,117
Income Tax Reversal/ (Expenses)	(1,840)	40,038	(35,719)	30,546
Profit/(Loss) After Tax	(397,795)	(224,110)	(170,250)	52,663

Accounting Policies and Changes

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 74 to 88 as required by Section 168 (1) (d) of the Companies Act.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group which reflect a true and fair view of the financial position and the performance of the Company and the Group.

Board of Directors

The names of the Directors who held office during the financial year and as at date are given below;

Mr. Rajan Asirwatham (Chairman) – Independent, Non-Executive Director

Mr. Ajith Devasurendra (Deputy Chairman) – Non-Independent, Non-Executive Director

Mr. Mangala Boyagoda – Independent, Non-Executive Director

Mr. Sanjeev Gardiner – Non-Independent, Non-Executive Director

Mr. Priyantha Maddumage - Non-Independent, Non-Executive Director

Mr. Revantha Devasurendra - Non-Independent, Non-Executive Director

Mr. Murali Prakash – Non-Independent, Non-Executive Director

Mr. Dilush Perera – Independent, Non-Executive Director (resigned w.e.f. 01 June 2021)

Mr. Rohan Peris – Independent, Non-Executive Director (appointed w.e.f. 01 April 2021)

Mr. Niranjana Wijesekera – Independent, Non-Executive Director (appointed w.e.f. 01 April 2021)

Mr. Yudy Kanagasabai – Non-Independent, Non-Executive Director (appointed w.e.f. 01 June 2021)

Mr. Shalike Karunasena – Alternate Director to Mr. Priyantha Maddumage

Mr. Chirath Devasurendra – Alternate Director to Mr. Ajith Devasurendra (appointed w.e.f. 05 November 2020)

The present Directors of the Company and their profiles are shown pages 17 to 19 of the Annual Report.

In accordance with the provisions of Article 24 (2) of the Articles of Association, Mr. Rohan Peris, Mr. Niranjana Wijesekera and Mr. Yudy Kanagasabai, Directors appointed since the last Annual General Meeting retires from office at the conclusion of the forthcoming Annual General Meeting. Mr. Rohan Peris, Mr. Niranjana Wijesekera and Mr. Yudy Kanagasabai offers themselves for re-election with the unanimous support of the Board.

In accordance with the provisions of Article 24 (6) of the Articles of Association, Mr. S E Gardiner retires by rotation and being eligible offers himself for re-election with the unanimous support of the Board.

In terms of Section 210 of the Companies Act No. 07 of 2007, Mr. Rajan Asirwatham and Mr. Mangala Boyagoda, who have reached the age of 70 vacates their office, at the conclusion of the Annual General Meeting. Mr. Rajan Asirwatham informed the Board that he will not be seeking re-appointment at the forthcoming Annual General Meeting to be held on 29 September 2021, and accordingly Mr. Asirwatham will cease to be a director at the conclusion of the Annual General Meeting. In compliance with Section 211 of the Companies

Act No. 7 of 2007, a resolution will be tabled for the re-appointment of Mr. Mangala Boyagoda with the unanimous support of the Board.

Board Sub Committees

The Board, while assuming overall responsibility and accountability for the management of the Company, has appointed three Board Sub-Committees; Audit Committee, Related Party Transactions Review Committee and the Remuneration Committee, to ensure oversight and control over certain affairs of the Company.

The Board approved Terms of References of these Sub Committees conform to the recommendations made by various regulatory bodies such as the Institute of Chartered Accountants of Sri Lanka, The Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

Interests Register

Directors' Interest in Transactions

The Directors have made general disclosures as provided for in Section 192 (2) of the Companies Act No. 07 of 2007. Arising from this, details of contracts in which they have an interest are disclosed in note 27 to the Financial Statements on pages 125 to 126

Directors' Remuneration

The Directors' Remuneration is disclosed in note 21 to the Financial Statements on page 119.

Directors' Interest in Shares

The Directors of the Company who have an interest in the shares of the Company have disclosed their shareholdings in compliance with Section 200 of the Companies Act No. 07 of 2007.

Details pertaining to Directors' direct and indirect shareholdings are given below;

	As at 31 March 2021	As at 31 March 2020
Ambeon Holdings PLC (Represented by M/s S E Gardiner, A L Devasurendra and N M Prakash)	125,989,230	125,989,230
Mr. R N Asirwatham (personally)	3,000	3,000
Mr. N M Prakash (personally)	101,000	101,000

Corporate Governance

The Board is committed to maintaining high standards of governance, the process by which the Company is directed and managed. Risks are identified and controlled, and effective accountability assured. The Board of Directors is of the view that it has put in place the resources and processes to ensure that the Company is substantially compliant with the code of best practices on corporate governance issued by Institute of Chartered Accountants of Sri Lanka and the Colombo Stock Exchange. The Corporate Governance Report is given on pages 38 to 49 of the Annual Report.

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

Risk Management and Internal Controls

The Board of Directors, through the involvement of the internal audit, have taken steps to ensure and have obtained reasonable assurance, that an effective and comprehensive system of internal controls are in place that cover the financial, operational and compliance controls required to carry on the business in an orderly manner, safeguarding the Company's and Group's assets and secure, as far as possible, the accuracy and reliability of the financial records.

The Board is satisfied with the effectiveness of the system of internal controls that were in place during the year under review. The "Report of the Audit Committee" is contained on page 55 and forms an integral part of this report.

The Directors periodically review and evaluate the risks that are faced by the Company. The various exposures to risks by the Company and specific steps taken by the Company in managing risks are detailed under the "Risk Management" on pages 50 to 54 of this Annual Report.

Donations

The Group and the Company haven't made any donations during the year under review.

Taxation

The Company's liability to taxation has been computed according to the provisions of the Inland Revenue Act. No. 10 of 2006 and subsequent amendments thereto and details are given in note 22 to the Financial Statements on pages 120 to 123 of this Annual Report.

Property, Plant and Equipment

Capital expenditure during the year under review on Property, Plant and Equipment by the Company and Group were

LKR 17.5 million and LKR 46.1 million respectively.

Value of owner occupied area of the investment property is LKR 702,743,214/- and is disclosed separately under Investment Property note 7 to the Financial Statements on pages 96 to 97 of this Annual Report.

Extents, locations, number of buildings and the valuation of the properties of the Group are given in note 5.5.1 to 5.5.2 to the Financial Statements on page 92 of the Annual Report.

All freehold land of the Group was revalued by professionally independent valuers and brought into the Financial Statements. The investment properties are accounted using fair value method.

Details of fair values of investment properties are given on note 7.1 to 7.3 to the Financial Statements. Details of revaluation of land are given in note 5.5.1 to 5.5.2 the Financial Statements.

Employment

The Company's and Group's strength of manpower as at 31 March 2021 is 643 and 1,053 respectively.

There were no material issues pertaining to employees and industrial relations during the year under review.

Employee Share Ownership plans

The Company did not have any employee share ownership/option plans during the year.

Stated Capital

The stated capital of the Company as at 31 March 2021 was LKR 1,402,101,647/- represented by 162,552,920 fully paid Ordinary Shares.

Share Information

There were 5,625 registered shareholders as at 31 March 2021.

Distribution schedule of shareholders

The distribution of shareholdings is shown on page 134 of the Annual Report.

Information on Ratios and Market Price Information

Disclosures under section 7.6 (xi) of the Listing Rules of the Colombo Stock Exchange is indicated on page 6 and page 134 of the Annual Report.

Substantial Shareholdings and Other Share Information

The names of the twenty largest Shareholders, the number of shares held, and the percentages are given on page 135 of the Annual Report.

Disclosures required under section 7.6 (iv) of the Listing Rules of the Colombo Stock Exchange is indicated on page 134 of the Annual Report.

Equitable Treatment of Shareholders

The Company has made all endeavours to ensure that all shareholders are treated equitably.

Related Party Transactions

Non-recurrent Related Party Transactions

There were no non-recurrent Related Party Transactions of which the aggregate value exceeded 10% of the Equity and 5% of the Total Assets of the Company during the year ended 31 March 2021, which require specific disclosure in the Annual Report in terms of Section 9.3.2 of the Listing Rules and the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

Recurrent Related Party Transactions

There were no recurrent Related Party Transactions which in aggregate exceeded 10% of the consolidated revenue of the Group as per latest Audited Financial Statements which require specific disclosures in the Annual Report in terms of Section 9.3.2 of the Listing Rules of the CSE and the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

The identified Related Parties as well as the Related Party Transactions undertaken during the year are set out in note 27 to the Financial Statements on pages 125 to 126 of this Annual Report.

The members of the Board and the Chief Executive Officer have been identified as “Key Management Personnel” of the Company. There were no Related Party Transactions by the Key Management Personnel with the Company.

As required by the Listing Rules, the Board confirms that the Company has complied with all requirements as per Section 9 of the Listing Rules.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due in relation to employees and the Government have been made promptly up to date.

Events occurring after the Balance Sheet date

No circumstances have arisen since the balance sheet date which would require adjustments to or disclosure in the accounts as disclosed in the Note 26 to the Financial Statements.

Going Concern

The Board is satisfied that the company will have adequate resources to continue its operations into the foreseeable future. Therefore, the Company has continued to adopt the going concern basis in preparing the Financial Statements.

Independent Auditors’ Report, Remuneration and Appointment

The Financial Statements of the Company for the twelve months ended 31 March 2021 have been audited by M/s. Ernst & Young, Chartered Accountants and the Independent Auditors’ Report thereon is given on pages 65 to 67 of the Annual Report as required by the Section 168 (1) (c) of the Companies Act No. 07 of 2007.

A sum of LKR 1.1 million was paid to them as audit fee during the period under review. Based on the declaration from M/s. Ernst & Young, Chartered Accountants and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company other than that disclosed herein.

In accordance with the Companies Act No. 07 of 2007 a resolution proposing the re-appointment of M/s Ernst & Young, Chartered Accountants as Auditors to the Company will be tabled at the forthcoming Annual General Meeting of the Company.

Annual General Meeting

The Annual General Meeting of the company will be held on 29 September 2021. The notice of the Annual General Meeting appears on page 141 of this Annual Report.

Acknowledgement of the contents of the Annual Report

As required by the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledge the contents of this Annual Report.

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

(Sgd.)

R N Asirwatham
Chairman

(Sgd.)

A L Devasurendra
Deputy Chairman

(Sgd.)

Nexia Corporate Consultants (Private) Limited
Secretaries

30th August 2021

The Statement of Directors' Responsibility

The following statement which should be read in conjunction with the Auditor's statement of responsibilities has been made with a view to distinguish between the respective responsibilities of the Directors and the Auditors in relation to the financial statements.

Section 150, 152 (1) and 153 (1) of the Companies Act No. 07 of 2007 requires that the Directors prepare the financial statements and circulate it among the shareholders. These financial statements comprise a Statement of Comprehensive Income, which presents a true and fair view of the profit or loss of the Company for its financial year as well as a Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company as at the end of its financial year.

As the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

In preparing the Financial Statements as disclosed on pages 68 to 131, the Directors consider that the Company and its subsidiary have used appropriate accounting policies that have been applied consistently and supported by reasonable and prudent judgment and estimates, while all accounting standards considered to be applicable and relevant have been followed.

The Directors are responsible for ensuring that the Company and its subsidiary maintain accounting records which disclose with reasonable accuracy, the financial position of the Company and its subsidiary while complying with the provisions of the Companies Act No. 07 of 2007.

The Directors have a general responsibility to take reasonable steps in safeguarding the assets of the Company and its

subsidiary, provide proper consideration towards the establishment of appropriate internal control systems with a view to detecting and preventing frauds and other irregularities.

Compliance Report

The Directors confirm to the best of their knowledge that all taxes, duties and levies payable by the Company and its subsidiary, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiary, all other known statutory dues which were due and payable by the Company and its subsidiary as at the reporting date have been paid or where relevant provided for in arriving at the financial results for the year under review.

By order of the Board of

(Sgd.)

Nexia Corporate Consultants (Pvt) Ltd
Secretaries

30th August 2021

Independent Auditors' Report



Ernst & Young
Chartered Accountants
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TO THE SHAREHOLDERS OF DANKOTUWA PORCELAIN PLC Report on the audit of the Consolidated Financial Statements Opinion

We have audited the Financial Statements of Dankotuwa Porcelain 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 profit or loss, 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 Group give a true and fair view of the financial position of the Company and 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 (SLAuS). 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 our 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.

Partners: H M A Jayasinghe FCA FCMA P N de Saram ACA FCMA Ms. N A De Silva FCA W R H De Silva ACA ACMA Ms. Y A De Silva FCA Ms. K R M Fernando FCA ACMA
N Y R L Fernando ACA W K B S P Fernando FCA FCMA Ms. L K H L Fonseka FCA B N Gamage ACA ACMA A P A Gunasekera FCA FCMA A Herath FCA
D K Hulangamuwa FCA FCMA LLB (Lond) Ms. A A Ludowyke FCA FCMA Ms. G G S Maratunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajeewan FCA
N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudan ACMA Ms. P S Paranavitane ACMA LLB (Colombo) T P M Ruberu FCMA FCCA C A Yalagala ACMA

A member firm of Ernst & Young Global Limited

Independent Auditors' Report



Key audit matter	How our audit addressed the key audit matter
<p>Fair value of land and buildings</p> <p>Property, Plant and Equipment and Investment Properties include Land and Buildings carried at fair value.</p> <p>The fair values of land and buildings were determined by external valuers engaged by the Group</p> <p>Valuation of Land and Buildings was a key audit matter due to:</p> <ul style="list-style-type: none"> Materiality of the reported Land and Buildings and Investment property balances which amounted to Rs. 1,752 Mn and Rs. 703 Mn respectively and collectively account for 51% of Total Assets as at 31 March 2021. The degree of significant assumptions, judgements and estimation uncertainties associated with such fair valuations which included consideration of the impact 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. <p>Key areas of significant judgments, estimates and assumptions included the following:</p> <ul style="list-style-type: none"> Estimate of per perch value of the land Estimate of the per square foot value of the buildings 	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> We evaluated the competence, capability and objectivity of the external valuers engaged by the Group; We read the reports of the external valuers and understood the key estimates made and the approach taken by the valuers in determining the valuation of land & buildings; We engaged our internal resources to assist us in assessing the appropriateness of the valuation techniques used and the reasonableness of the significant judgements and assumptions such as per perch price and value per square foot used by the valuers; and We have also assessed the adequacy of the disclosures made in Note 5 and 7 to the financial statements.

Other information included in the Group's 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. Other information is expected to be made available to us after the date of this auditor's report.

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 identified above when it becomes available 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.

Responsibilities of management and those charged with governance

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 Sri Lanka Auditing Standards, 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 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 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 Group.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1864.

30th August 2021
Colombo

Statement of Profit or Loss

For the year ended 31st March	Note	Group		Company	
		2021	2020	2021	2020
		LKR	LKR	LKR	LKR
Revenue	4	2,432,418,285	2,233,871,330	1,514,507,019	1,328,425,465
Cost of Sales		(1,796,931,425)	(1,544,012,425)	(1,086,035,780)	(1,009,112,986)
Gross Profit		635,486,860	689,858,905	428,471,239	319,312,479
Other Income	19	3,779,464	13,191,171	11,260,580	8,073,754
Selling and Distribution Expenses		(341,600,956)	(354,436,541)	(245,944,615)	(257,370,874)
Administrative Expenses		(580,857,441)	(596,884,564)	(273,954,210)	(193,019,186)
Operating Loss		(283,192,073)	(248,271,029)	(80,167,006)	(123,003,828)
Finance Cost	20	(146,335,049)	(155,129,201)	(94,281,841)	(104,246,762)
Finance Income	20	19,265,384	24,762,701	18,737,372	24,622,117
Change in Fair Value of Investment Property	7	14,307,063	114,489,201	14,307,063	96,958,501
Change in Fair Value of Investment in Subsidiary	9	-	-	6,873,000	127,787,000
Profit / (Loss) Before Tax	21	(395,954,675)	(264,148,328)	(134,531,412)	22,117,029
Income Tax (Expense)/Reversal	22	(1,839,835)	40,038,286	(35,718,664)	30,546,183
Profit / (Loss) for the year		(397,794,510)	(224,110,042)	(170,250,076)	52,663,212
Attributable to:					
Equity Holders of the Parent		(388,249,425)	(225,144,707)		
Non-Controlling Interest		(9,545,085)	1,034,665		
		(397,794,510)	(224,110,042)		
Basic/Diluted Earnings/(Loss) Per Share	23	(2.39)	(1.39)	(1.05)	0.32

Figures in brackets indicate deductions

The accounting policies and notes on pages 74 through 131 form an integral part of the Financial Statements.

Statement of Comprehensive Income

For the year ended 31st March	Note	Group		Company	
		2021	2020	2021	2020
		LKR	LKR	LKR	LKR
Profit / (Loss) for the Year		(397,794,510)	(224,110,042)	(170,250,076)	52,663,212
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to Profit or Loss in subsequent periods					
Effect of Cash Flow Hedges	13	(18,107,000)	(22,979,693)	(2,084,354)	(5,496,718)
Tax impact on Cash Flow Hedges	22	2,569,737	3,986,698	(343,546)	1,539,081
Translation of Foreign Operations	13	(149,065)	128,877	(149,065)	128,877
Net Other Comprehensive Income/(Loss) to be reclassified to Profit or Loss in subsequent periods		(15,686,328)	(18,864,118)	(2,576,965)	(3,828,760)
Other Comprehensive Income not to be reclassified to Profit or Loss in subsequent periods					
Actuarial Loss	15	(22,414,692)	(13,253,878)	(22,081,323)	(13,137,454)
Tax impact on Actuarial Loss	22	3,535,564	3,694,786	3,482,225	3,678,487
Revaluation of Land and Buildings		95,702,256	187,517,149	77,903,471	128,376,761
Tax impact on Revaluation Gain	22	113,240,165	(64,132,253)	116,087,970	(30,867,620)
Net Other Comprehensive Income not to be reclassified to Profit or Loss in subsequent periods		190,063,293	113,825,803	175,392,343	88,050,174
Other Comprehensive Income for the year- Net of Tax		174,376,965	94,961,685	172,815,378	84,221,414
Total Comprehensive Income/(Loss) - Net of Tax		(223,417,545)	(129,148,357)	2,565,302	136,884,627
Attributable to:					
Equity Holders of the Parent		(213,939,764)	(130,645,928)		
Non-Controlling Interest		(9,477,781)	1,497,571		
		(223,417,545)	(129,148,357)		

Figures in brackets indicate deductions

The accounting policies and notes on pages 74 through 131 form an integral part of the Financial Statements.

