

Every touch has its own feelings

DANKOTUWA PORCELAIN PLC
ANNUAL REPORT 2021/2022







Every touch has its own feelings

With each contour and each stroke of art, our products evoke emotions. As they reach each home and each destination, they add color and help shape special moments and everyday culinary experiences; evoking memories from the past, and creating new ones that remain cherished.

With each sip of tea from a Dankotuwa cup, and every morsel enjoyed on our world-class tableware, we deliver an exceptional experience that soaks every consumer with the right emotion, and at times brings out emotions by surprise.

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GROUP PROFILE

OUR VISION

“Enhance people’s lifestyles through exquisitely crafted Porcelain products”

OUR MISSION

“To be Asia’s leading manufacturer and marketer of Porcelain tableware”

CORPORATE VALUES

1. **Creative and innovative** - We take a human-centered approach to challenge assumptions, redefine problems, design and create innovative products and solutions.

2. **Integrity and trust** – We are open and honest. We are ethical and transparent in all our interactions.

3. **Great attitude** - We have a positive outlook. We trust and respect each other. We see challenges as opportunities.

4. **Perseverance** – We constantly push our limits. We are hyper focused on quality and efficiency in all of aspect of what we do. We never give up and continuously look for solutions.

5. **Committed and accountable** – Together we are a team of diverse individuals who are committed and accountable to all our stakeholders.

6. **Learning and growing together** – We believe that every moment is unique and an opportunity to improve ourselves. We learn from our mistakes and continuously evolve.

GROUP STRUCTURE



ABOUT THIS REPORT

Dankotuwa Porcelain PLC is pleased to present to you the Annual Report for the financial year 2021/2022 under the theme 'Every Touch has its Own Feelings' in providing all the stakeholders with an inclusive portrait of the Company and its performance during the period under review.

SCOPE & BOUNDARY

This report covers information relating to the financial and non-financial developments of Dankotuwa Porcelain PLC (DPL) and Royal Fernwood Porcelain Limited (RFPL), referred to as the Group. The information presented herewith includes a complete coverage of operational aspect, a review of financial performance, risk management and governance practices between the financial year that commenced on 1st April 2021 and ending 31st March 2022.

The Group follows an Annual Reporting cycle and our previous report for the financial year ended 31st March 2021 was covered in the 2020/21 Annual Report.

REPORTING CONTENT & SCOPE

The financial statements presented in this annual report have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by 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. Further, all the related disclosures comply with the Code of Best Practice on Corporate Governance issued jointly by the Securities Exchange Commission of Sri Lanka and CA Sri Lanka in 2013.

With regard to the reports of Corporate Governance and Risk Management, the information is collected and complied by the respective departments including the subsidiary operation. The financial information is based on the audited financial statements and the related notes.

TARGET AUDIENCE

This Annual Report is prepared mainly to support our shareholders to make informed decisions on our organisation's growth, strength, solidity, and sustainability aspects. In addition, this report also accommodates the information relevant to other stakeholders including customers, employees, suppliers, other business partners and the local community.

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.

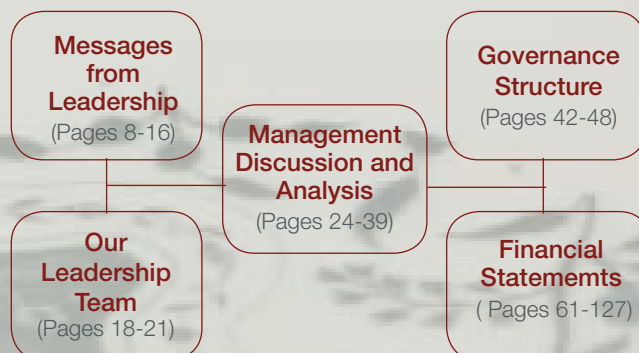
COMBINED ASSURANCE

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 67 and 69 respectively.