Statement of Financial Position

As at 31st March	Note	Group		Company	
		2021	2020	2021	2020
		LKR	LKR	LKR	LKR
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	5	1,971,393,463	1,937,409,740	1,355,007,263	1,325,725,972
Right to Use Asset	6	39,761,635	29,990,483	39,761,635	29,990,483
Investment Property	7	702,743,214	688,436,151	580,028,314	565,721,251
Intangible Assets	8	51,265,953	58,256,623	23,804,232	30,794,902
Investment in Subsidiaries	9	-	-	883,903,253	877,030,253
		2,765,164,265	2,714,092,997	2,882,504,697	2,829,262,861
Current Assets					
Inventories	10	1,048,667,469	1,418,602,974	471,214,569	615,468,641
Trade and Other Receivables	11	519,466,165	628,226,569	372,723,140	345,425,558
Income Tax Receivable		14,647,579	20,699,534	14,647,579	20,699,534
Cash and Cash Equivalents	16	481,441,240	351,351,063	460,443,619	324,060,306
		2,064,222,453	2,418,880,140	1,319,028,907	1,305,654,039
Total Assets		4,829,386,718	5,132,973,137	4,201,533,604	4,134,916,900
EQUITY AND LIABILITIES					
Equity					
Stated Capital	12	1,402,101,647	1,402,101,647	1,402,101,647	1,402,101,647
Other Components of Equity	13	1,412,563,439	1,219,307,346	1,131,868,139	940,453,663
Retained Earnings / (Losses)		(563,866,532)	(156,670,675)	(46,038,932)	142,810,242
Equity Attributable to Equity Holders of the Parent		2,250,798,554	2,464,738,318	2,487,930,854	2,485,365,552
Non-Controlling Interest		12,060,778	21,538,559	-	-
Total Equity		2,262,859,332	2,486,276,877	2,487,930,854	2,485,365,552
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	14	139,164,120	173,640,356	-	-
Lease Liability	18	17,519,811	17,004,947	17,519,811	17,004,947
Retirement Benefit Liability	15	194,480,538	167,089,926	167,264,145	142,992,117
Deferred Tax Liability	22	143,660,304	261,165,934	123,209,427	206,717,412
		494,824,773	618,901,163	307,993,383	366,714,476
Current Liabilities					
Interest Bearing Loans and Borrowings	14	1,376,990,699	1,634,165,246	955,729,625	1,077,753,424
Lease Liability	18	21,439,722	9,948,751	21,439,722	9,948,751
Trade and Other Payables	17	673,272,192	383,681,100	428,440,020	195,134,697
		2,071,702,613	2,027,795,097	1,405,609,367	1,282,836,872
Total Equity and Liabilities		4,829,386,718	5,132,973,137	4,201,533,604	4,134,916,900


These Financial Statements are in compliance with the requirements of the Companies Act No: 07 of 2007.



Indika Abeysiri

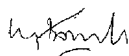
Chief Financial Officer

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board by:



Rajan Asirwatham

Chairman



Ajith Devasurendra

Deputy Chairman

30 August 2021

Colombo

Figures in brackets indicate deductions

The accounting policies and notes on pages 74 through 131 form an integral part of the Financial Statements.

Statement of Changes in Equity

Group

	Attributable to Equity holders of the Parent						Non-Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserve	Hedge Reserve	Exchange Fluctuation Reserve	Retained Earnings /(Loss)	Total		
	LKR	LKR	LKR	LKR	LKR	LKR		
Balance as at 01 April 2019	1,402,101,647	1,115,989,450	-	(735,656)	78,028,805	2,595,384,246	20,040,988	2,615,425,234
Profit/(Loss) for the Year	-	-	-	-	(225,144,707)	(225,144,707)	1,034,665	(224,110,042)
Other Comprehensive Income/(Loss)	-	122,269,650	(18,344,975)	128,877	(9,554,773)	94,498,779	462,906	94,961,685
Total Comprehensive Income/(Loss)	-	122,269,650	(18,344,975)	128,877	(234,699,480)	(130,645,928)	1,497,571	(129,148,357)
Balance as at 31 March 2020	1,402,101,647	1,238,259,100	(18,344,975)	(606,780)	(156,670,675)	2,464,738,318	21,538,559	2,486,276,877
Loss for the Year	-	-	-	-	(388,249,425)	(388,249,425)	(9,545,085)	(397,794,510)
Other Comprehensive Income/(Loss)	-	208,942,421	(15,537,263)	(149,065)	(18,946,432)	174,309,661	67,304	174,376,965
Total Comprehensive Income/(Loss)	-	208,942,421	(15,537,263)	(149,065)	(407,195,857)	(213,939,764)	(9,477,781)	(223,417,545)
Balance as at 31 March 2021	1,402,101,647	1,447,201,521	(33,882,238)	(755,845)	(563,866,532)	2,250,798,554	12,060,778	2,262,859,332

Company

	Stated Capital	Revaluation Reserve	Exchange Fluctuation Reserve	Hedge Reserve	Amalgamation Reserve	Retained Earnings /(Loss)	Total Equity
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
	Balance as at 01 April 2019	1,402,101,647	970,870,659	(735,656)	-	(123,361,720)	99,605,997
Profit for the Year	-	-	-	-	-	52,663,212	52,663,212
Other Comprehensive Income/(Loss)	-	97,509,141	128,877	(3,957,637)	-	(9,458,967)	84,221,414
Total Comprehensive Income/(Loss)	-	97,509,141	128,877	(3,957,637)	-	43,204,245	136,884,626
Balance as at 31 March 2020	1,402,101,647	1,068,379,800	(606,780)	(3,957,637)	(123,361,720)	142,810,242	2,485,365,552
Loss for the Year	-	-	-	-	-	(170,250,076)	(170,250,076)
Other Comprehensive Income/(Loss)	-	193,991,441	(149,065)	(2,427,900)	-	(18,599,098)	172,815,378
Total Comprehensive Income/(Loss)	-	193,991,441	(149,065)	(2,427,900)	-	(188,849,176)	2,565,302
Balance as at 31 March 2021	1,402,101,647	1,262,371,241	(755,845)	(6,385,537)	(123,361,720)	(46,038,932)	2,487,930,854

Figures in brackets indicate deductions

The accounting policies and notes on pages 74 through 131 form an integral part of the Financial Statements.

Statement of Cash Flows

For the year ended 31st March	Note	Group		Company	
		2021	2020	2021	2020
		LKR	LKR	LKR	LKR
Cash Flows from / (Used in) Operating Activities					
Profit/(Loss) Before Tax		(395,954,675)	(264,148,328)	(134,531,412)	22,117,029
Adjustments for					
Depreciation	5	96,260,474	96,064,367	59,489,400	53,245,522
Amortization of Right to Use Assets	6.1	17,502,431	9,289,213	17,502,431	9,289,213
Fair Value gain from Investment Property	7	(14,307,063)	(114,489,201)	(14,307,063)	(96,958,501)
Change in Fair Value of Investment in Subsidiary	9.1	-	-	(6,873,000)	(127,787,000)
Profit/ (Loss) on Sales of Property, Plant and Equipment		(661,469)	-	364,458	-
Impairment of Goodwill	8.2	-	185,666,116	-	-
Amortization of Intangible Assets	8.1	6,990,670	7,762,796	6,990,670	7,762,796
Provision for Defined Benefit Plans	15.1	29,619,136	27,753,313	24,260,347	22,782,684
Interest Income	20.1	(19,265,384)	(24,762,701)	(18,737,372)	(24,622,117)
Finance Cost	20.2	146,335,049	155,129,201	94,281,841	104,246,762
Provision / (Reversal) for Bad Debts	11.4	(78,034)	32,148,805	(2,055,647)	29,337,473
Bad Debts Writeoff	11.4	(33,101,425)	-	(16,769,124)	-
Reversal / (Charged) from Exchange Fluctuation Reserve	13.2	(149,065)	128,877	(149,065)	128,877
Unrealized Foreign Exchange Difference		(27,791,805)	42,066,965	(14,184,727)	7,523,844
ESC Write off		6,051,955	-	6,051,955	-
Impairment of Property Plant and Equipments		6,223,567	-	6,223,567	-
Provision for Slow Moving Inventories	10.1	155,539,170	65,126,764	17,847,819	6,442,669
Operating Profit/ (Loss) before Working Capital Changes					
		(26,786,468)	217,736,186	25,405,078	13,509,250
(Increase) / Decrease in Inventories		214,396,335	(466,374,565)	126,406,253	(182,446,385)
(Increase) / Decrease in Trade and Other Receivables		141,939,862	(24,399,679)	(8,472,812)	60,001,266

Figures in brackets indicate deductions

The accounting policies and notes on pages 74 through 131 form an integral part of the Financial Statements.

Statement of Cash Flows contd..

For the year ended 31st March	Note	Group		Company	
		2021	2020	2021	2020
		LKR	LKR	LKR	LKR
Increase / (Decrease) in Trade and Other Payables		279,152,056	42,244,905	222,866,287	(48,324,457)
Cash generated from Operations		608,701,785	(230,793,153)	366,204,806	(157,260,326)
Defined Benefit Plan Cost Paid	15	(24,643,216)	(17,209,729)	(22,069,642)	(15,990,054)
Income Tax Paid		-	(8,389,806)	-	(8,389,806)
Finance Cost Paid		(112,053,138)	(114,998,806)	(59,999,930)	(64,116,366)
Net Cash from Operating Activities		472,005,431	(371,391,494)	284,135,234	(245,756,553)
Cash Flows from / (Used in) Investing Activities					
Interest Income	20.1	19,265,384	24,762,701	18,737,372	24,622,117
Acquisition of Property, Plant and Equipment	5	(30,690,928)	(66,107,552)	(7,016,212)	(36,971,383)
Proceeds from Sale of Property, Plant and Equipment		1,025,926	-	-	-
Net Cash Flows from / (Used in) Investing Activities		(10,399,618)	(41,344,851)	11,721,160	(12,349,266)
Cash Flows from / (Used in) Financing Activities					
Repayment of Leases	18	(19,857,716)	(15,777,292)	(19,857,716)	(15,777,292)
Proceeds from Interest Bearing Loans and Borrowings	14	1,327,727,015	1,770,563,853	1,024,919,823	1,004,748,121
Repayment of Interest Bearing Loans and Borrowings	14	(1,604,524,657)	(1,457,243,692)	(1,183,280,666)	(811,142,969)
Net Cash Flows from / (Used in) Financing Activities		(296,655,358)	297,542,870	(178,218,559)	177,827,860
Net Increase / (Decrease) in Cash and Cash Equivalents		164,950,455	(115,193,474)	117,637,835	(80,277,958)
Cash and Cash Equivalents at the Beginning of the Year	16	(180,810,158)	(65,616,684)	(47,703,433)	32,574,525
Cash and Cash Equivalents at the End of the Year	16	(15,859,703)	(180,810,158)	69,934,402	(47,703,433)

Figures in brackets indicate deductions

The accounting policies and notes on pages 74 through 131 form an integral part of the Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

Dankotuwa Porcelain PLC (“the Company”) is a Public Listed Company incorporated and domiciled in Sri Lanka, and is listed on the Colombo Stock Exchange. The registered office of the Company is located at No.10, 5th Floor, Gothami Road, Colombo 08 Sri Lanka and the principal place of business is situated at Dankotuwa.

The Company has its own branch operated in Chennai, India.

1.2 Consolidated Financial Statements

The financial statements for the year ended 31 March 2021, comprise “the Company” referring to Dankotuwa Porcelain PLC as the holding Company and “the Group” referring to the companies whose accounts have been consolidated therein.

1.3 Date of Authorisation for Issue

The Consolidated Financial Statements of Dankotuwa Porcelain PLC, for the year ended 31 March 2021 was authorized for issue in accordance with a resolution of the Board of Directors on 30 August 2021.

1.4 Directors’ Responsibility Statement

The Board of Directors take the responsibility for the preparation and presentation of these financial statements as per the provisions of the companies Act No.07 of 2007 and the Sri Lanka Accounting Standards comprising LKASs and SLFRS (hereafter “SLFRS”)

1.5 Parent Enterprise and Ultimate Parent Enterprise

The Company’s immediate parent entity is Ambeon Holdings PLC, and the ultimate parent undertaking is CHC Investments (Pvt) Ltd. Ambeon Holdings PLC and CHC Investment (Pvt) Ltd are Companies incorporated and domiciled in Sri Lanka.

1.6 Principal Activities and Nature of Operations

Holding Company-Dankotuwa Porcelain PLC

Principal activities and Nature of Operations of the Company is manufacturing and selling porcelain tableware to the export and domestic markets.

Subsidiaries

Royal Fernwood Porcelain Limited

The principal activity of the Company is manufacturing and selling porcelain tableware to export and domestic markets.

DPL Trading (Private) Limited

The principal activity of the company was retail selling porcelain tableware in domestic market. However, there were no operations during the year.

Sub-subsidiary through Royal Fernwood Porcelain Limited - Lanka Decals (Private) Limited

The principal activity of the Company was to print decals. However, there were no operations during the year

Sub-subsidiary through Royal Fernwood Porcelain Limited - Fernwood Lanka (Private) Limited

The principal activity of the company was selling porcelain tableware to domestic markets.

However, there were no operations during the year.

2. BASIS OF PREPARATION

2.1.1 Statement of Compliance

The consolidated Financial Statements (Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes) as at 31 March 2021 are prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRSs and LKASs (hereafter referred as SLFRSs), as laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007.

2.1.2 Basis of Measurement

The consolidated financial statements have been prepared on accrual basis and under the historical cost convention except for, land and buildings, investment property and fair value through profit or loss financial assets that have been measured at fair value.

2.1.3 Materiality & Aggregation

In compliance with LKAS 01 on Presentation of Consolidated Financial Statements, each material class of similar items is presented separately in the Consolidated Financial Statements. Items of dissimilar nature or functions too are presented separately, if they are material.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention

to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by any accounting standard or interpretation as specifically disclosed in the accounting policies.

2.1.4 Presentation and Functional Currency

The consolidated financial statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency, which is the primary economic environment in which the Holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

2.1.5 Comparative Information

The accounting policies have been consistently applied by the company with those of the previous financial year in accordance with LKAS 01 Presentation of Financial Statements, except those which had to be changed as a result of application of the new SLFRS.

2.1.6 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2021. Control over an investee 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

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. There are no subsidiaries that have been consolidated with equity control equal to or less than 50%.

Subsidiaries that are consolidated have been listed in Note 09 to these financial statements.

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of 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 attribute 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. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, which is 12 months ending 31 March, using consistent accounting policies.

All intra-group assets, 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 the income statement. Any investment retained is recognised at fair value.

The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the consolidated income statement and consolidated statement of comprehensive income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the consolidated statement of financial position.

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the consolidated income statement and statement of comprehensive income and

Notes to the Financial Statements

as a component of equity in the consolidated statement of financial position, separately from equity attributable to the shareholders of the parent.

The consolidated statement of cash flows includes the cash flows of the Company and its subsidiaries.

Business combinations and goodwill on acquisitions

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree at the 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 expense.

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. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is premeasured at its acquisition

date fair value and any resulting gain or loss is recognised in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date.

Contingent consideration which is deemed to be an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value either in profit or loss or as a change to other comprehensive income (OCI). If the contingent consideration is not within the scope of SLFRS 9, it is measured in accordance with the appropriate SLFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. 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 ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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 the cash-generating unit retained.

2.2 Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements of the group requires the application of certain critical accounting judgements, estimates and assumptions relative to the future. Further, it requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

I. Taxation

The Group is subject to income tax and other taxes including VAT. Significant judgment was required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and

the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

Where the final tax outcome of such matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

II. 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.

III. Going Concern

The Directors have made an assessment of both the company's and Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon both the company's and Group's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the company. Therefore, the Financial Statements continue to be

prepared on the going concern basis.

In determining the above significant management judgements, estimates and assumptions the impact of the COVID-19 pandemic has been considered as of reporting date and specific considerations have been disclosed under the relevant notes.

IV. Defined Benefit Plans

The cost of defined benefit plan (Gratuity) is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates. Due to the complexity of the valuation, the underlying assumptions and their long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government Bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Group.

Details of the key assumptions used in estimating the defined benefit plan (Gratuity) liability are disclosed in Note 15.

V. 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. 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.

VI. Impairment of Non-Financial Assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the assets or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

VII. Fair value of Land and Building

The Group measures land and buildings at fair value amounts with changes in fair value being recognised in other comprehensive income and in the statement of equity. The Group engaged independent valuation experts to determine fair value of land and buildings, and Investment Property as of 31 March 2021.

The valuer has used valuation techniques such as market values and discounted cash

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flow methods where there was a lack of comparable market data available based on the nature of the property.

The methods used to determine the fair value of Land and Building, are further explained in Note 5.5.

The methods used to determine the fair value of the investment property are further explained in Note 7

VIII. Cashflow Hedge

The hedging type is designated as cash flow hedge since the Group is expecting to hedge the variability arise from exchange rate risk, where the USD term loan, USD packing credit loans and USD import loan can be identified as the hedging instrument, the USD revenue can be identified as the hedge item and exchange rate risk can be identified as the hedged risk". Accordingly, the Group is expecting to hedge the variability in the cash flows corresponding to the repayment of the term loan capital, packing credit loans and import loan capital attributable to changes in exchange rates over the period. This involves key estimation such as forecasted USD revenue and hedge effectiveness. Details of key assumption used in estimation are contain in Note 13.4.

IX. Investment in subsidiary

Investment in Subsidiary are those entries that controlled by the Company. Investment in subsidiary are accounted at fair value through profit or loss in accordance with SLFRS 09. They are initially recognised at

fair value. Subsequent to initial recognition, the fair value gains or losses are recognized in the statement of profit or loss in the statements until the date on which the control is lost.

The Group engaged independent valuation specialist to determine the fair value of investment in subsidiaries during the year.

Details of the key assumptions used in the estimates are contained in Note 09.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES.

2.3.1 Changes in Significant Accounting Policies

Accounting policies have been applied consistently for all periods presented in the Financial Statements by the Group and the Company.

2.3.2 Foreign Currency Translation

The Company's financial statements are presented in Sri Lankan Rupees, which is also the parent Company's functional currency. 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 Company uses the direct method of consolidation and has elected to recycle the gain or loss arises from this method.

(a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit, or loss is also recognised in other comprehensive income or profit or loss respectively).

(b) Foreign Operations

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 income statements are translated at exchange rates prevailing at the

dates of the transactions. The exchange differences arising on the translation 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 the income statement.

2.3.3 Taxation

a) Current Taxes

Current income tax assets and liabilities for the current period 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 balance sheet 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 is recognised in equity and not in the income statement.

Income tax has been provided on overseas operations in accordance with the relevant statutes enforced in the countries in which operations are carried out.

The liability for taxation is computed according to the provisions of the Inland Revenue Act No.24 of 2017 and subsequent amendments thereto. The relevant details are disclosed in Note No.22 to the Financial Statements.

b) Deferred Taxation

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

Deferred 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 utilized.

The carrying amount of deferred 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are

recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

c) Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of asset or service 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 item as applicable and receivable and payable that 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 receivables and payables in the Balance Sheet.

2.3.4 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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2.3.5 Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

2.3.6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the income statement when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic

benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

2.3.7 Inventories

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

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

Raw Materials

At weighted average cost

Work-in-Progress

At factory cost. Cost is determined by accruing all direct material, direct labour and appropriate apportionment of fixed production overheads based on normal operating capacity

Consumables & Spares

At purchase cost on weighted average basis

Finished Goods

At the cost of direct material, direct labour and appropriate Apportionment of fixed production overheads, based on normal operating capacity

Goods in Transit

At Purchase price

2.3.8 Cash and Cash Equivalents

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

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.3.9 Property, Plant and Equipment

Property, plant and equipment is initially stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred. (if applicable) The present value of the expected cost for the decommissioning of the asset after its use, is included

in the cost of the respective asset if the recognition criteria for a provision are met.

Land and buildings are subsequently measured at fair value, less accumulated depreciation on buildings, and impairment losses recognised at the date of 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.

Depreciation is calculated on a straight-line basis over the useful life of assets or components. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

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 derecognition

of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

2.3.10 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for Administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and carrying amount of the asset is recognized in profit or loss 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 in use. 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 in use.

Further details are disclosed in Note 07 to the Financial Statements.

2.3.11 Common Control Business Combinations

Business combinations between entities under common control are accounted for using pooling of interest method. Accordingly,

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No new goodwill is recognised as a result of the combination. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity.

2.3.12 Financial Instruments - Initial recognition and subsequent measurement

a. Financial assets

Initial recognition and measurement

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

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

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them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. 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 receivables and short term investments.

Financial assets at fair value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

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.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

Financial assets designated at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity

instruments designated at fair value through OCI are not subject to impairment assessment. The Group elected to classify irrevocably its non-listed equity investments under this category.

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. 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. This category includes derivative instruments and listed equity investments which the Group had not

irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

b. 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.

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

2.3.13 Provisions

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

2.3.14 Retirement Benefit Obligations

(i) Defined Benefit Plan – Gratuity

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit Method (PUC) as required by LKAS No 19, Employee Benefits.

The item is stated under Defined Benefit Liability in the Statement of financial position.

Recognition of Actuarial Gains and Losses

Actuarial gains and losses are recognized in full in the Other Comprehensive Income.

Payment of Gratuity is made as per the payment of Gratuity Act No 12 of 1983.

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(ii) Defined contribution plan

The Company also operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

The Group contributes to the following Schemes:

- Employees' Provident Fund

The Group and employees contribute 12% and 8%-10% respectively of the employee's monthly gross salary (excluding overtime) to the Provident Fund.

- Employees' Trust Fund

The Group contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

2.3.15 Impairment of Non- Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its

recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of

depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

- Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash – generating units (or Group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2.3.16 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease

term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

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 as per SLFRS 16 and recognize right of use assets and lease liability.

Company as a 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.

Right-of-use assets

The Group companies 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. Right-of-use assets are depreciated on

a straight-line basis over the lease term.

The right-of-use assets are presented within Note 6 and are subject to impairment in line with the Group's policy for Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include 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 Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The Group companies determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group companies applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to

renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

The Group companies 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 Company 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 Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments.

2.3.18 Accounting for investments in Subsidiaries

Investments in Subsidiaries are those entities that is controlled by the Company. Investments in subsidiaries are accounted at fair value through profit or loss in accordance with SLFRS 9.

Notes to the Financial Statements

They are initially recognized at fair value. Subsequent to initial recognition, the fair value gains or losses are recognized in the statement of profit or loss in the separate financial statements until the date on which the control is lost. The dividends received from the Subsidiary are treated as income in the statement of profit or loss of the separate financial statements.

2.3.19 Hedge accounting

At the inception of a hedge relationship, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

There is 'an economic relationship' between the hedged item and the hedging instrument.

The effect of credit risk does not 'dominate the value changes' that result from that economic relationship

The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The Company designated its identified foreign currency loans as a hedging instrument against its highly probable, specifically

identified future revenue in foreign currency, through which the Company hedged the risk of changes in value of the identified foreign currency loans, caused by the fluctuations in foreign exchange rates

2.3.20 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, after eliminating sales within the Group.

The following specific criteria are used for recognition of revenue:

a. Revenue from contract with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services

b. Goods transferred at a point in time

Under SLFRS 15, revenue is recognised upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally, on delivery of the goods.

c. Dividend

Dividend income is recognized when the Group's right to receive the payment is established.

d. Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, fair value gains on financial assets at fair value through profit or loss, gains on the re-measurement to fair value of any pre-existing interest in an acquiree that are recognized in income statement.

Interest income or expense is recorded as it accrues 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 income statement.

e. Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

f. Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other noncurrent assets, including investments, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

g. Other income

Other income is recognized on an accrual basis.

2.3.21 Expenditure recognition

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income.

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

For the purpose of presentation of the income statement, the “function of expenses” method has been adopted, on the basis that it presents fairly the elements of the Company and Group’s performance.

2.3.22 Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables) that are recognised in the income statement.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

2.3.23 Segmental Information

The Group’s internal organization and management is structured based products which are similar in nature and process and where the risk and return are similar.

As such for management purposes, the Group is organized into manufacturing of porcelain business unit based on their products and reported as one business segment.

In addition, management purposes, turnover is analysed based on the geographical locations. Such as local and exports.

2.4 Going Concern

In determining the basis of preparing the financial statements for the year ended 31 March 2021, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the companies within the Group and appropriateness of the use of the going concern basis. In March 2021, each business was evaluated for resilience considering a wide range of factors relating to expected income avenues, cost management, profitability, the ability to defer non-essential capital expenditure, debt repayment schedules, cash reserves and potential funding lines, if required, and the ability to continue business as least impacted as possible.

Having presented the outlook of each industry to the holding company Board and after due consideration of the likelihood of outcomes, the Directors are

satisfied that the Company, its subsidiaries and associated have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

In determining the above, significant management judgments, estimates and assumptions on the impact of the COVID-19 pandemic has been considered as of reporting date.

3. CHANGES IN ACCOUNTING STANDARDS AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

3.1 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 payments resulting from Covid-19 related rent concession the same way it would account for the change

Notes to the Financial Statements

under SLFRS16, if the change were not a lease modification.

The above-mentioned amendments are effective for the annual reporting periods beginning on or after 01st June 2020.

3.2 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 above-mentioned 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.

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

3.4 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 support companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform.

The above-mentioned amendments are effective for the annual reporting periods beginning on or after 01st January 2021.

None of the new or amended pronouncements are expected to have a material impact on the financial statements of the Group in the foreseeable future.

4 REVENUE

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
4.1 Revenue				
Exports	1,397,884,819	1,230,731,582	843,328,857	581,287,190
Local	1,034,533,466	1,003,139,748	671,178,162	747,138,275
	2,432,418,285	2,233,871,330	1,514,507,019	1,328,425,465

- 4.2** Revenue from Local Sales of the Group, includes of Revenue generated from showrooms for the year ended 31 March 2021 amounting to LKR 178,848,484/- (2020 - LKR 197,766,311/-).
- 4.3** Revenue from Local Sales of the Company, includes of Revenue generated from showrooms for the year ended 31 March 2021 amounting to LKR 163,372,723/- (2020 - LKR 169,227,465/-).
- 4.4** Group is dealing only in Porcelain Products. There are no separate activities other than the Porcelain segment in the Group.
- 4.5** Cost of Sales of the Group, includes of expenses for inventories for the year ended 31 March 2021 amounting to LKR 728,654,629/- (2020 - LKR 557,218,461/-).
- 4.6** Cost of Sales of the company includes of expenses for inventories for the year ended 31 March 2021 amounting to LKR 373,545,138/- (2020 - LKR 382,520,855/-).

5 PROPERTY, PLANT & EQUIPMENT
GROUP

	Balance	Additions	Disposals / Transfers	Revaluation	Balance
	as at				as at
	01.04.2020				31.03.2021
	LKR	LKR	LKR	LKR	LKR
5.1 Gross Carrying Amounts					
5.1.1 At Cost					
Building - Leasehold	60,080,452	-	(3,274,140)	-	56,806,312
Roadways & Fence	2,687,404	-	-	-	2,687,404
Plant & Machinery	1,418,826,483	25,459,759	(1,800,000)	-	1,442,486,242
Motor Vehicles	12,244,935	-	-	-	12,244,935
Office Equipment	84,627,041	513,550	-	-	85,140,591
Furniture & Fittings	34,225,870	5,459,935	-	-	39,685,805
Computer Equipment	54,804,359	1,784,502	-	-	56,588,861
Capital WIP	5,020,771	10,580,101	(5,020,772)	-	10,580,100
	1,672,517,315	43,797,847	(10,094,912)	-	1,706,220,250
5.1.2 At Valuation					
Land -Freehold	992,613,151	-	-	32,760,000	1,025,373,150
Building - Freehold	693,172,587	2,352,890	-	31,064,522	726,590,000
	1,685,785,738	2,352,890	-	63,824,522	1,751,963,150
	3,358,303,053	46,150,737	(10,094,912)	63,824,522	3,458,183,400

Notes to the Financial Statements

5 PROPERTY, PLANT & EQUIPMENT (Contd..)

GROUP

	Balance as at 01.04.2020	Charge for the Year	Disposals / Transfers	Impairment	Balance as at 31.03.2021
	LKR	LKR	LKR	LKR	LKR
5.2 Depreciation					
5.2.1 At Cost					
Building - Leasehold	17,612,885	10,360,844	(2,909,683)	-	25,064,046
Roadways & Fence	2,012,577	73,164	-	-	2,085,741
Plant & Machinery	1,260,725,437	43,035,034	(1,800,000)	6,223,567	1,308,184,038
Motor Vehicles	10,014,005	-	-	-	10,014,005
Office Equipment	62,828,211	4,802,020	-	-	67,630,231
Furniture & Fittings	23,123,584	2,814,911	-	-	25,938,495
Computer Equipment	44,576,614	3,296,767	-	-	47,873,381
	1,420,893,313	64,382,740	(4,709,683)	6,223,567	1,486,789,937

	Balance as at 01.04.2020	Charge for the Year	Disposals / Transfers	Revaluation	Balance as at 31.03.2021
	LKR	LKR	LKR	LKR	LKR
5.2.2 At Valuation					
Building - Freehold	-	31,877,734	-	(31,877,734)	-
	-	31,877,734	-	(31,877,734)	-
	1,420,893,313	96,260,474	(4,709,683)	(25,654,167)	1,486,789,937

Group

	2021	2020
	LKR	LKR
5.3 Net Book Values		
5.3.1 At Cost		
Building - Leasehold	31,742,266	42,467,566
Roadways & Fence	601,663	674,828
Plant & Machinery	134,302,204	158,101,046
Motor Vehicles	2,230,930	2,230,930
Office Equipment	17,510,360	21,798,830
Furniture & Fittings	13,747,310	11,102,286
Computer Equipment	8,715,480	10,227,745
Capital WIP	10,580,100	5,020,771
	219,430,313	251,624,002

		Group	
		2021	2020
		LKR	LKR
5.3.2	At Valuation		
	Land	1,025,373,150	992,613,150
	Building - Freehold	726,590,000	693,172,588
		1,751,963,150	1,685,785,738
		1,971,393,463	1,937,409,740

5.3.3 The Group acquired Property, Plant and Equipment to the aggregate value of LKR 46,150,737/- during the financial year (2020- LKR 66,107,552/-). Cash payments amounting to LKR 30,690,928/- (2020 - LKR 66,107,552/-) were made during the year for purchase of Property, Plant and Equipment.

5.3.4 The Group impaired the assets which are not in the useable condition and no recoverable value amounting to LKR 6,223,567/-.

5.4 As at 31 March 2021, Group Property, Plant and Equipment with a cost of LKR 779,776,403/- have been fully depreciated and continue to be in use by the group (2020- LKR 743,837,867/-).

5.5 Revaluation of Land and Building

The Group uses the revaluation model for measurement of Land and Buildings. The Group engaged independent expert valuer to determine the fair value of its land and buildings. Fair value is determined using the market comparable method. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The most recent revaluations were carried out on 31 March 2021 for the group by FRT Valuation Services (Pvt) Ltd. who has valuation experience for similar properties.

The 31 March 2021 valuation contained estimates by valuers with higher estimation uncertainty due to the market disruption caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market yields. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions. Value reflected as of 31 March 2021 represents the best estimate, which meets the requirements of SLFRS-13 Fair Value Measurement.

Details of Group Land and Building stated at valuation are indicated below;

Company	Property	Location	Method of Valuation	Value	Valuers Details	Effective Date of Valuation
				LKR		
Dankotuwa Porcelain PLC	Freehold Land	Dankotuwa	Open Market Value Method	788,350,000	FRT Valuation Services (Private) Limited	31 March 2021
	Freehold Building	Dankotuwa		417,548,000		
Royal Fernwood Porcelain Ltd	Freehold Land	Kosgama	Open Market Value Method	237,023,150	FRT Valuation Services (Private) Limited	31 March 2021
	Freehold Building	Kosgama		309,042,000		

Notes to the Financial Statements

5 PROPERTY, PLANT & EQUIPMENT (Contd..)

5.5.1 Fair Value Hierarchy and Significant Unobservable Valuation Input as at 31 March 2021

Type of property	Extent	No of Buildings	Fair Value Hierarchy	Input use to measurement	Fair value to Unobservable Inputs
Dankotuwa Porcelain PLC					
Freehold Land - Dankotuwa	3,153.40 perches	-	Level 3	Estimated price per Perch LKR.250,000/-	Positively Correlated
Freehold Buildings - Dankotuwa	260,015 sq.ft.	29	Level 3	Estimated price per square Foot LKR 1,500/- LKR 4,500/-	Positively Correlated
Royal Fernwood Porcelain Ltd					
Freehold Land - Kosgama	2,161.05 perches	-	Level 3	Estimated price per perch LKR 105,000/-to 175,000/-	Positively Correlated
Freehold Buildings - Kosgama	141,168 sq.ft.	19	Level 3	Estimated price per Square Foot LKR 1,000/- to 5,000/-	Positively Correlated

5.5.2 Fair Value Hierarchy and Significant Unobservable Valuation Input as at 31 March 2020

Type of property	Extent	No of Buildings	Fair Value Hierarchy	Input use to measurement	Sensitivity of fair value to Unobservable Inputs
Dankotuwa Porcelain PLC					
Freehold Land - Dankotuwa	3,277.76 perches	-	Level 3	Estimated price per Perch LKR.230,000/-	Positively Correlated
Freehold Buildings - Dankotuwa	260,015 sq.ft.	29	Level 3	Estimated price per square Foot LKR 2,200/- - LKR 4,000/-	Positively Correlated
Royal Fernwood Porcelain Ltd					
Freehold Land - Kosgama	2,177.29 perches	-	Level 3	Estimated price per perch LKR 105,000/-to 175,000/-	Positively Correlated
Freehold Buildings - Kosgama	172,905 sq.ft.	19	Level 3	Estimated price per Square Foot LKR 1,375/- - LKR 4,400/-	Positively Correlated

5.6 The carrying amount of revalued assets of the Group that would have been included in the financial statements had that been carried at cost less depreciation is as follows:

Type of property	Cost	Cumulative Depreciation If assets were carried at cost	Net Carrying Amount 2021	Net Carrying Amount 2020
	LKR	LKR	LKR	LKR
5.6.1 Dankotuwa Porcelain PLC				
Land - Freehold	250,000	-	250,000	250,000
Building - Freehold	165,081,657	119,305,932	45,775,725	54,936,646
	165,331,657	119,305,932	46,025,725	55,186,646
5.6.2 Royal Fernwood Porcelain Ltd				
Land - Freehold	3,462,294	-	3,462,294	3,462,294
Building - Freehold	18,094,334	1,516,255	16,578,079	15,057,163
	21,556,628	1,516,255	20,040,373	18,519,457

COMPANY

	Balance as at 01.04.2020	Additions	Disposals / Transfers	Revaluation	Balance as at 31.03.2021
	LKR	LKR	LKR	LKR	LKR
5.7 Gross Carrying Amounts					
5.7.1 At Cost					
Building - Leasehold	60,080,452	-	(3,274,140)	-	56,806,312
Roadways & Fence	2,687,404	-	-	-	2,687,404
Plant & Machinery	901,096,972	5,989,673	-	-	907,086,645
Motor Vehicles	10,944,935	-	-	-	10,944,935
Office Equipment	47,950,974	399,789	-	-	48,350,763
Furniture & Fittings	25,174,732	67,049	-	-	25,241,781
Computer Equipment	40,706,335	451,500	-	-	41,157,835
Capital WIP	-	10,439,036	-	-	10,439,036
	1,088,641,804	17,347,047	(3,274,140)	-	1,102,714,711
5.7.2 At Valuation					
Land - Freehold	753,884,800	-	-	34,465,200	788,350,000
Building - Freehold	393,893,950	108,200	-	23,545,850	417,548,000
	1,147,778,750	108,200	-	58,011,050	1,205,898,000
	2,236,420,554	17,455,247	(3,274,140)	58,011,050	2,308,612,711