FEEDBACK

We value feedback from our stakeholders and use it to ensure that we dutifully address their concerns 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



FINANCIAL HIGHLIGHTS

Key Value (000)	GROUP		COMPANY	
	2021/22	2020/21	2021/22	2020/21
	LKR	LKR	LKR	LKR
Revenue - Export	2,123,445	1,397,885	1,232,008	843,329
- Local	1,638,661	1,034,533	1,124,365	671,178
Total Revenue	3,762,106	2,432,418	2,356,373	1,514,507
Gross Profit	1,204,716	635,487	926,831	428,471
Net Profit/(Loss) Before Taxation	210,692	(395,955)	491,260	(134,531)
Net Profit/(Loss) After Taxation	189,482	(397,795)	422,192	(170,250)
Net Current Assets/(Liabilities)	364,364	(7,481)	495,560	(86,580)
Per Ordinary Share				
Earnings/(Loss)	1.21	(2.39)	2.60	(1.05)
Net Asset Value	16.17	13.85	18.53	15.31
Market Value	9.90	10.30	9.90	10.30
Ratios				
Gross Profit (%)	32%	26%	39%	28%
Net Profit/(Loss) Before Taxation (%)	6%	-16%	21%	-9%
Net Profit/(Loss) After Taxation (%)	5%	-16%	18%	-11%
Return/(Erosion of) Capital Employed (%)	12.31	-9.86	20.22	-1.62
Equity to Assets (%)	52.30	46.61	68.41	59.21
Interest Cover (Times)	2.87	-1.71	8.59	-0.43
Total Debt to Equity Ratio (%)	51.98	67.36	21.35	38.41
Current Asset Ratio	1.21:1	1:1	1.55:1	0.94:1
Quick Asset Ratio	0.69:1	0.49:1	0.98:1	0.6:1