Notes to the Financial Statements

5 PROPERTY, PLANT & EQUIPMENT (Contd..)

	Balance as at 01.04.2020	Charge for the Year	Disposals / Transfers	Impairment	Balance as at 31.03.2021
	LKR	LKR	LKR	LKR	LKR
5.8 Depreciation					
5.8.1 At Cost					
Building - Leasehold	17,612,885	10,360,844	(2,909,683)	-	25,064,046
Roadways & Fence	2,012,577	73,164	-	-	2,085,741
Plant & Machinery	797,322,340	22,464,717	-	6,223,567	826,010,624
Motor Vehicles	8,714,005	-	-	-	8,714,005
Office Equipment	34,110,874	3,166,652	-	-	37,277,527
Furniture & Fittings	14,572,270	1,618,212	-	-	16,190,482
Computer Equipment	36,349,631	1,913,390	-	-	38,263,021
	910,694,582	39,596,979	(2,909,683)	6,223,567	953,605,446

	Balance as at 01.04.2020	Charge for the Year	Disposals / Transfers	Revaluation	Balance as at 31.03.2021
	LKR	LKR	LKR	LKR	LKR
5.8.2 At Valuation					
Building - Freehold	-	19,892,421	-	(19,892,421)	-
	-	19,892,421	-	(19,892,421)	-
	910,694,582	59,489,400	(2,909,683)	(13,668,855)	953,605,446

	Company	
	2021	2020
	LKR	LKR
5.9 Net Book Values		
5.9.1 At Cost		
Building - Leasehold	31,742,266	42,467,567
Roadways & Fence	601,663	674,827
Plant & Machinery	81,076,020	103,774,632
Motor Vehicles	2,230,930	2,230,930
Office Equipment	11,073,235	13,840,100
Furniture & Fittings	9,051,299	10,602,462
Computer Equipment	2,894,814	4,356,704
Capital WIP	10,439,036	-
	149,109,263	177,947,222
5.9.2 At Valuation		
Land - Freehold	788,350,000	753,884,800
Building - Freehold	417,548,000	393,893,950
	1,205,898,000	1,147,778,750
Total Carrying Amount of Property, Plant and Equipment	1,355,007,263	1,325,725,972

- 5.9.3** The Company impaired the assets which are not in the useable condition and no recoverable value amounting to LKR 6,223,567/-.
- 5.10** The Company acquired Property, Plant and Equipment to the aggregate value of LKR 17,455,247/- during the financial year (2020 - LKR 36,971,383/-). Cash payments amounting to LKR 7,016,212/- (2020 - LKR 36,971,383/-) were made during the year for purchase of Property, Plant and Equipment.
- 5.11** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amounts of LKR 635,284,522/- (2020 - LKR 635,284,522/-).
- 5.12** The useful lives of the assets of the companies in the group are estimated as follows.

	Group		Company	
	2021	2020	2021	2020
Buildings-Leasehold	Over the Lease Period	Over the Lease Period	Over the Lease Period	Over the Lease Period
Buildings-Freehold				
Buildings Freehold	10-40 years	10-40 years	40 years	40 years
Roadways & Fence	40 years	40 years	40 years	40 years
Plant & Machinery				
Plant & Machinery	10-33 years	10-33 years	10-33 years	10-33 years
Lab Equipment's	6 2/3 years	6 2/3 years	6 2/3 years	6 2/3 years
Tools	6 2/3 years	6 2/3 years	6 2/3 years	6 2/3 years
Power Supply Equipment	25-50 years	25-50 years	50 years	50 years
Factory Equipment	5 -20 years	5 -20 years	10 -20 years	10 -20 years
Wells & Tanks	40 years	40 years	40 years	40 years
Kilns	15-34 years	15-34 years	15-34 years	15-34 years
Office Equipment				
Office Equipment	5-6 2/3 years	5-6 2/3 years	6 2/3 years	6 2/3 years
Sound Equipment	6 2/3 years	6 2/3 years	6 2/3 years	6 2/3 years
Welfare Equipment	5- 6 2/3 years	5- 6 2/3 years	6 2/3 years	6 2/3 years
Security Equipment	6 2/3 years	6 2/3 years	6 2/3 years	6 2/3 years
Telephone	5 years	5 years	5 years	5 years
Shop Assets	10 years	10 years	10 years	10 years
Motor Vehicles	4 - 25 Years	4 - 25 Years	6 - 25 Years	6 - 25 Years
Furniture & Fittings	5-10 years	5-10 years	10 years	10 years
Computer Equipment	4 years	4 years	4 years	4 years

Notes to the Financial Statements

6 RIGHT TO USE ASSETS (GROUP/COMPANY)

The Group recognises right of use assets when 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

	Group /Company					
	Gross Carrying Amounts			Amortization		
	As At 31.03.2020	Additions	As At 31.03.2021	As At 31.03.2020	Charge	As At 31.03.2021
	LKR	LKR	LKR	LKR	LKR	LKR
6.1 Right to Use Assets						
Right to Use Asset - Building (Note 6.3)	30,656,219	27,273,582	57,929,801	9,289,213	15,885,161	25,174,374
Right to Use Asset Motor Vehicle	8,623,478	-	8,623,478	-	1,617,270	1,617,270
	39,279,697	27,273,582	66,553,279	9,289,213	17,502,431	26,791,644

Security: Absolute ownership of the assets under lease will be with the lessor until the expiration of the lease period.

	Group / Company	
	As at 31.03.2021	As at 31.03.2020
	LKR	LKR
6.2 Net Book Value		
Right to Use Asset - Building (Note 6.3)	32,755,427	21,367,006
Right to Use Asset Motor Vehicle	7,006,208	8,623,477
	39,761,635	29,990,483

6.3 This represents the lease arrangement for rented showrooms and office premises as per the SLFRS 16.

7 INVESTMENT PROPERTY

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Balance as at beginning of the year	688,436,151	573,946,950	565,721,251	468,762,750
Fair value gain from Investment Property	14,307,063	114,489,201	14,307,063	96,958,501
Balance as at end of the year	702,743,214	688,436,151	580,028,314	565,721,251

Fair value is determined using the market comparable method. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The most recent revaluation was carried out on 31 March 2021 by FRT Valuation Services (Pvt) Ltd. who has valuation experience for similar properties.

7.1 Details of Group investment Property stated at valuation are indicated below;

Company	Property	Location	Method of Valuation	Valuation	Valuers Details	Effective Date of Valuation
LKR						
Dankotuwa Porcelain PLC	Freehold Land	Dankotuwa	Open Market Value Method	580,028,314	FRT Valuation Services (Private) Limited	31 March 2021
Royal Fernwood Porcelain Ltd	Freehold Land	Kosgama	Open Market Value Method	122,714,900		31 March 2021
				702,743,214		

7.2 Fair Value Hierarchy and Significant Unobservable Valuation Input as at 31 March 2021

Company	Property	Location	Fair Value Hierarchy	Significant Unobservable Inputs	Area	Sensitivity of fair value to unobservable Inputs
Dankotuwa Porcelain PLC	Freehold Land	Dankotuwa	Level 3	Average Market value per perch LKR 148,750/-	3,899.35 p	Positively Correlated
Royal Fernwood Porcelain Ltd	Freehold Land	Kosgama	Level 3	Average Market value per perch LKR 70,000	1,753.07 p	Positively Correlated

7.3 Fair Value Hierarchy and Significant Unobservable Valuation Input as at 31 March 2020

Company	Property	Location	Fair Value Hierarchy	Significant Unobservable Inputs	Area	Sensitivity of fair value to unobservable Inputs
Dankotuwa Porcelain PLC	Freehold Land	Dankotuwa	Level 3	Average Market value per perch LKR 6,000 - LKR 175,000/-	3,985.95 p	Positively Correlated
Royal Fernwood Porcelain Ltd	Freehold Land	Kosgama	Level 3	Average Market value per perch LKR 70,000	1,753.07 p	Positively Correlated

The 31 March 2021 valuation contained estimates by valuers with higher estimation uncertainty due to the market disruption caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market yields. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions. Value reflected as of 31 March 2021 represents the best estimate, which meets the requirements of SLFRS-13 Fair Value Measurement.

Notes to the Financial Statements

8 INTANGIBLE ASSETS

	Carrying Amount			
	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Summary				
Computer Software (Note 8.1)	23,804,232	30,794,902	23,804,232	30,794,902
Goodwill on Consolidation (Note 8.2)	12,673,968	12,673,968	-	-
Brand Name (Note 8.3)	14,787,753	14,787,753	-	-
	51,265,953	58,256,623	23,804,232	30,794,902

	Group / Company	
	2021	2020
	LKR	LKR
8.1 Computer Software		
Cost		
As at the beginning of the year	65,352,772	65,352,772
Acquired / Incurred during the period	-	-
As at the end of the year	65,352,772	65,352,772
Amortisation		
As at the beginning of the year	34,557,870	26,795,074
Amortisation for the year	6,990,670	7,762,796
As at the end of the year	41,548,540	34,557,870
Net book value as at the end of the year	23,804,232	30,794,902

8.1.2 Intangible Assets consisted of Microsoft Open Licenses and ERP system, which were amortized over the useful life of 24 months and 8 years respectively.

8.1.3 The Company have not acquired Intangible Assets during the 2020/21 financial year as well as 2019/20 financial year .

8.2 Goodwill on Consolidation

	Group	
	2021	2020
	LKR	LKR
Balance at the beginning of the year	12,673,968	198,340,084
Impairment for the year (Note 8.4.1)	-	(185,666,116)
Balance at the end of the year (Note 8.2.1)	12,673,968	12,673,968

8.2.1 Goodwill represents the excess of an acquisition over the Company's interest in the net fair value of the identifiable Assets, Liabilities and Contingent Liabilities at the date of acquisition, and is carried at cost less accumulated impairment Losses.

Goodwill is not amortized, but is reviewed for impairment annually and whether there is an indication that goodwill may be impaired. For the purpose of testing goodwill for impairment, goodwill is allocated to the operating entity level, which is the lowest level at which the goodwill is monitored for internal management purpose.

		Group	
		2021	2020
		LKR	LKR
8.3	Brand Name		
	Balance at the beginning of the year	14,787,753	14,787,753
	Balance at the end of the year (Note 8.3.1)	14,787,753	14,787,753

- 8.3.1** The Management identified the Brand Name of Royal Porcelain as an Intangible Asset with an indefinite useful life arising from the Business Combination. Management is in the opinion that the Brand Name will be a key attraction in Porcelain sector. The Brand Name has been tested for impairment along with other Intangible Assets of the Royal Fernwood Porcelain Group, as further explained under Note 8.4.

	Goodwill		Brand Name	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Royal Fernwood Porcelain Limited (Note 8.2 & 8.3)	12,673,968	12,673,968	14,787,753	14,787,753

8.4 Impairment Testing of Goodwill and Intangible Assets with Indefinite Lives

The Group considers the relationship between its recoverable amount and its book value, among other factors, when reviewing for indicators of impairment.

Key assumptions used in the Value In Use (VIU) calculation and sensitivity to changes in assumptions

Gross margins

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

Discount rates

The discount rate used is the risk free rate which is the long term bond rate as published by Central Bank of Sri Lanka, adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions as published by Central Bank of Sri Lanka.

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on Industry growth rates. Cash flows beyond the five year period are extrapolated using 3.5% growth rate.

Sensitivity to Changes in Assumptions

Sensitivity impact of the key assumptions on the recoverable amount of the CGU is given in Note 9.3

- 8.4.1** The goodwill and the brand name have been allocated to Royal Fernwood Porcelain Ltd for the purpose of impairment assessment, where the recoverable amount has been estimated using the discounted cash flow method.

In light of current operational and economic conditions due to the ongoing COVID-19 pandemic, the Group has reassessed the expected future business performance relating to cash generating units where the management has used VIU to determine recoverable value of the CGU and concluded that the recoverable value of CGUs exceeds its carrying values

Notes to the Financial Statements

9 INVESTMENT IN SUBSIDIARY - COMPANY

Non-Quoted	Country of Incorporation	No of Ordinary Shares	Direct Holding		Fair Value		Cost	
			2021	2020	2021	2021	2020	2020
					LKR	LKR	LKR	LKR
Royal Fernwood Porcelain Ltd	Sri Lanka	1,900,710,972	95.69%	95.69%	533,584,000	391,381,586	526,711,000	391,381,586
Royal Fernwood Porcelain Ltd	Sri Lanka	Preference Shares*			350,319,253	350,319,253	350,319,253	350,319,253
Total Non-Quoted Investment in Subsidiary (Note 9.1)					883,903,253	741,700,839	877,030,253	741,700,839

* Terms and condition

Non-voting , Redeemable, Non- Cumulative shall be redeem at the option of issuer.

Total Non-Quoted Investment in Subsidiaries at Fair Value

		2021	2020
		LKR	LKR
9.1	At the beginning of the Year (Note 29)	877,030,253	749,243,253
	Change in Fair Value	6,873,000	127,787,000
	At the end of the Year	883,903,253	877,030,253

The Principal Activities of the Subsidiaries are disclosed in Note 1.6

9.2 The company uses fair valuation model of measurement for investment in subsidiaries

Details of investment in subsidiary stated at fair value included below,

Company	Valuation Techniques	Significant Inputs	Significant Assumption	FV Level	2021	2020	Effective date
Royal Fernwood Porcelain Ltd	Discounted Cashflow Method	Cash Flow Forecast	Cost of Equity	Level 3	11.60%	19.90%	31 March 2021
			Growth Rate	Level 3	3.50%	3.00%	31 March 2021

9.3 Sensitivity Analysis

	2021		2020	
	Effect on Profit or Loss Statement	Effect on Statement of Financial Position	Effect on Profit or Loss Statement	Effect on Statement of Financial Position
Royal Fernwood Porcelain Ltd	LKR	LKR	LKR	LKR
If one percentage point change in the assumed weighted average cost of capital , would have the following effects	1%	(166,937,223)	(166,937,223)	(38,917,685)
	-1%	213,973,245	213,973,245	43,985,038
If one percentage point change in the assumed terminal growth rate , would have the following effects	1%	158,851,083	158,851,083	13,545,324
	-1%	(76,234,324)	(76,234,324)	(12,032,460)

The sensitivity analysis is based on a change in a key assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the Value in Use as it is unlikely that changes in assumptions would occur in isolation from one another.

Above assumptions are affected by expected future market and future economic conditions

The 31 March 2021 valuation contained estimates by valuers with higher estimation uncertainty due to the market disruption caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market yields. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions. Value reflected as of 31 March 2021 represents the best estimate, which meets the requirements of SLFRS-13 Fair Value Measurement.

9.4 MATERIAL PARTLY-OWNED SUBSIDIARIES - GROUP

Financial information of subsidiaries that have material Non-Controlling Interests is provided below;

9.4.1 Proportion of Equity interest held by Non-Controlling interests:

Name of the Subsidiary	Proportion of NCI		Accumulated Balances of NCI		Profit allocated to NCI	
	2021	2020	2021	2020	2021	2020
			LKR	LKR	LKR	LKR
Non-Controlling Interests material individually						
Royal Fernwood Porcelain Ltd	4.31%	4.31%	12,060,778	21,538,559	(9,477,781)	1,497,571

The summarized financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

9.4.2 Summarized Statement of comprehensive income for the year ended 31 March

	2021	2020
	LKR	LKR
Revenue	922,099,890	919,119,011
Operating Costs	(1,123,414,072)	(863,448,003)
Other Income	2,908,635	10,698,431
Finance Costs	(56,672,728)	(56,852,920)
Finance Income	528,012	140,583
Fair Value Gain from Investment Property	-	17,530,700
Tax (Expense) / Reversal	33,086,578	(3,181,646)
Profit or Loss from Continuing Operations	(221,463,685)	24,006,156
Other Comprehensive Income/(Loss)	1,561,585	10,740,271
Total Comprehensive Income/(Loss)	(219,902,100)	34,746,427

Notes to the Financial Statements

9.4.3 Summarized Statement of Financial Position as at 31 March

	2021	2020
	LKR	LKR
Current Assets	792,395,994	1,144,674,625
Non-Current Assets	739,101,096	734,398,668
Total Assets	1,531,497,090	1,879,073,293
Current Liabilities	713,424,137	776,535,599
Non-Current Liabilities	188,048,116	252,611,162
Total Liabilities	901,472,253	1,029,146,761

9.4.4 Summarized Cash Flow Information for the year ended 31 March

	2021	2020
	LKR	LKR
Operating	187,870,203	(125,890,143)
Investing	(22,120,779)	(28,065,587)
Financing	(118,436,801)	119,546,033
Net increase/(decrease) in Cash and Cash Equivalents	47,312,623	(34,409,697)

10 INVENTORIES

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Raw Materials	356,595,808	270,950,202	157,057,049	89,534,226
Indirect Materials	29,391,726	31,078,685	29,391,726	31,078,685
Packing Materials	29,030,759	28,619,460	10,773,858	8,607,908
Spare Parts	35,881,876	36,780,743	35,881,876	36,780,743
General Inventory	15,033,659	19,290,385	15,033,659	19,290,385
Consumables	5,489,359	6,677,255	5,489,359	6,677,255
Semi Finished Goods	160,252,210	262,106,240	160,252,210	262,106,240
Work in Progress	69,390,150	120,817,184	24,277,390	52,723,319
Finished Goods	671,264,531	831,559,122	128,884,555	207,802,036
Others	35,488,360	17,192,102	35,488,360	17,192,102
Less : Allowance for Obsolete & Slow Moving Inventories (Note 10.1)	(362,007,574)	(206,468,404)	(134,172,078)	(116,324,259)
	1,045,810,864	1,418,602,974	468,357,964	615,468,641
Goods in Transit	2,856,605	-	2,856,605	-
Total Inventories at the Lower of Cost and Net Realizable Value	1,048,667,469	1,418,602,974	471,214,569	615,468,641

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
10.1 Provision for Inventories				
Balance as at the Beginning of the Year	206,468,404	141,341,640	116,324,259	109,881,590
Provision Made / (Reversal) During the Period	155,539,170	65,126,764	17,847,819	6,442,669
Balance as at the End of the Year	362,007,574	206,468,404	134,172,078	116,324,259