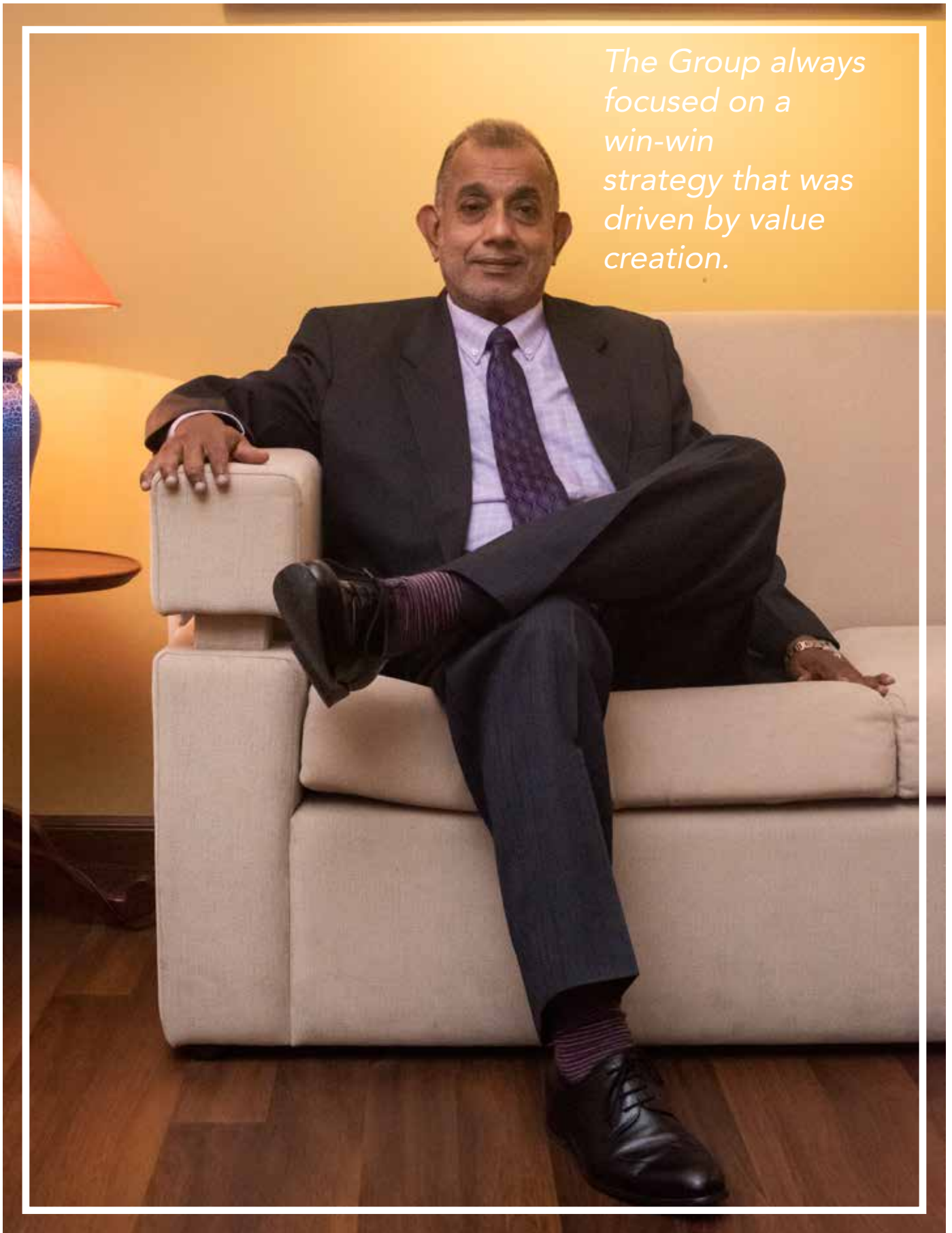


LEADERSHIP

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CHAIRMAN'S MESSAGE

The Group always focused on a win-win strategy that was driven by value creation.



Dear Shareholders,

The year under review witnessed the global pandemic enter its second year. Although the previous year was one that none of us could have predicted, the current year saw Governments, organizations and communities somewhat learning to coexist with the pandemic. Dankotuwa Porcelain PLC (DPL), as in the previous year, learnt to adapt to its "new" operating environment that encompassed restrictions on mobility, social distancing, and work from home.

The establishment of a crisis team, contingency plans for critical roles, split team grouping, flexible work arrangements and effective communications enabled business continuity, safeguarding of employees and unstinted support to suppliers and business partners. In addition, the ability of the Company to be resourceful, creative and empathize with employees, despite the numerous and varied challenges faced, helped to drive both top line and bottom line at both Company level and Group level.

On behalf of the Board and Management, I am pleased to present the Company's Annual Report and Audited Financial Statements for the year ended 31st March 2022.

BUSINESS CLIMATE

Although Sri Lanka's economy recorded a strong rebound in the 1st quarter of 2021, the 3rd and the 4th waves of the pandemic did indeed bring fresh challenges. As a result, the GDP was well below expectations. Disruptions to supply chain, increase in commodity prices and significantly higher freight rates led to an increase in inflation. However, the continuing depreciation of the Sri Lankan Rupee brought about by depleting foreign exchange reserves driven by declining tourism earnings and worker remittances, and international debt payments, provided relief and helped drive export earnings.

As far as the Company and the subsidiary were concerned, the challenges were in the areas of sourcing materials due to non-availability of vessels, increasing freight rates and increasing prices of both imported and domestic raw materials. In addition, rising cost of living / rising prices of essentials, reduced disposable income. This was evident in the reduction in National Sales in the last two months of the financial year. However, the Company and its subsidiary were able to address these challenges through a series of proactive measures undertaken by the Senior Leadership Team of the Group.

OPERATING PERFORMANCE

The Group always focused on a win-win strategy that was driven by value creation that was centred around building partnerships with external stakeholders, including suppliers and customers, and internal stakeholders. The breadth and depth of the operating model, strict cost disciplines adopted, and the passion, tenacity, and the resilience of the team – all helped to drive profitable growth. I want to thank the Senior Leadership Team for their commitment and all employees who worked tirelessly throughout this financial year to deliver such success.

The Company, and its subsidiary, increased their volume of sales to overseas markets on the strength of the relationships already built and increasing its range of designs. Several new clients were also acquired in different geographies. On the national sales front, rationalizing of dealers based on defined criteria and a more focused approach on producing to local demand helped boost domestic revenues. This resulted in Group revenues increasing by 55 % from LKR 2,432.42 Mn to LKR 3,762.11 Mn in the preceding year. The Group continues to drive its revenue through agents, wholesalers, distributors, and retailers.