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Trade Debtors - Related Party (11.1)	1,817,908	1,342,687	1,392,339	828,632
-Other	452,698,308	459,084,272	266,429,439	290,240,995
Less: Impairment for Doubtful Debts (11.4)	(52,164,387)	(85,343,846)	(33,876,398)	(52,701,169)
	402,351,829	375,083,113	233,945,380	238,368,458
Other Debtors - Related Party (11.2)	4,450,345	3,136,457	51,131,298	34,004,219
-Other	7,480,959	16,918,461	7,480,959	16,918,461
Provision for Other receivable	(5,760,349)	-	(5,760,349)	-
	408,522,784	395,138,031	286,797,288	289,291,137
Advances and Prepayments	110,879,656	233,006,899	85,862,127	56,052,782
Loans Given to Employees (11.3)	63,725	81,639	63,725	81,639
	519,466,165	628,226,569	372,723,140	345,425,558

	Relationship	Group		Company	
		2021	2020	2021	2020
		LKR	LKR	LKR	LKR
11.1 Trade Receivables - Related Parties					
Ambeon Holdings PLC	Immediate Parent	612,293	48,585	612,292	48,585
Ceylon Leather Products (Pvt) Limited	Group Company	1,128,648	1,128,648	720,779	720,779
Fernwood Lanka (Pvt) Ltd	Group Company	-	73,878	-	-
Taprobane Investments (Pvt) Ltd	Group Company	3,351	3,351	-	-
Millenum I.T.E.S.P (Pvt) Ltd	Group Company	59,268	-	59,268	59,268
Lanka Decals (Pvt) Ltd	Group Company	-	73,878	-	-
South Asia Textiles Ltd	Group Company	14,348	14,348	-	-
		1,817,908	1,342,687	1,392,339	828,632

Notes to the Financial Statements

11 TRADE AND OTHER RECEIVABLES (Contd..)

	Relationship	Group		Company	
		2021	2020	2021	2020
		LKR	LKR	LKR	LKR
11.2	Other Receivables - Related Parties				
	Ambeon Holdings PLC	3,574,370	2,284,850	3,574,370	2,284,850
	Royal Fernwood Porcelain Ltd	-	-	46,680,953	30,867,762
	Colombo City Holdings PLC	767,440	767,440	767,440	767,440
	Ceylon Leather Products Limited	44,167	44,167	44,167	44,167
	South Asia Textiles Ltd	64,368	40,000	64,368	40,000
		4,450,345	3,136,457	51,131,298	34,004,219

		Group		Company	
		2021	2020	2021	2020
		LKR	LKR	LKR	LKR
11.3	Loans to Company Employees				
	Summary				
	Balance as at the Beginning of the Year	81,639	617,802	81,639	617,802
	Loans Granted During the Year	-	-	-	-
	Less: Repayments During the Year	(17,914)	(536,163)	(17,914)	(536,163)
		63,725	81,639	63,725	81,639
	Less: provision for loans	-	-	-	-
	Balance as at the End of the Year	63,725	81,639	63,725	81,639
11.4	Impairment of Doubtful Debts				
	Balance as at the Beginning of the Year	85,343,846	53,195,041	52,701,169	23,363,696
	Writeoff during the year	(33,101,425)	-	(16,769,124)	-
	Provision Made (Reversal) During the Period	(78,034)	32,148,805	(2,055,647)	29,337,473
	Balance as at the End of the Year	52,164,387	85,343,846	33,876,398	52,701,169

11.5 Aging Analysis of trade receivables as follows;

	Neither past due nor impaired	Past Due but Not Impaired			Total
		31 to 60 days	61 to 90days	More than 91 days	
		LKR	LKR	LKR	
Group					
2021	169,088,206	191,506,680	15,197,012	26,559,931	402,351,829
2020	116,032,441	87,302,652	53,670,222	118,077,798	375,083,113
Company					
2021	83,022,818	138,080,479	4,038,634	8,803,449	233,945,380
2020	99,234,527	46,730,124	29,162,006	63,241,801	238,368,458

12 STATED CAPITAL

	2021		2020	
	Number	LKR	Number	LKR
Fully Paid Ordinary Shares				
Balance at Beginning of the Year	162,552,920	1,402,101,647	162,552,920	1,402,101,647
Balance at End of the Year	162,552,920	1,402,101,647	162,552,920	1,402,101,647

12.1 The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at a meeting of the shareholders or one vote per share in the case of a poll. All shares ranked equally with regard to the Company's residual assets.

13 OTHER COMPONENTS OF EQUITY

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Revaluation Reserve (13.1)	1,447,201,521	1,238,259,100	1,262,371,241	1,068,379,800
Exchange Fluctuation Reserves (13.2)	(755,845)	(606,780)	(755,845)	(606,780)
Amalgamation Reserve (13.3)	-	-	(123,361,720)	(123,361,720)
Hedge Reserve (13.4)	(33,882,238)	(18,344,975)	(6,385,537)	(3,957,637)
	1,412,563,439	1,219,307,346	1,131,868,139	940,453,663

	*Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
13.1 Revaluation Reserve				
Balance as at the Beginning of the Year	1,238,259,100	1,115,989,450	1,068,379,800	970,870,659
Revaluation Reserve Identified During the Year	208,942,421	122,269,650	193,991,441	97,509,141
Balance as at the End of the Year	1,447,201,521	1,238,259,100	1,262,371,241	1,068,379,800

* Attributable to the equity holders of the parent

13.1.1 Revaluation Reserves consist of surplus resulting on valuation of free hold Land & Buildings described in Note 5.5.

Notes to the Financial Statements

13 RESERVES (Contd...)

	2021	2020
	LKR	LKR
13.2 Exchange Fluctuation Reserves		
Balance as at Beginning of the year	(606,780)	(735,657)
Reversal /(Addition) during the year	(149,065)	128,877
Balance as at the End of the year	(755,845)	(606,780)

- 13.2.1** All resulting exchange differences on the conversion of foreign branch operations which is in functional currency of Indian Rupees (INR) to the presentation currency of Sri Lankan Rupees (LKR) have been recognized under Exchange Fluctuation Reserve as a separate component of equity.

	2021	2020
	LKR	LKR
13.3 Amalgamation Reserve - Company		
Balance as at Beginning of the year	(123,361,720)	(123,361,720)
Balance as at the End of the year	(123,361,720)	(123,361,720)

- 13.3.1** Dankotuwa Porcelain PLC obtained a certificate of amalgamation from the Registrar of Companies to amalgamate its wholly owned subsidiary, Taprobane Capital (Private) Limited with effective from 25 September 2017. The effect of this amalgamation is reflected in the reserve.

13.4 Cash Flow Hedge Reserve

The Group hedge the variability in the cash flows corresponding to the repayment of the term loan capital, packing credit loans and import loan capital attributable to changes in exchange rates over the period.

	*Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Balance as at the Beginning of the Year	(18,344,975)	-	(3,957,637)	-
Identified during the period	(18,107,000)	(22,979,693)	(2,084,354)	(5,496,718)
Deferred Taxation Adjustment on Hedge Reserve	2,569,737	3,986,698	(343,546)	1,539,080
Balance as at the End of the Year	(33,882,238)	(18,344,975)	(6,385,537)	(3,957,637)

The forecasted revenue and effectiveness of Hedge were used as key Assumptions.

* Attributable to the equity holders of the parent

Notes to the Financial Statements

	Notes	As at 01.04.2020 LKR	Loans Obtained LKR	Repayment LKR	Accrued Interest LKR	Exchange (Gain) / Loss LKR	As at 31.03.2021 LKR	
14.4	Bank Loans							
	Bank Loans - Company							
	Bank of Ceylon -Packing Credit Loan-USD	14.4.2	73,069,241	159,954,300	(228,044,608)	-	(4,978,933)	-
	Bank of Ceylon-Hypothecation Loan	14.4.3	-	5,372,325	(5,372,325)	-	-	-
	Sampath Bank PLC - Packing Credit Loan-LKR	14.4.5	10,000,000	173,000,000	(78,000,000)	-	-	105,000,000
	Sampath Bank PLC - Packing Credit Loan-USD	14.4.6	53,501,100	36,705,808	(87,051,793)	-	(3,155,115)	-
	Sampath Bank PLC - Short Term Loan-LKR	14.4.7	25,000,000	50,000,000	(75,000,000)	-	-	-
	Pan Asia Banking Corporation PLC - Short Term Loan-USD	14.4.8	110,679,071	151,887,390	(179,804,535)	367,713	(3,966,325)	79,163,315
	DFCC Bank PLC - Short Term Loan-LKR	14.4.9	128,357,237	198,000,000	(300,007,405)	325,280	-	26,675,112
	DFCC Bank PLC - Packing Credit Loan - LKR	14.4.10	40,000,000	-	-	487,920	-	40,487,920
	NDB-Short Term Loan	14.4.11	-	225,000,000	(30,000,000)	1,561,940	-	196,561,940
	People's Bank-Short Term Loan	14.4.12	-	25,000,000	-	-	-	25,000,000
	Total Bank Loans - Company		440,606,650	1,024,919,823	(983,280,666)	2,742,853	(12,100,373)	472,888,287

	Notes	As at 01.04.2020	Loans Obtained	Repayment	Accrued Interest	Exchange (Gain) / Loss	As at 31.03.2021
		LKR	LKR	LKR	LKR	LKR	LKR
14.4	Bank Loans						
	Bank Loans - Subsidiary						
	Hatton National Bank PLC-Term Loan	14.4.14	15,671,000	-	(2,997,000)	-	12,674,000
	Hatton National Bank PLC-Term Loan - USD	14.4.15	204,304,344	-	(31,962,024)	8,652,991	180,995,311
	Hatton National Bank PLC- Import Loan -USD	14.4.16	12,592,341	65,081,552	(33,535,752)	(361,864)	43,776,277
	Hatton National Bank PLC-Import Loan - EUR	14.4.16	8,755,922	1,395,532	(10,100,776)	3,646	54,323
	Hatton National Bank PLC-Import Loan - LKR	14.4.16	-	16,188,818	(1,672,640)	-	14,516,178
	Hatton National Bank PLC- Packing Credit Loan-USD	14.4.17	69,367,655	15,554,473	(61,283,276)	(10,485,460)	13,153,391
	Hatton National Bank PLC- Packing Credit Loan-LKR	14.4.17	34,030,191	2,445,740	(36,475,930)	-	-
	Peoples Bank - Import Loan -LKR	14.4.20	-	14,296,443	(606,449)	-	13,689,994
	Peoples Bank-Packing Credit Loan-USD	14.4.20	12,291,504	29,185,368	(31,290,977)	766,379	10,952,274
	DFCC Bank -Term Loan - LKR	14.4.22	-	20,000,000	-	-	20,000,000
	DFCC Bank - Import Loan - LKR	14.4.22	65,791,541	10,827,689	(59,645,945)	-	16,973,285
	DFCC Bank - PCL Loan - LKR	14.4.22	-	8,000,000	(131,272)	-	7,868,728
	DFCC Bank -STL Loan - USD	14.4.23	-	114,276,261	(4,679,616)	3,362,266	112,958,911
	DFCC Bank-Packing Credit Loan - USD	14.4.23	140,121,753	5,555,316	(140,121,753)	465,476	6,020,792
	DFCC Bank-Packing Credit Loan - EURO	14.4.23	6,728,446	-	(6,740,580)	12,134	-
			569,654,697	302,807,192	(421,243,991)	2,415,569	453,633,468
	Total Bank Loans - Group		1,010,261,347	1,327,727,015	(1,404,524,657)	2,742,853	926,521,755

Notes to the Financial Statements

14 INTEREST BEARING LIABILITIES (Contd..)

Security, repayment terms and other significant details of facilities

Dankotuwa Porcelain PLC - Company

	Lending Institution	Nature of Facility	Facility Amount	Purpose of the Facility
14.4.1	Bank of Ceylon	Packing Credit Loans	LKR 20Mn	To finance local orders
14.4.2	Bank of Ceylon	Packing Credit Loans	USD 0.75 Mn	To finance working capital relating to export orders
14.4.3	Bank of Ceylon	Hypothecation Loan	LKR 10Mn	To retire bills under sight letter of credit & Collection bills
14.4.4	Bank of Ceylon	Overdraft Facilities	LKR 25 Mn	To finance working capital requirements
14.4.5	Sampath Bank PLC	Packing Credit Loans	LKR 180 Mn	To finance working capital relating to export orders
14.4.6	Sampath Bank PLC	Packing Credit Loans	USD 1Mn	To finance working capital relating to export orders
14.4.7	Sampath Bank PLC	Short Term Loan	LKR 25Mn	To finance working capital relating to export orders
14.4.8	Pan Asia Banking Corporation PLC	Short Term Loan	USD 1Mn	To finance working capital requirements
14.4.9	DFCC Bank PLC	Short Term Loan	LKR 180 Mn	To finance working capital requirements
14.4.10	DFCC Bank PLC	Packing Credit Loans	LKR 180 Mn	To finance working capital relating to export orders
14.4.11	National Development Bank	Short Term Loan	LKR 325 Mn	To finance working Capital requirements
14.4.12	Peoples Bank	Term Loan	LKR 25 Mn	To finance working Capital requirements

Interest Rate	Repayment Terms	Security	Carrying value of the assets pledged	
			2021	2020
			LKR	LKR
AWPLR+2.0% p.a	Maximum 3 Months	Floating hypothecation over stocks and book debts of the Company	715 Mn	853 Mn
3 Months LIBOR +4.5% subject to minimum of 5.25% p.a. Additional 2% p.a. for overdue loans	Maximum 4 Months			
AWPLR+2.5% p.a	Maximum 4 months			
AWPLR+2.5% p.a	Maximum 4 Months			
AWPLR +2.0% p.a	Maximum 3 months	Hypothecation Bond for LKR 100Mn over Stocks and Book Debts of the Company	100 Mn	100 Mn
3 Months LIBOR +3.5% subject to minimum of 5.25% p.a	Maximum 3 months			
AWPLR +2.0% p.a	Maximum 3 months			
3 Months LIBOR +3.75% subject to minimum	Maximum 4 months	Mortgage bond for US \$ 1,000,000 over stocks and book debts for the value of 1.5 times of the facility.	715 Mn	853 Mn
AWPLR + 1.25% p.a.	Maximum 3 months	Mortgage bond for LKR 180,000,000 over stocks and book debts of the company.	715 Mn	853 Mn
3 Months LIBOR +3.25% subject to minimum	Maximum 4 months			
AWPLR +1.25% p.a	Maximum 3 months	Primary Mortgage over Factory premises Situated in Dankotuwa for LKR 400,000,000/-	788 Mn	-
4% p.a.	24 months	Corporate Guarantee of Ambeon Hlodings PLC	-	-

Notes to the Financial Statements

14 INTEREST BEARING LIABILITIES (Contd..)

Security, repayment terms and other significant details of facilities

Royal Fernwood Porcelain Ltd

	Lending Institution	Nature of Facility	Facility Amount	Purpose of the Facility
14.4.14	Hatton National Bank PLC	Term Loan (LKR)	LKR 20 Mn	To finance working capital requirements
14.4.15	Hatton National Bank PLC	Term Loan (USD)	USD 1.25 Mn	Reschedule of Over due Outstanding
14.4.16	Hatton National Bank PLC	Import Loan	LKR 125 Mn	To finance working capital requirements
14.4.17	Hatton National Bank PLC	Packing Credit Loan	LKR 125 Mn	To finance working capital requirements
14.4.18	Peoples Bank	Import letter of credit	LKR 50 Mn	To finance working capital requirements
14.4.19	Peoples Bank	Short term loans (Import & Local)	LKR 50 Mn	To finance working capital requirements
14.4.20	Peoples Bank	Foreign currency short term loan	LKR 50 Mn	To finance working capital requirements
14.4.21	Peoples Bank	Bank Guarantee	LKR 15 Mn	To issue Bid/ Performance/ Advance Payment Guarantees for orders of Government Sector.
14.4.22	DFCC Bank PLC	Import Loans	} USD 1.75 Mn	To finance working capital requirements
14.4.23	DFCC Bank PLC	Export Loans		To finance working capital requirements

Interest Rate	Repayment Terms	Security	Carrying value of the assets pledged	
			2021	2020
			LKR	LKR
AWPLR + 3.0% p.a.	59 Equal monthly Installments of LKR 333,000/-.	Primary mortgage bond over immovable property in the factory at Kosgama	546 Mn	538 Mn
LIBOR +4.5%	59 Equal monthly Installments of LKR 20,833/-.			
AWPLR + 2.0%	Settlement through sales proceeds	Secondary mortgage bond over Land & Building at Kosgama for LKR 40 Mn	40 Mn	40 Mn
AWPLR + 1.5% or LIBOR + 3.5%	Settlement through sales proceeds	Primary mortgage bond over immovable property in the factory at Kosgama	546 Mn	538 Mn
AWPLR + 4%	Maximum 3 months	Corporate Guarantee of Parent Company- Ambeon Holding PLC	-	-
Sight : Commission of 0.25%	Maximum 3 months	Title of goods shipped and indemnity of the Company	-	-
AWPLR + 4%	Maximum 3 months	Corporate guarantee of Parent company - Ambeon Holding PLC	-	-
Commission of 2.5%	Valid for a maximum period of one year	Corporate guarantee of Parent company -Ambeon Holding PLC	-	-
AWPLR + 1.5%	Maximum 4 months	Primary Mortgage for Rs 200,000,000/- or Dollars up to a limit of USD 1,920,000/- as the case may be over stocks kept/to and Book Debts of the Company together with in favor of the Bank.	745 Mn	940 Mn
3 months LIBOR + 3.5%	Maximum 4 months			

Notes to the Financial Statements

15 RETIREMENT BENEFIT LIABILITY

	Balance 01.04.2020	Charge for the Year	Payments during the	Balance 31.03.2021
	LKR	LKR	LKR	LKR
Retirement Benefits Obligation - Group	167,089,926	52,033,828	(24,643,216)	194,480,538
	167,089,926	52,033,828	(24,643,216)	194,480,538

	Balance 01.04.2020	Charge for the Year	Payments during the	Balance 31.03.2021
	LKR	LKR	LKR	LKR
Retirement Benefits Obligation - Company	142,992,117	46,341,670	(22,069,642)	167,264,145
	142,992,117	46,341,670	(22,069,642)	167,264,145

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
15.1 Expense on Defined Benefit Plan				
Interest Cost on Benefit Obligation	16,355,525	15,804,451	13,945,744	13,528,527
Current Service Cost	13,263,611	11,948,862	10,314,603	9,254,157
Recognition in the statement of Profit or Loss	29,619,136	27,753,313	24,260,347	22,782,684
Actuarial Loss for the year	22,414,692	13,253,878	22,081,323	13,137,454
Recognition in the Other Comprehensive Income	22,414,692	13,253,878	22,081,323	13,137,454
Recognition in the Total comprehensive Income	52,033,828	41,007,191	46,341,670	35,920,138

- 15.2** Messrs. Actuarial & Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity of the Group on 31 March 2021. Appropriate and compatible assumptions were used in determining the cost of retirement benefits.

	Group/Company	
	2021	2020
Principal Actuarial Assumptions		
The principal financial assumptions underlying the valuation are as follows:		
Discount Rate	7% per annum.	10% per annum.
Future Salary Increase Rate	7%	7%
Normal Retirement Age	55 Years	55 Years

		Group		Company	
		2021	2020	2021	2020
		LKR	LKR	LKR	LKR
15.3	Maturity Profile of the Defined Benefit Plan				
	Within Next 12 Months	32,850,977	24,280,918	24,548,927	17,379,877
	Between 1 - 2 Years	56,557,747	40,043,966	47,013,515	31,549,510
	Between 2 - 5 Years	58,716,314	47,234,764	52,540,494	41,476,752
	Between 5- 10 Years	34,122,298	37,207,362	31,480,052	34,733,473
	Beyond 10 years	12,233,202	18,322,916	11,681,157	17,852,505
		194,480,538	167,089,926	167,264,145	142,992,117
<hr/>					
		Group		Company	
		2021	2020	2021	2020
		LKR	LKR	LKR	LKR
15.4	Break up of the Actuarial (Gain)/ Loss				
	Actuarial (Gain)/ Loss Resulting from Changes in Experience Adjustments	22,414,692	13,253,878	22,081,323	13,137,454
		22,414,692	13,253,878	22,081,323	13,137,454
<hr/>					
		Group		Company	
		2021	2020	2021	2020
		LKR	LKR	LKR	LKR
15.5	Sensitivity Analysis				
	Actuarial Assumptions				
	If a one percentage point change in the assumed discount rate would have the following effects.				
	Change in Discount Rate				
	+1%	(7,042,482)	(6,072,881)	(6,355,528)	(6,702,149)
	-1%	7,589,673	6,691,046	6,860,320	7,359,001
	If a one percentage point change in the assumed salary increment rate would have the following effects.				
	Salary Increment Rate				
	+1%	8,028,997	8,415,862	7,240,631	7,660,952
	-1%	(7,583,767)	(7,802,400)	(6,827,176)	(7,079,503)

Notes to the Financial Statements

16 CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
16.1 Favorable Cash and Cash Equivalents Balance				
Cash and Bank Balances	168,291,863	53,243,286	147,294,242	25,952,529
Short Term Deposits	313,149,377	298,107,777	313,149,377	298,107,777
	481,441,240	351,351,063	460,443,619	324,060,306
16.2 Unfavorable Cash and Cash Equivalent Balances				
Bank Overdraft (Note 14)	(497,300,943)	(532,161,221)	(390,509,217)	(371,763,739)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(15,859,703)	(180,810,158)	69,934,402	(47,703,433)

16.3 Short Term deposit includes an amount of LKR 298,047,277/- pertaining to the balance amount of right issue funds raised.

17 TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Trade Payables				
- Related Parties (Note 17.1)	2,627,688	-	-	579,206
- Others	263,115,706	173,719,360	180,770,827	93,048,894
Other Payables				
- Related Parties (Note 17.2)	167,067,851	121,270,556	118,821,412	79,180,260
- Others*	240,460,947	88,691,184	128,847,781	22,326,337
	673,272,192	383,681,100	428,440,020	195,134,697

*Others has included Sundry Creditors and Accrued Expenses

	Relationship	Group		Company	
		2021	2020	2021	2020
		LKR	LKR	LKR	LKR
17.1 Trade Payables - Related Parties					
Royal Fernwood Porcelain Ltd	Subsidiary	-	-	-	579,206
Ceylon Leather Products Ltd	Group Company	2,627,688	-	-	-
		2,627,688	-	-	579,206

	Relationship	Group		Company		
		2021	2020	2021	2020	
		LKR	LKR	LKR	LKR	
17.2	Other Payables - Related Parties					
	Ambeon Holdings PLC	Immediate Parent	152,123,686	116,522,020	104,014,592	74,512,516
	Colombo City Holdings PLC	Group Company	1,714,845	1,847,890	1,714,845	1,847,890
	Ceylon Leather Products Ltd	Group Company	1,634,197	1,614,685	1,521,341	1,558,381
	Taprobane Investments (Pvt) Ltd	Group Company	1,049,051	1,073,539	1,049,051	1,049,051
	South Asia Textiles Ltd	Group Company	12,375	-	12,375	-
	Lexinton Holdings (Pvt) Ltd	Group Company	-	148,500	-	148,500
	Taprobane Capital (Pvt) Ltd	Group Company	94,661	63,922	70,172	63,922
	Millennium I.T.E.S.P (Pvt) Ltd	Group Company	10,439,036	-	10,439,036	-
			167,067,851	121,270,556	118,821,412	79,180,260

18 LEASE LIABILITY (Group/Company)

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Set out below are the carrying amounts of lease liabilities on leasehold properties and the movements for the year ended 31 March 2021.

	2021	2020
	LKR	LKR
Balance as at beginning of the year	26,953,698	-
Additions	27,273,583	38,590,096
Interest Cost	4,589,968	4,140,894
Repayment	(19,857,716)	(15,777,292)
Balance as at end of the year	38,959,533	26,953,698

Notes to the Financial Statements

	2021			2020		
	Gross Lease Liability	Finance Cost Attributable to Future Periods	Net Lease Liability	Gross Lease Liability	Finance Cost Attributable to Future Periods	Net Lease Liability
	LKR	LKR	LKR	LKR	LKR	LKR
Amount Payable within one year	22,609,342	(1,169,620)	21,439,722	12,836,811	(2,888,059)	9,948,751
Amount Payable more than one year	20,399,584	(2,879,773)	17,519,811	19,514,524	(2,509,577)	17,004,947
Total	43,008,926	(4,049,393)	38,959,533	32,351,335	(5,397,636)	26,953,698

18.1 These refer to Lease arrangement for retail Show Room Leases and the motor vehicle lease as per SLFRS 16.

Notes and disclosures relating to Lease Assets are described in the Note 6

19 OTHER INCOME

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Miscellaneous Income	3,779,464	13,191,171	7,801,100	4,614,274
Asset utilization Fee	-	-	3,459,480	3,459,480
	3,779,464	13,191,171	11,260,580	8,073,754

19.1 Miscellaneous Income includes the income generated from selling coconuts and unused material.

20 FINANCE COST / INCOME

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
20.1 Finance Income				
Interest on Short Term Investments	17,281,096	24,201,378	16,885,603	24,182,046
Interest on Staff Loans	4,822	119,198	4,822	119,198
Interest on Foreign Currency Savings Accounts	1,979,466	442,125	1,846,947	320,873
	19,265,384	24,762,701	18,737,372	24,622,117

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
20.2 Finance Cost				
Overdraft Interest	42,899,861	53,176,397	29,158,039	37,235,342
Interest on Bank Loan	60,045,059	55,159,012	21,733,673	20,217,628
Interest on Intercompany Loans	26,949,086	33,603,698	26,949,086	33,603,698
Interest on Packing Credit Loan	11,851,075	9,049,200	11,851,075	9,049,200
Interest on Lease	4,589,968	4,140,894	4,589,968	4,140,894
	146,335,049	155,129,201	94,281,841	104,246,762

21 **PROFIT / (LOSS) BEFORE TAX**
Stated after Charging / (Crediting)

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Included under Cost of Sales				
- Depreciation	76,045,936	73,964,406	39,274,863	36,683,177
- Salaries	409,930,965	518,948,568	247,134,250	315,379,516
- Employee Benefits Liability	22,905,267	19,496,905	17,546,478	16,258,726
- Defined Contribution Plan Costs - EPF & ETF	47,698,358	50,933,506	29,566,115	31,905,942
- Other Staff Costs	33,406,419	86,706,400	33,406,419	51,866,582
- Research & Development	-	431,700	-	431,700
Included under Administration Expenses				
- Depreciation	6,617,908	11,719,908	6,617,908	6,182,292
- Amortization of Intangible Assets	6,990,670	7,778,192	6,990,670	7,778,192
- Directors' Remuneration	13,831,186	17,526,550	2,500,000	8,658,750
- Salaries	67,443,192	93,582,280	67,443,192	72,808,633
- Employee Benefits Liability	3,589,680	4,210,322	3,589,680	2,836,811
- Defined Contribution Plan Costs - EPF & ETF	5,869,019	8,303,635	5,869,019	5,426,646
- Other Staff Costs	6,049,927	11,356,746	6,049,927	7,873,181
- Legal Fees	1,357,882	3,265,909	877,382	1,390,728
- Auditors' Fee and Expenses - Current Year	1,948,000	1,814,348	1,123,500	1,123,500
- Auditors' Fee and Expenses - Other Services and Branch	247,605	234,650	247,605	234,650
- Allowances for Obsolete & Slow Moving Inventories	155,539,170	65,126,764	17,847,819	6,442,669
Included under Selling & Distribution Expenses				
- Depreciation	3,235,785	3,201,068	3,235,785	3,201,068
- Amortization	10,360,844	7,178,985	10,360,844	7,178,985
- Salaries	30,741,095	57,328,415	30,741,095	45,836,474
- Employee Benefits Liability	3,124,188	3,436,287	3,124,188	2,960,928
- Defined Contribution Plan Costs - EPF & ETF	3,407,703	5,656,858	3,407,703	4,478,303
- Other Staff Costs	9,629,463	12,574,691	9,629,463	12,467,972
- Impairment for Doubtful Debts	(78,034)	32,148,807	(2,055,647)	29,337,473

Notes to the Financial Statements

22 INCOME TAX EXPENSE

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year (Note 22.1)	-	-	-	-
Under/(Over) Provision of Current Taxes in respect of Prior Years	-	-	-	-
Current Tax Expense relating to branch operation in India, Chennai	-	-	-	-
Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (Note 22.2)	1,839,835	(40,038,286)	35,718,664	(30,546,183)
Income Tax Expense/(Reversal) Reported in the Statement of Profit or Loss	1,839,835	(40,038,286)	35,718,664	(30,546,183)

22.1 Reconciliation between total Tax Expense and the Product of Accounting Profit.

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Accounting Profit / (Loss) Before Tax	(395,954,675)	(264,148,328)	(134,531,412)	22,117,029
Income Exempt from tax	(41,471,374)	(238,928,901)	(39,917,436)	(221,257,617)
Aggregate Disallowed items	330,665,246	544,999,025	141,264,895	119,571,144
Aggregate Allowable Items	(122,225,094)	(73,725,956)	(85,872,306)	(55,292,132)
Trade Loss	(228,985,897)	(31,804,160)	(119,056,259)	(134,861,576)
Taxable Business Loss	(228,985,897)	(31,804,160)	(119,056,259)	(134,861,576)
Other Sources of income				
Interest on Staff Loans	4,822	119,198	4,822	119,198
Interest on Deposit	17,281,096	24,088,925	16,885,603	23,978,654
Total Statutory Income	17,285,918	24,208,123	16,890,425	24,097,852
Less- Carried forward tax loss utilized (Note 22.1.1)	(17,285,918)	(24,208,123)	(16,890,425)	(24,097,852)
Taxable Income	-	-	-	-

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Income Tax attributable to Taxable Income -18% (2020-28%)	-	-	-	-
Income Tax attributable to Export Sales - 14% (2020 - 14%)	-	-	-	-
Current Income Tax Expense	-	-	-	-
Recognition on Deferred Tax on Temporally Difference (Note 22.2)	1,839,835	(40,038,286)	35,718,664	(30,546,183)
Current Tax Expense relating to branch operation in India, Chennai	-	-	-	-
Under / (Over) Provision of Current Taxes in respect of Prior Years	-	-	-	-
Total Income Tax Expense	1,839,835	(40,038,286)	35,718,664	(30,546,183)
22.1.1 Tax Losses Carried Forward				
Tax Losses Brought Forward	324,763,375	317,167,338	286,949,105	176,185,381
Tax Losses Incurred During the Year	228,985,897	31,804,160	119,056,259	134,861,576
Tax Losses Utilized	(17,285,918)	(24,208,123)	(16,890,425)	(24,097,852)
Tax Losses Carried Forward	536,463,354	324,763,375	389,114,939	286,949,105

*The comparative figures has been adjusted in order to present the current tax expense.

22.2 Deferred Tax Liability

	Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2021	2020	2021	2020	2021	2020
	LKR	LKR	LKR	LKR	LKR	LKR
22.2.1 Group						
Deferred Tax Liabilities						
Capital Allowances for Tax Purposes	70,741,564	84,913,576	(14,172,013)	7,321,552	-	-
Revaluation of Buildings	94,413,541	120,902,593	-	-	(26,489,051)	36,599,069
Revaluation of Land	124,304,955	211,056,068	-	-	(86,751,114)	27,533,184
Fair Value Gain from Investment Property	42,182,541	40,751,835	1,430,706	11,448,920	-	-
Right to use Assets	126,491	-	126,491	-	-	-
	331,769,092	457,624,072				

Notes to the Financial Statements

	Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2021	2020	2021	2020	2021	2020
	LKR	LKR	LKR	LKR	LKR	LKR
Deferred Tax Assets						
Hedge Reserve	6,556,435	3,986,698	-	-	(2,569,737)	(3,986,698)
Defined Benefit Plans	30,732,179	43,411,486	16,214,871	(7,101,639)	(3,535,564)	(3,694,786)
Impairment for doubtful debts	8,268,386	19,326,302	11,057,916	(12,784,467)	-	-
Inventory Provision	57,612,616	43,744,592	(13,868,024)	(12,977,746)	-	-
Carry Forward of Unused Tax Losses	84,939,172	85,989,060	1,049,888	(25,944,906)	-	-
	188,108,788	196,458,138	-	-	-	-
Deferred Tax - Expense/(Reversal)	-	-	1,839,835	(40,038,286)	(119,345,466)	56,450,769
Net Deferred Tax Liability	143,660,304	261,165,934	-	-	-	-

The effective tax rate used is 15.77 % for company and 16% for Royal Fernwood porcelain Ltd. (28% and 14% in 2020)

22.2.1		Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
		2021	2020	2021	2020	2021	2020
		LKR	LKR	LKR	LKR	LKR	LKR
Company							
Deferred Tax Liabilities							
Capital Allowances for Tax Purposes	17,447,198	39,238,969	(21,791,771)	1,181,834	-	-	
Revaluation of Buildings	58,628,488	87,965,345	-	-	(29,336,857)	3,334,436	
Revaluation of Land	124,304,955	211,056,068	-	-	(86,751,113)	27,533,184	
Fair Value Gain from Investment Property	36,923,331	35,492,625	1,430,706	9,695,850	-	-	
Fair Value Gain from Investment in Subsidiary	1,216,725	529,425	687,300	12,778,700	-	-	
Right to use Assets	126,491	-	126,491	-	-	-	
	238,647,189	374,282,432	-	-	-	-	

	Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2021	2020	2021	2020	2021	2020
	LKR	LKR	LKR	LKR	LKR	LKR
Deferred Tax Assets						
Defined Benefit Plans	26,377,556	40,037,793	17,142,462	(6,576,506)	(3,482,225)	(3,678,487)
Cash Flow Hedge	1,195,535	1,539,081	-	-	343,546	(1,539,081)
Impairment for doubtful debts	5,342,308	14,756,327	9,414,019	(8,214,492)	-	-
Inventory Provision	21,158,937	31,124,412	9,965,475	(357,566)	-	-
Carry Forward of Unused Tax Losses	61,363,426	80,107,408	18,743,982	(39,054,003)	-	-
	115,437,762	167,565,021	-	-	-	-
Deferred Tax - Expense/(Reversal)			35,718,664	(30,546,183)	(119,226,649)	25,650,052
Net Deferred Tax Liability	123,209,427	206,717,412				

The effective Tax rate used is 15.77% (28% in 2020) for the purpose of deferred tax computation

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Balance as at 01 April	261,165,934	244,753,451	206,717,412	211,613,543
Charge/ (Reversal) to Profit or Loss				
- Due to Change in Tax Rate	74,891,021	-	72,366,239	-
- Due to Change in Temporary Differences	(73,051,185)	(40,038,286)	(36,647,575)	(30,546,183)
Charge/ (Reversal) to Other Comprehensive Income				
- Due to Change in Tax Rate	(138,918,188)	-	(138,241,408)	-
- Due to Change in Temporary Differences	19,572,722	56,450,769	19,014,759	25,650,052
Balance as at 31 March	143,660,304	261,165,934	123,209,427	206,717,412

23 EARNINGS / (LOSS) PER SHARE

Earnings / (Loss) Per Share ("EPS") is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

Notes to the Financial Statements

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

	Group		Company	
	2021	2020	2021	2020
	LKR	LKR	LKR	LKR
Amount Used as the Numerator:				
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	(388,249,425)	(225,144,707)	(170,250,076)	52,663,212
Number of Ordinary Shares Used as Denominator:				
Weighted Average Number of Ordinary Shares in Issue	162,552,920	162,552,920	162,552,920	162,552,920
Basic/Diluted Earnings/(Loss) Per Share	(2.39)	(1.39)	(1.05)	0.32

24 COMMITMENTS AND CONTINGENCIES

24.1 Capital Expenditure Commitments

The Company and the Group does not have significant capital commitments as at the reporting date.

24.2 Contingent Liabilities

There were no material issues pertaining to Employees and Industrial Relations of the Group and the Company .

25 ASSETS PLEDGED

Details pertaining to assets pledged as security for bank facilities of the Group have been disclosed in Note 14 to these financial statements.

26 EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurred after the reporting date that require adjustments to or disclosure in the Financial Statements.