The Group made a Profit before Tax of LKR 210.70 Mn for the year under review, up from a Loss before Tax of LKR 395.96 Mn. The Company made a Profit before Tax of LKR 491.26Mn in the

current year as against a Loss Before Tax of LKR 134.53 Mn in the preceding year. The subsidiary incurred a Loss (Before Tax) of LKR 197.88 Mn as against a corresponding Loss of LKR 254.55 Mn. The loss of Rs 197.88 Mn includes additional one off charges driven by a restructuring and rationalising of inventory provisioning policy and a net stock loss following a physical count.

GOVERNANCE

The Company's and its subsidiary's governance structures, policies and processes are aligned to the best practices dictated by its ultimate parent company, Ambeon Capital PLC. The framework continues to comply with local regulatory requirements including Companies Act No 7 of 2007, Listing Rules of the Colombo Stock Exchange, Code of Best Practice on Governance issued by the CA Sri Lanka and other regulations. Business owners in Management identify risks faced by the Company, and its subsidiary, and implement mitigating controls.

The Internal Audit assesses the processes followed and check the effectiveness of the mitigating controls instituted by Management. The External Auditors continue to evaluate the integrity of financial reporting and related Internal Controls. The Board considers the governance procedures in place to be appropriate but are nevertheless open to improvements and welcome feedback from shareholders.

BOARD

The Board continues to keep its composition and performance under constant review to ensure that it possesses the appropriate skills, experience, and resources to deliver on our four main Board requirements of:

- Setting strategy,
- Reviewing progress against strategy
- Monitoring the resources required to deliver the strategy and
- Complying with relevant requirements be it legal or otherwise.

Chairman's Message

To promote best practice, each of the relevant Board Sub-Committees are chaired by one of the Non - Executive Directors. The reports of the respective Board Sub-Committees are given in pages 56 to 59.

PEOPLE AND CULTURE

The Company and its subsidiary promote an open culture in the business which is achieved from effective employee engagement, people development and diligent resource management. This has helped the Senior Leadership Team to think beyond the needs of just our internal team and actively support our customers and suppliers. The Group is a caring employer with an excellent health and safety record, fair and balanced equality policies, a wide diversity in our workforce and management structures and a consultative approach with our people.

The Senior Leadership Team continue to scrutinize work culture and professional behaviour and strive for strong ethics. They encourage a disciplined approach and expect management and employees to lead by example by being transparent and modest in all their dealings. The Senior Leadership Team has encouraged all employees to not only live the values, but to understand their role in achieving long-term success.

PERSPECTIVE

The Company's exceptional performance, both operational and financial, during the current financial year has only strengthened the Senior Leadership Team's and employees' belief in their ability to deliver results in extremely difficult and trying circumstances. As in the previous year, the Company did focus on the security and welfare of its employees while ensuring that the business continued to operate without hindrance and in fact did produce the required outcomes.

I am confident that the team will once again rise to macro challenges and continue to deliver on their commitments. Despite the short-term challenges, DPL is confident about Sri Lanka's resilience as a nation and looks forward to economic conditions improving in the medium term so long as the pandemic does not thwart the plans in place for the ensuing financial year. The Company is placing its trust in its own strengths, and loyalty and support of its customers, business partners and off course the employees.

ACKNOWLEDGEMENTS

Mr. M Boyagoda, Mr. S Gardiner, Mr. P P Maddumage, Mr. M Prakash and Mr. A. L Devasurendra resigned from the Board during the year. Mr. R N Asirwathan, Chairman of the Board did not offer himself for re-election at the last Annual General Meeting. Their contributions to the Company and the Board were invaluable. I wish them well.

I am pleased to welcome Mr. Rohan Peris and Mr. Niranjan Wijesekera, as Independent Non-Executive Directors, and Dr. Sajeeva Narangoda and Mr. Shalike Karunasena, as Non-Executive Directors. They all bring in many years of experience to DPL and the Company will benefit from their skills, capacity, and experience.

I wish to place on record our appreciation, on behalf of the Board and myself, to the Porcelain Cluster team for the results driven during a challenging time. Their agility, speed to market, responsiveness and proactive measures taken all helped to exceed the expectations of the Board. Finally, I wish to record my appreciation to all our shareholders for their unstinted support and confidence placed in the Company.