27 RELATED PARTY DISCLOSURES

27.1 Transactions with the Parent and Related Entities

Details of Significant Related Party Disclosures are as follows.

Nature of Transaction	Parent		Subsidiaries		Fellow Subsidiaries*		Others Entities**		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
As at 1 April	(337,562,112)	(228,214,867)	380,607,808	391,875,686	(3,039,089)	(4,509,456)	-	99,994	40,006,607	159,251,357
Sale of Goods / Services	1,853,228	1,184,584	10,340,087	4,493,211	(8,659,846)	(7,316,110)	-	-	3,533,469	(1,638,316)
Purchase of Goods / Services	(19,497,289)	(13,838,926)	(2,069,997)	7,570,198	(10,458,561)	(468,873)	-	-	(32,025,847)	(6,737,601)
Cost Apportionment	(35,013,123)	(47,994,126)	10,042,666	(3,331,287)	(6,250)	79,296	-	-	(24,976,707)	(51,246,118)
(Receipt)/Payment of good or Services	25,008,333	14,904,922	(1,920,358)	(20,000,000)	9,009,949	9,176,056	-	(99,994)	32,097,924	3,980,983
Loan Settlements / Transfers	200,000,000	(30,000,000)	-	-	-	-	-	-	200,000,000	(30,000,000)
Interest	(26,949,087)	(33,603,698)	-	-	-	-	-	-	(26,949,087)	(33,603,698)
As at 31 March	(192,160,050)	(337,562,112)	397,000,206	380,607,808	(13,153,797)	(3,039,088)	-	-	191,686,359	40,006,608

Information pertaining to the Parent Entity and Subsidiaries are stated in Note 1.5.

* Fellow subsidiaries above consist following companies.

Name of the Company	Country of Incorporation
Colombo City Holding PLC	Sri Lanka
Ceylon Leather Products Ltd	Sri Lanka
Millennium I.T.E.S.P (Pvt) Ltd	Sri Lanka
Lexington Holdings (Pvt) Ltd	Sri Lanka
Taprobane Capital (Pvt) Ltd	Sri Lanka
South Asia Textiles Ltd	Sri Lanka
Taprobane Investments (Pvt) Ltd	Sri Lanka

** Other entities are entities which are controlled, jointly controlled or significantly influenced by the Key Management Personnel ("KMPs") and their Close Family Members ("CFMs") or shareholders who have either control, jointly control or significant influence over the entity.

Other related entities include Ceylon Hotels Corporation PLC, United Hotels Company Pvt Ltd , Suisse Hotel Kandy (Pvt)Ltd

Notes to the Financial Statements

27.1.1 Information relating to the Preference Share Investment is provided as follows;

	Note reference
Investment in Preference Shares	9

27.1.2 Terms and Conditions:

Sales and purchase of goods / services to related parties were made at on the basis of the price lists in force with non related parties.

27.1.3 Disclosure in terms of Section 9.3.2 of the Listing Rules of the Colombo Stock Exchange

Non-Recurrent Related Party Transactions

Name of the Related Party	Relationship	Value of the Related Party Transactions entered into during the financial year	Value of Related Party Transactions as a % of Equity and as a % of Assets	Terms and Conditions of the Related Party Transactions	The Rationale for entering into the transactions
There weren't any Non-Recurrent Related Party Transactions					

Recurrent Related Party Transactions

Name of the Related Party	Relationship	Nature of the transaction	Aggregate value of Related Party Transactions entered into during the financial year	Aggregate Value of Related Party Transactions as a % of Net Revenue/ Income	Terms and conditions of the Related Party Transactions
Aggregate value of the recurrent Related Party Transactions does not exceed 10% of the Group Consolidated Revenue					

27.2 Transactions with Key Management Personnel

Key management personnel ("KMPs"), are those having authority and responsibility for planning, directing and controlling the activities of the entity and include Board of Directors and Chief Executive Officer. Accordingly, fees, emoluments and other benefits paid to KMPs are as follows;

	2021	2020
	LKR	LKR
a) Group		
Short-Term employee benefits	24,985,150	31,118,750
	24,985,150	31,118,750
Company		
Short-Term employee benefits	15,700,000	23,356,250
	15,700,000	23,356,250

No other significant transactions had taken place involving key management personnel and their close family members.

28 FINANCIAL RISK MANAGEMENT

Objectives and policies

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables including amounts due to related parties. The main purpose of these financial liabilities is to finance the group's operations and to provide guarantees to support its operations. The Group has loans, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group's risk management is overlooked by the senior management, in close corporation with the board of directors and focuses on actively securing the Group's short to medium term cash flows by minimizing the exposure to financial markets. Long term financial investments are managed to generate lasting returns. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

The Group's financial assets and liabilities are exposed to the market risk, credit risk and liquidity risk.

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.

Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group trade receivables and trade and other payables held in foreign currency and short term borrowings in foreign currency are the main financial instruments that are exposed to this risk of fluctuating exchange rates.

In order to mitigate this risk the company has set a policy of dealing only in limited number of strong currencies when dealing with its foreign stakeholders. The Group also has a policy of matching the liabilities held in foreign currency with the financial assets held in the same currency. Apart from that the group constantly monitors the exchange rate movements and make the settlement decisions of liabilities in favor of the Group at the appropriate time when there is an unfavorable movement in exchange rates.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the profit before tax.

	Increase/ (Decrease) in basis points	Effect on Profit before Tax (LKR)
Group		
2021	}	+5 (17,214,131)
		-5 17,214,131
2020	}	+5 (29,688,921)
		-5 29,688,921
Company		
2021	}	+5 (1,574,079)
		-5 1,574,079
2020	}	+5 (7,370,284)
		-5 7,370,284

Notes to the Financial Statements

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 interest bearing loans payable and receivable made at variable interest rates are the main categories of financial instruments that are exposed to this risk. The Group constantly monitors the interest rates and adjust the borrowing levels of each category of financial liabilities and assets depending on the direction of the interest rates.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the profit before tax (through the impact on floating rate borrowings).

	Increase/ (Decrease) in basis points	Effect on Profit before Tax (LKR)
Group		
2021	}	+1 (14,238,227)
		-1 14,238,227
2020	}	+1 (18,054,198)
		-1 18,054,198
Company		
2021	}	+1 (8,633,975)
		-1 8,633,975
2020	}	+1 (10,753,676)
		-1 10,753,676

The assumed spread of the interest rate is based on the current observable market environment.

Other price risks

The investments in equity shares is affected by the fluctuations in market prices. In order to mitigate this risk the Group has set a clear investment policy based on the guidance of the Board and every investment in equity shares is guided by the investment policy and subject to the approval of the Board. As at the year end, the risk arising from the investment in equity shares (quoted) to the Group is minimal as the Group has significantly decreased the similar investments as at the reporting date when compared to the previous year.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Cash and cash equivalents, trade and other receivables and loans granted to related parties are the main instruments that are exposed to the risk of non-payment or payment delays.

28.1.1 Risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Following table shows the maximum risk positions.

Risk Exposure	Notes	Group				Company			
		2021 LKR	Allocation %	2020 LKR	Allocation %	2021 LKR	Allocation %	2020 LKR	Allocation %
Trade and Other receivables	11	408,522,784	46%	395,138,031	53%	286,797,288	38%	289,291,137	47%
Cash and Short Term Deposits	16	481,441,240	54%	351,351,063	47%	460,443,619	62%	324,060,306	53%
Total credit risk exposure		889,964,024	100%	746,489,094	100%	747,240,907	100%	613,351,443	100%

28.1.2 Trade and Other receivables

The Group has set a clear credit policy in which guidelines are given for evaluating the credit worthiness, setting credit limits and credit periods for each customer and measures to be taken to ensure the recoverability such as Irrevocable Letters of Credit, Advance payments etc. The Group regularly monitors the customer outstanding balances each month and take appropriate actions where necessary in respect of long outstanding amounts. The Group does not hold collateral as security against trade and other receivables.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by Letter of Credit or other forms of credit insurance.

The requirement for an impairment is analyzed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

Credit quality of trade receivables that are neither past due or impaired is explained in note No 11.5

28.1.3 Cash and Short term Deposits

In order to mitigate settlement and operational risk related to cash and short term deposits, the Group deals with several banks with acceptable ratings.

The Group held cash & short term deposits of LKR 481,441,240/= as at 31 March 2021 (2020 - LKR 351,351,063/=) as explained in note No 16.1.

The Company held cash & short term deposits of LKR. 460,443,619/= as at 31 March 2021 (2020 - LKR 324,060,306/=) as explained in note No 16.1.

Liquidity risk

The failure to maintain a sufficient level of liquid assets to meet its obligations in the ordinary course of the business can cause severe interruption to the smooth functioning of the business. The Group assess the liquid asset levels that need to be maintained at periodic intervals.

Apart from that this is further reviewed through the weekly "cash planning process". When the Group anticipate the need to enhance the normal operating capacity due to external factors (demand increases), the Group renegotiate with banks to enhance the short term credit limits and overdraft limits etc. to ensure that a sufficient amount of unutilized facilities are available to maintain the liquidity level.

28.2 Maturity Analysis of Financial Liabilities - Group

As at 31 March 2021	Total	Less than 3 months	3-12 months	1-5 Years	Over 5 Years
	LKR	LKR	LKR	LKR	LKR
Trade & Other Payables	673,272,192	673,272,192	-	-	-
Interest Bearing Loans & Borrowings	1,516,154,819	1,284,658,576	92,332,123	139,164,120	-
	2,189,427,011	1,957,930,768	92,332,123	139,164,120	-

Notes to the Financial Statements

As at 31 March 2020	Total	Less than 3 months	3-12 months	1-5 Years	Over 5 Years
	LKR	LKR	LKR	LKR	LKR
Trade & Other Payables	383,681,100	383,681,100	-	-	-
Interest Bearing Loans & Borrowings	1,807,805,602	1,368,782,212	265,383,034	173,640,356	-
	2,191,486,702	1,752,463,312	265,383,034	173,640,356	-

28.2.1 Maturity Analysis of Financial Liabilities - Company

As at 31 March 2021	Total	Less than 3 months	3-12 months
	LKR	LKR	LKR
Trade & Other Payables	428,440,020	428,440,020	-
Interest Bearing Loans & Borrowings	955,729,625	390,509,216	565,220,409
	1,384,169,645	818,949,236	565,220,409

As at 31 March 2020	Total	Less than 3 months	3-12 months
	LKR	LKR	LKR
Trade & Other Payables	195,134,694	195,134,694	-
Interest Bearing Loans & Borrowings	1,077,753,424	371,763,739	705,989,685
	1,272,888,118	566,898,433	705,989,685

Capital Management

The primary objective of the Group's capital management is to ensure that it maintain a strong financial position and healthy capital ratios in order to support its business and maximize shareholder value.

The group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the group may issue new shares or have a rights issue.

29 FINANCIAL ASSETS AND LIABILITIES

29.1 Fair values of Financial Assets and Liabilities -Group

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

- Level 1:** Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2:** Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3:** Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Financial Assets and Liabilities in the tables below are split into categories in accordance with SLFRS 9.

		2021			2020		
Assets Measured at Fair value	Notes	Fair Value Hierarchy	Carrying Value	Fair Value	Fair Value Hierarchy	Carrying Value	Fair Value
			LKR	LKR			LKR
Freehold Land	5.1.2	Level 3	1,025,373,151	1,025,373,151	Level 3	992,613,151	992,613,151
Freehold Buildings	5.1.2	Level 3	726,589,999	726,589,999	Level 3	693,172,587	693,172,587
Investment Properties	7	Level 3	702,743,214	702,743,214	Level 3	688,436,151	688,436,151

29.2 Categories of Financial Assets and Liabilities - Company

Financial assets and liabilities in the tables below are split into categories in accordance SLFRS 9.

		2021			2020		
Assets Measured at Fair value	Notes	Fair Value Hierarchy	Carrying Value	Fair Value	Fair Value Hierarchy	Carrying Value	Fair Value
			LKR	LKR			LKR
Freehold Land	5.1.2	Level 3	788,350,000	788,350,000	Level 3	753,884,800	753,884,800
Freehold Buildings	5.1.2	Level 3	417,548,000	417,548,000	Level 3	393,893,950	393,893,950
Investment Properties	7	Level 3	580,028,314	580,028,314	Level 3	565,721,251	565,721,251
Investment in Subsidiaries	9	Level 3	883,903,253	883,903,253	Level 3	877,030,253	877,030,253
Financial Instrument at Amortised Cost	16.1	Level 2	313,149,377	313,149,377	Level 2	298,107,777	298,107,777

Financial Assets and Liabilities measured or disclosed at Fair Value

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Those assumptions for assets categorised as Level 3 has been described under respective note numbers.

During the reporting period ended 31 March 2021 there is no transfer from level 1 to level 2 in the fair value hierarchy

29.3 Impact of COVID 19

The future Impact

The continued impact of the pandemic on Sri Lanka's economy, global demand and supply cannot be accurately forecasted at this time. The recovery period and the ordinary industry activities depends on the pandemic spread and precautionary measures. Hence, recovery period cannot be established at this point in time. Thereby overall future impact for the Group operations cannot be immediately predictable. Multiple risks that have persisted including increased exchange rate volatility, foreign currency availability and import restrictions.

The Group's businesses focus on export oriented porcelain industry. The Group anticipates that demand for its products will continue to recover. It is not possible to predict the exact timing or extent of recovery, at this time.



Dankotuwa Porcelain PLC is led by a purposeful vision to craft perfection and deliver sustainable value.



SUPPLEMENTARY INFORMATION



Investor Information

The issued ordinary shares of Dankotuwa Porcelain PLC (DPL) are listed with the Colombo Stock Exchange (CSE). The trading of DPL ordinary shares commenced on 15 February 1995.

Ordinary Shareholders as at 31 March 2020

Range of Shareholding	No. of		%
	Shareholders	No. of Shares	
1 upto 1,000 shares	3,594	975,184	0.60
1,001 to 10,000 shares	1,497	5,923,253	3.64
10,001 to 100,000 shares	487	14,363,927	8.84
100,001 to 1,000,000 shares	45	10,796,520	6.64
Over 1,000,000 shares	2	130,494,036	80.28
TOTAL	5,625	162,552,920	100.00

Public Shareholding

Information pertaining to public shareholding is as follows;

	2020/21	2019/20
Number of public shares	36,459,690	36,459,690
Public holding percentage	22.43	22.43
Number of public shareholders	5,619	4,974
Float adjusted market capitalization (LKR)	375,544,385.55	164,072,789.80

The Company is compliant with the Minimum Public Holding requirement under option 5 of rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange.

Market Values (LKR) (traded dates)

Market value per share as at last traded date (LKR)	10.30 (31.03.2021)	* 4.50 (20.03.2020)
Highest value per share recorded during the period (LKR)	17.10 (15.01.2021)	8.70 (28.11.2019)
Lowest value per share recorded during the period (LKR)	10.10 (19.03.2021)	4.50 (20.03.2020)

* The last traded share price represents the share price as at 20 March 2020 which in effect was the last traded date of the Colombo Stock Exchange (CSE) before the year ended. Due to the Covid-19 pandemic, CSE was closed from 20 March 2020 to 06 May 2020. It should be further noted that an active market may not have existed on the last traded date due to the uncertain conditions that may have prevailed at that time. Therefore, the last traded share price may not be an accurate representation of the fair value of the company's shares as at that date.

Share Trading

No. of transactions	30,873	11,526
No. of shares traded	105,272,671	38,706,185
Value of shares traded (LKR)	1,266,434,096.70	264,036,138

There were 5,625 registered shareholders as at 31 March 2021 (4,979 as at 31 March 2020).

Twenty Largest Shareholders as at

Name of shareholder	31 March 2021		31 March 2020	
	No. of shares	%	No. of shares	%
1. Seylan Bank PLC/Ambeon Holdings PLC (Collateral)	125,100,000	76.96	125,100,000	76.96
Seylan Bank PLC/Ambeon Holdings PLC (Margin)	888,380	0.55	888,380	0.55
Ambeon Holdings PLC	850	0.00	850	0.00
TOTAL	125,989,230	77.51	125,989,230	77.51
2. Kokyo Tatemono Co. Ltd	5,394,036	3.32	6,156,266	3.79
3. Mr. P G Piyasiri	531,830	0.33	1,462,276	0.90
4. Seylan Bank PLC/A.M. Nimesha Anuruddha Abeykoon	500,400	0.31	345,000	0.21
5. Mr. S P Jayakumar	483,574	0.30	483,574	0.30
6. Mr. U B U Ranaweera	475,000	0.22	-	-
7. Mr. D L B C Perera	395,289	0.24	395,289	0.24
8. Mr. R E Rambukwella	360,000	0.22	687,000	0.42
9. Mr. A K Palliya Guruge Don	334,600	0.21	298,600	0.18
10. People's Merchant Finance PLC/U.N. Gunasekera	327,752	0.20	-	-
11. Mr. A M Mansoor	292,265	0.18	238,765	0.15
12. DFCC Bank PLC/A.R. Fernando	284,935	0.18	-	-
13. Mr. H A Nasar	280,000	0.17	30,000	0.02
14. Dialog Finance PLC/K.E.H. De Alwis	274,453	0.17	-	-
15. Mr. M H A Kamil	273,394	0.17	245,272	0.15
16. Mr. S Gobinath	250,000	0.15	* 430,000	0.26
17. Mrs. K Prabagar	250,000	0.15	-	-
18. Mr. S M Nazeer	248,601	0.15	248,601	0.15
19. Mr. J K Mayakaduwege	237,452	0.15	-	-
20. Citizens Development Business Finance PLC/D.P. Tharindu Charuka Dissanayaka	225,118	0.14	** 224,718	0.14

* shares held in a margin trading account with Merchant Bank of Sri Lanka & Finance PLC

** shares held in an individual account

Investor Information

Director's Shareholdings as at

Name	31 March 2021	31 March 2020
1. Mr. R N Asirwatham	3,000	3,000
2. Mr. A L Devasurendra	Nil	Nil
3. Mr. E M M Boyagoda	Nil	Nil
4. Mr. S E Gardiner	Nil	Nil
5. Mr. P P Maddumage	Nil	Nil
6. Mr. R T Devasurendra	Nil	Nil
7. Mr. N M Prakash	101,000	101,000
8. Mr. N H D R Perera (resigned w.e.f. 01 June 2021)	Nil	Nil
9. Mr. R P Peris (appointed w.e.f. 01 April 2021)	N/A	N/A
10. Mr. N S Wijesekera (appointed w.e.f. 01 April 2021)	N/A	N/A
11. Mr. Y Kanagasabai (appointed w.e.f. 01 June 2021)	N/A	N/A
12. Mr. C S Karunasena (alternate Director to Mr. P P Maddumage)	Nil	Nil
13. Mr. C S Devasurendra (alternate Director to Mr. A L Devasurendra, appointed w.e.f. 05 November 2020)	Nil	N/A

Chief Executive Officer's Shareholding as at

Name	31 March 2021	31 March 2020
Mr. Channa Gunawardena	Nil	Nil

Status of the utilization of funds raised via the Rights Issue

Objective as per Circular to Shareholders	Amount allocated as per the Circular to Shareholders in LKR	Proposed date of utilization as per Circular to Shareholders	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilized in LKR (B)	% of Utilized against allocation (B/A)	Clarification if not fully utilized including where the funds are invested
Retiring part of the borrowings	500,000,000	Immediately upon receipt of the proceeds	500,000,000	69%	500,000,000	100%	N/A
To fund the modernization of the Factory	222,457,424	within 15 months from the date of receipt of the proceeds	222,457,424	31%	61,278,358	28%	Proposals have been obtained from Suppliers, which are being evaluated. The funds have been invested on Fixed Deposit with Standard Chartered Bank.
	722,457,424		722,457,424		561,278,358		

On 26 November 2020 shareholder approval was obtained to utilize the sum of Rs. 166,980,664/- out of the sum of Rs. 222,457,424/- received from the Rights Issue of shares for the business improvement, development and restructuring together with modernization of the plant at Dankotuwa.