(Sgd.)
Yudy Kanagasabai
Chairman
25th August 2022





CHIEF EXECUTIVE OFFICER'S REVIEW

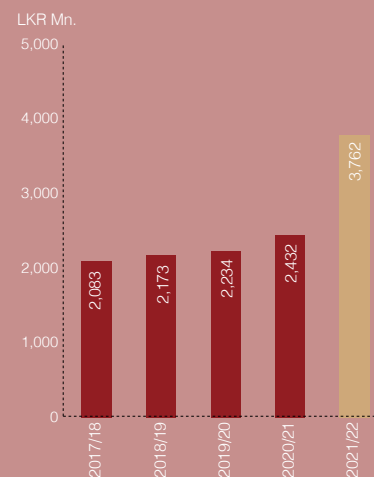


Dankotuwa Porcelain PLC as a Group recorded profit before tax (PBT) of LKR 210.70 Mn compared to the loss of LKR 395.96 Mn made during the previous financial year.

“Dankotuwa Porcelain PLC as a Group posted 55% growth in revenue for the 2021/2022 financial year recording LKR 3.76 Bn compared to the LKR 2.43 Bn achieved in the previous financial year. The Group further achieved a Gross Profit (GP) of LKR 1.20 Bn, which was a

90% growth compared to the LKR 635.49 Mn achieved in the previous year. The Profit before Tax (PBT) was recorded at LKR 210.70 Mn, when compared to the loss of LKR 395.96 Mn made during the previous financial year 2020/2021”

Group Revenue



Dear Stakeholders,

It is with pleasure I present to you the Annual Report and the Audited Financial Statements of Dankotuwa Porcelain PLC for the financial year 2021/2022. I am delighted to report that the Company has demonstrated remarkable growth during the year, amidst an unstable operating environment, yet closing the financial year with significant improvements in terms of both financial and non-financial fronts.

EXTRAORDINARY PERFORMANCE

Dankotuwa Porcelain PLC as a Company posted 56% growth in revenue for the 2021/2022 financial year recording LKR 2.36 Bn as opposed to the recorded revenue for the previous financial year of LKR 1.51 Bn. The Company further achieved a Gross Profit (GP) of LKR 926.83 Mn, which was a 116% growth compared to the LKR 428.47 Mn achieved in the previous financial year. Meanwhile, Profit before Tax (PBT) was recorded at LKR 491.26 Mn when compared to the loss of LKR 134.53 Mn,

made during the previous financial year 2020/2021. The Company reported a fair value gain of investment in a subsidiary of LKR 82.69 Mn during the current year which is included in the above reported PBT of LKR 491.26 Mn as against LKR 6.87 Mn in the previous year.

Apart from these impressive achievements as a Company, the Company borrowings came down from LKR 955.73 Mn to LKR 642.94 Mn during the financial year 2021/2022, which was a 33% decrease from the previous financial year.

Dankotuwa Porcelain PLC as a Group posted 55% growth in revenue for the current financial year recording LKR 3.76 Bn compared to the LKR 2.43 Bn achieved in the previous financial year. The Group further achieved a Gross Profit (GP) of LKR 1.20 Bn, which was a 90% growth compared to the LKR 635.49 Mn achieved in the previous year. The Profit before Tax (PBT) was recorded at LKR 210.70 Mn, when compared to the loss of LKR 395.96 Mn made during the previous financial year.

Royal Fernwood Porcelain Limited, recorded loss before tax of LKR 197.88 Mn which had a negative impact on the performance of the Group. The loss of Rs 197.88 Mn includes one off charges driven by a restructuring and rationalising of inventory provisioning policy of LKR 107.45 Mn and a net stock loss following a physical count amounting to LKR 69.82 Mn.

OPERATING ENVIRONMENT

The year 2021/2022 commenced with optimism as there were signs of economic recovery from the contraction in the previous year. This improvement was supported by fiscal and policy stimuli offered by the Government and the Central Bank, broad-based recovery of major economic sectors, settling into the 'new normal' and the nationwide vaccination drive. Nevertheless, this growth momentum took a turn in the second half of the year as the heightened COVID-19 situation crippled daily life and the business activities once again.