Decade at a Glance

Year ended 31 March	Group								Company	
Period ended (LKR'000)	2021**	2020**	2019**	2018**	2017**	2016**	2015**	2014**	2013*	2012*
SUMMARY OF OPERATING RESULTS										
Turnover (Net of Taxes)	2,432,418	2,233,871	2,173,202	2,083,446	2,366,324	2,379,158	2,317,598	1,800,947	1,528,652	1,158,757
Cost of Sales	(1,796,931)	(1,544,012)	(1,519,539)	(1,597,816)	(1,803,868)	(1,873,994)	(1,964,508)	(1,482,005)	(1,194,802)	(991,444)
Gross Profit	635,487	689,859	653,662	485,630	562,456	505,163	353,090	318,941	333,850	167,313
Other Income/(Expenses)	3,779	13,191	13,080	5,978	16,077	21,991	12,128	8,367	4,756	7,630
Distribution Costs	(341,601)	(354,437)	(278,539)	(318,107)	(211,415)	(238,935)	(208,661)	(155,726)	(166,442)	(155,724)
Administrative Expenses	(580,857)	(596,885)	(197,495)	(238,231)	(214,409)	(201,842)	(234,443)	(150,939)	(111,184)	(118,357)
Finance Costs	(146,335)	(155,129)	(92,737)	(45,876)	(35,377)	(63,091)	(78,071)	(49,123)	(24,435)	(22,079)
Finance Income	19,265	24,763	36,701	33,232	29,517	7,331	1,088	1,499	2,714	9,588
Fair Value Gain / (Loss) from Investment in Subsidiary	-	-	-	-	-	-	-	-	-	-
Fair Value Gain from Investment Property	14,307	114,489	293,029	-	-	-	-	-	-	-
Net Profit/(Loss) before Tax	(395,954)	(264,148)	427,701	(77,373)	146,848	30,617	(154,868)	(26,981)	39,259	(111,629)
Tax (Expense) / Reversal	(1,839)	40,038	(61,445)	80,851	(25,945)	(25,456)	7,973	(1,276)	(7,908)	19,736
Net Profit/(Loss) after Tax	(397,793)	(224,110)	366,256	3,478	120,904	5,161	(146,895)	(28,257)	31,350	(91,893)
Other Comprehensive Income Net of Taxes	174,376	94,962	269,653	246,021	91,744	254,733	277	(3,269)	3,056	-
Total Comprehensive Income for the Year After Tax	(223,417)	(129,148)	635,909	249,499	212,648	259,893	(146,618)	(31,526)	34,406	(91,893)
Dividends for the previous period	-	-	-	-	(40,638)	-	-	(28,898)	-	-
Retained Profit/(Loss) for the period	(223,417)	(129,148)	635,909	249,499	172,010	259,893	(146,618)	(60,424)	34,406	(91,893)

Decade at a Glance

Year ended 31 March	Group								Company	
	2021**	2020**	Restated		Restated		Restated		2013*	2012*
Period ended (LKR'000)	2021**	2020**	2019**	2018**	2017**	2016**	2015**	2014**	2013*	2012*
SUMMARY OF FINANCIAL POSITION										
Stated/Issued Capital	1,402,102	1,402,102	1,402,102	1,402,102	1,402,102	1,402,102	679,644	679,644	679,644	679,644
Reserves/Other Components of Equity	1,412,563	1,219,307	1,115,254	851,568	589,377	507,703	248,824	502,360	249,007	249,276
Retained Earnings	(563,866)	(156,671)	78,029	(278,740)	(260,579)	(280,734)	(261,920)	(150,688)	(102,582)	(137,257)
Non-Controlling Interest	12,061	21,539	20,041	13,688	8,220	3,059	(11,867)	23,599	-	-
Total Equity	2,262,860	2,486,277	2,615,425	1,988,618	1,739,119	1,632,130	654,681	1,054,915	826,069	791,663
ASSETS & LIABILITIES										
Current Assets	2,064,222	2,418,880	1,993,191	1,606,646	1,444,364	1,260,604	1,023,477	1,131,421	798,642	723,898
Current Liabilities	(2,071,702)	(2,027,795)	(1,496,260)	(944,436)	(694,493)	(532,183)	(642,571)	(754,002)	(429,295)	(422,509)
Net Current Assets	(7,480)	391,085	496,931	662,211	749,872	728,420	380,906	377,419	369,347	301,389
Non Current Assets	2,765,164	2,714,093	2,605,641	2,006,856	1,605,605	1,569,831	1,306,630	1,625,043	554,713	588,318
Non Current Liabilities	(494,824)	(618,901)	(487,147)	(680,449)	(616,358)	(666,121)	(1,032,855)	(947,547)	(97,992)	(98,043)
Net Assets	2,262,860	2,486,277	2,615,425	1,988,618	1,739,119	1,632,130	654,681	1,054,915	826,069	791,663
FACTORY OUTPUT										
Production Quantity										
Whiteware (Pcs)	6,040,123	8,997,530	9,442,122	9,050,904	9,112,165	9,755,324	9,302,570	9,411,737	6,161,633	5,612,920
Decoratedware (Pcs) ***	4,450,551	5,751,742	6,349,321	6,627,888	7,682,267	7,932,158	6,702,737	7,669,636	5,698,552	4,643,749
Sales Quantity										
Export (Pcs)	3,154,042	3,551,882	3,983,187	4,982,908	4,938,857	5,112,899	5,424,802	6,462,284	3,510,984	3,148,396
Local (Pcs)	4,066,930	4,525,604	4,401,695	3,467,824	4,797,240	6,390,460	5,352,911	4,643,717	3,044,118	2,539,444
KEY RATIOS										
Earnings per Share (LKR)	(2.39)	(1.39)	2.22	0.02	0.74	0.15	(1.70)	(0.22)	0.48	(1.27)
Net Assets per Share(LKR)	13.85	15.16	15.97	12.15	10.65	10.02	12.83	14.28	11.43	10.96
Dividend per Share(LKR)	-	-	-	-	0.65	-	-	0.40	-	-
Annual Sales Growth(%)	9%	3%	4%	(12)%	(1)%	3%	29%	18%	32%	(27)%
Current Ratio(Times)	1.00	1.19	1.33	1.70	2.08	2.37	1.60	1.50	1.86	1.71
Market Value Per Share (at year end)	10.30	4.50	5.30	6.90	6.00	6.80	11.20	11.50	13.80	16.30

*Presented/Restated in line with SLFRS/LKAS

**DPL has acquired RFPL on 31 December 2013

***In our manufacturing process the whiteware is further processed to manufacture decoratedware, therefore decoratedware pieces were included in the whiteware pieces manufactured.

The above summarized financial information is extracted from audited financial statements

Glossary of Financial Terminology

Accrual Basis

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

Capital Employed

Shareholders' funds plus minority interest and total debt.

Contingent Liabilities

A condition or situation existing at the reporting date due to past events, where the financial effect is not recognized, because:

1. The obligation is crystallized by the occurrence or non-occurrence of one or more future events, or
2. A probable outflow of economic resources is not expected, or
3. It is unable to be measured with sufficient reliability.

Current Ratio

Current assets divided by current liabilities.

Total Debt-Equity Ratio

Debt as a percentage of shareholders' funds, excluding minority interest.

EBIT

Earnings before interest and tax (includes other operating income).

Basic/Diluted Earnings/(Loss) Per Share

Net profit/(Loss) attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

Interest Cover

Consolidated profit before interest and tax over finance expenses.

Net Assets

Total assets minus current liabilities, minus long-term liabilities, minus minority interest.

Net Assets Per Share

Net assets as at the particular financial year divided by the number of shares in issue as at the current financial year end.

Net Profit Margin

Profit after tax divided by turnover inclusive of share of associate company turnover.

Net Working Capital

Current assets minus current liabilities.

Operating Margin

Operating profit as a percentage of total sales.

Quick Ratio

Cash plus short-term investments plus receivables divided by current liabilities.

Return on Assets

Profit after tax divided by the total assets.

Return on Capital Employed

Consolidated profit before interest and tax as a percentage of capital employed.

Return on Equity

Profit/(Loss) attributable to shareholders as a percentage of shareholder's funds including minority interest.

Shareholders' Funds

Total of stated capital, capital reserves and revenue reserves.

Total Debt

Long-term loans plus short-term loans and overdrafts.

Total Equity

Shareholders' funds plus minority interest

Subsidiaries and Associates

Subsidiary Companies	Director
D P L Trading (Private) Limited	Mr. A L Devasurendra
No. 10, 5th Floor, Gothami Road	Mr. N M Prakash
Colombo 8	
Tel: 011 5 700 700	
Fax: 011 2 680 225	
Royal Fernwood Porcelain Limited	Mr. A G Weerasinghe
No. 10, 5th Floor, Gothami Road	Dr. L J A Peiris
Colombo 8	Mr. R P Sugathadasa
Tel: 011 5 700 700	Mr. E M M Boyagoda
Fax: 011 2 680 225	Mr. S Y E Fernando
Email: fernwood@fernwoodporcelain.com	
Sub-Subsidiary Companies	Director
Fernwood Lanka (Private) Limited	Mr. A G Weerasinghe
No. 10, 5th Floor, Gothami Road	Mr. R P Sugathadasa
Colombo 8	Dr. L J A Peiris
Tel: 011 5 700 700	
Fax: 011 2 680 225	
Lanka Decals (Private) Limited	Mr. A G Weerasinghe
No. 10, 5th Floor, Gothami Road	Mr. R P Sugathadasa
Colombo 8	Dr. L J A Peiris
Tel: 011 5 700 700	
Fax: 011 2 680 225	

Notice of Meeting

Taking into consideration the current regulations/restrictions prevailing in the country due to the COVID-19 pandemic, the Board of Directors of Dankotuwa Porcelain PLC has decided to hold the Annual General Meeting (AGM) as a Virtual Meeting on Wednesday, 29 September 2021 at 10.30 a.m. in line with the guidelines issued by the Colombo Stock Exchange (CSE) for hosting of virtual AGMs.

Hence, Notice is hereby given that the Annual General Meeting of the Company will be held by way of electronic means on Wednesday, 29 September 2021 at 10.30 a.m. centered at the Boardroom of the registered office of the company at No. 10, 5th Floor, Gothami Road, Colombo 8, Sri Lanka, for the following business:

1. To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31 March 2021 together with the Report of the Auditors thereon (Resolution 1).
2. To elect Mr. R P Peris, Director appointed since the last Annual General Meeting, in terms of Article No. 24 (2) of the Articles of Association (Resolution 2).
3. To elect Mr. N S Wijesekera, Director appointed since the last Annual General Meeting, in terms of Article No. 24 (2) of the Articles of Association (Resolution 3).
4. To elect Mr. Y Kanagasabai, Director appointed since the last Annual General Meeting, in terms of Article No. 24 (2) of the Articles of Association (Resolution 4).
5. To re-elect Mr. S E Gardiner, Director who retires by rotation in terms of Article No. 24 (6) of the Articles of Association (Resolution 5).
6. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. E M M Boyagoda who has reached the age of 70 years (Resolution 6).

"IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. E M M Boyagoda, who has reached the age of 70 years prior to the Annual General Meeting and that he shall accordingly be re-appointed."
7. Mr. R N Asirwatham who is over 70 years of age does not offer himself for re-appointment, and has notified his intention of stepping down from the Board in terms of section 210 of the Companies Act No. 7 of 2007.
8. To re-appoint M/s. Ernst & Young, Chartered Accountants, the retiring auditors and to authorize the Directors to determine their remuneration (Resolution 7).
9. To authorise the Directors to determine donations for charitable and other purposes for the year 2020/2021 as set out in the Companies' Donation Act [CAP147] (Resolution 8).

By Order of the Board

(Sgd.)

Nexia Corporate Consultants (Pvt) Ltd

Secretaries

Colombo

30 August 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 meeting, please refer Guidelines and Registration Process.

Form of Proxy

I/We
 holder of NIC No. of
 being a
 Shareholder/Shareholders of Dankotuwa Porcelain PLC, do hereby appoint
 holder of NIC No
 of
 or failing him/her

Mr. R N Asirwatham	or failing him
Mr. A L Devasurendra	or failing him
Mr. E M M Boyagoda	or failing him
Mr. S E Gardiner	or failing him
Mr. P P Maddumage	or failing him
Mr. N M Prakash	or failing him
Mr. R T Devasurendra	or failing him
Mr. R P Peris	or failing him
Mr. N S Wijesekera	or failing him
Mr. Y Kanagasabai	

as *my/our proxy to represent me/us and to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 29 September 2021 and any adjournment thereof and at every poll which may be taken in consequence thereof.

	Resolutions	For	Against
1.	To adopt the Audited Accounts for the year ended 31 March 2021	<input type="checkbox"/>	<input type="checkbox"/>
2.	To elect Mr. R P Peris	<input type="checkbox"/>	<input type="checkbox"/>
3.	To elect Mr. N S Wijesekera	<input type="checkbox"/>	<input type="checkbox"/>
4.	To elect Mr. Y Kanagasabai	<input type="checkbox"/>	<input type="checkbox"/>
5.	To re-appoint Mr. S E Gardiner	<input type="checkbox"/>	<input type="checkbox"/>
6.	To re-appoint Mr. E M M Boyagoda	<input type="checkbox"/>	<input type="checkbox"/>
7.	To re-appoint auditors	<input type="checkbox"/>	<input type="checkbox"/>
8.	To authorize Directors to make donations	<input type="checkbox"/>	<input type="checkbox"/>

Mark your preference with "X"

Signed on this day of 2021.

.....
 Signature

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

Instructions as to completion of the Form of Proxy

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 with the Registered Office of the Company at No. 10, 5th Floor, Gothami Road, Colombo 8, Sri Lanka or must be emailed to dplagm2021@dankotuwa.com or by facsimile to +94 11 2680225 by 10.30 a.m. on Monday, 27 September 2021.

Corporate Information

NAME OF COMPANY

Dankotuwa Porcelain PLC

COMPANY REGISTRATION NO.

PQ 79

NATURE OF BUSINESS

Manufacturing and marketing of Porcelain Tableware targeted to export and domestic markets.

LEGAL FORM

A Public Quoted Company with limited liability incorporated under the provisions of Companies Act No. 17 of 1982 (Registered as a Private Limited Company in Sri Lanka on 06 January 1984 and converted to a Public Company by a special resolution on 08 July 1994). Re-registered under the Companies Act No. 07 of 2007.

DATE OF INCORPORATION AND COUNTRY

06 January 1984 in Sri Lanka

HEAD OFFICE & FACTORY

Kurunegala Road, Dankotuwa, Sri Lanka

Telephone: +94-31-550 0500

Fax: +94-31-550 0599

Email: info@dankotuwa.com

Website: www.dankotuwa.com

REGISTERED OFFICE

No. 10, 5th Floor, Gothami Road, Colombo 8, Sri Lanka

Telephone: +94-11 5700700

Fax: +94-11-2680225

SHOWROOMS

No. 194, High Level Road (Opposite Siebel Avenue)

Colombo 6, Sri Lanka

Telephone: +94-11 566 5000

No. 47, Guildford Crescent

Colombo 7, Sri Lanka

Telephone: +94-11 5630 5555

Kurunegala Road, Dankotuwa, Sri Lanka.

Telephone: +94-31-550 0545, +94-31-550 0500 (Ext. 345)

No. 389 C, Main Street

Negombo, Sri Lanka

Telephone: +94-31 5205205

Shangri-La Shopping Mall

One Galle Face

Shop No. L3-51

Colombo 03

Tel: +94-11-5666222

SECRETARIES

Nexia Corporate Consultants

(Private) Limited

181, Nawala Road, Narahenpita,

Sri Lanka.

Telephone: +94-11-4510709

REGISTRARS

S S P Corporate Services

(Private) Limited

101, Inner Flower Road, Colombo 3,

Sri Lanka

Telephone: +94-11-2573894

AUDITORS

Ernst & Young

Chartered Accountants

201, De Saram Place, Colombo 10,

Sri Lanka

Tele: +94-11-2463500

LAWYERS

Nithya Partners

Attorneys-at-Law

No. 97 A, Galle Road, Colombo 3,

Sri Lanka.

Telephone: +94-11-471 2625

BANKERS

Bank of Ceylon

Cargills Bank PLC

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

National Development Bank PLC

Pan Asia Banking Corporation PLC

People's Bank PLC

Sampath Bank PLC

Seylan Bank PLC

Standard Chartered Bank

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KURUNEGALA ROAD, DANKOTUWA.

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