Chief Executive Officer's Review

Threatened by a new wave of the pandemic, the recovery outlook continued to remain bleak in the second half of the year with rising import bills, diminishing foreign reserves, emerging debt sustainability issues and the spill over effects of the war in Ukraine. The economy grew at a slower than expected rate of 1.8% in the fourth quarter of 2021, recording a full-year growth of only 3.7%. This modest performance is reflective of the Country's struggles to emerge out of the pandemic induced lockdowns in the third quarter of the year. Consequently, major economic sectors showed subdued growth while inflation and the unemployment rates also remained above average.

Towards the end of the financial year, the debt payment crisis mounted into a spiralling economic crisis with skyrocketing inflation, the rupee hitting a record low against the US Dollar and consequent price hikes in essential items, power cuts, including shortages in petroleum and gas, creating challenges to the day-to-day life of the public.

Amidst this volatile backdrop, one of our major concerns was the disruption to our supply chain process. As we depend largely on international suppliers for raw materials for production, this remained a crucial concern for us during the time. An increase in freight costs, as well as non-availability of freight, were also a major hindrance to our operations. Meanwhile, fuel and gas shortages also impacted our operations although most of our business partners supported us through this challenge.

While we are optimistic about improvements in the Country's situation in the times ahead, we have taken timely action to address issues that have an impact on our business operations. Therefore, in the COVID-19 setting, another priority was to ensure the health and safety of our employees with persistent implementation of all the necessary measures to confirm the safety of the workforce. With the intensified COVID-19 situation that posed a multitude of challenges to the health and safety of employees, we strongly advocated safety measures with factories operating under the Bio bubble system through a staff rotation process and zoning of employees with colour coding and maintaining strict social distancing.

We were able to manage disruption to the supply chain by bringing in adequate strategies and close monitoring of each activity related to the supply chain. As a counter measure to this disruption, we have revisited our inventory levels and reorder levels (ROLs) and procured necessary stocks to cover up the associated risk.

Depreciation of the LKR had its benefits on export sales, however, an increase in gas prices, high local inflation and import cost increases have set off some of such benefits. While considering the total value chain of the business, we absorbed a part of local inflationary pressure and continue to monitor global gas prices to ensure we take the best possible procurement decision. Under certain circumstances, prices in the local market were adjusted to reflect the price increases of the input. To compensate for the loss of sales in the Sri Lankan market due to the closure of the retail segment, we were successful in bringing forward orders from our export customers. This has resulted in an increase in sales from the international market. The long-lasting relationships that we have nurtured with our export customers made this change possible and we intend to maintain and grow such relationships going forward.

OPENING NEW HORIZONS

Our presence in the global market increased substantially during the year recording a growth rate of 52% which was mainly attributable to the new product developments and the growth in our reach across regions. We have expanded the market in terms of the number of countries, customer portfolio, design, value addition in terms of new shapes, colour glazes and decorations. Whilst strengthening the internal designing capabilities we have continued to work with international designers around the world in obtaining customer insights and market trends to support our product development process. Our internal designers are closely working with customers, from the initial inspiration generation to the approval of the new product design and are fully equipped with the changing trends of the porcelain industry, which enable them to react to customer requests faster. We now have expanded our working relationship with renowned designers representing each key region in the globe ensuring all key elements of diversified customer requirements are communicated appropriately.

We continue to grow our business in India, the Middle East, Europe, Scandinavia, the USA and Australian regions. Our long presence in India and blending our products with the taste and preferences of the Indian customers have given us the distinguished advantage of continued growth in India. Given the diverse nature of the country, different sales channels have been established over the decade to serve the Indian market which includes our own B2B business, well established widespread dealer network and various business partners who add value to our product. Many different high-end retailers carry our brand presence in the Middle East, and with continued relationships nurtured over a period of time, we intend to build a long-term footprint in this region.

Our products are available in many countries under our own brands of Dankotuwa and Royal Fernwood, with prestigious client brands of Lenox, Macy's, Portmerion, Dansk, Caskata, Oneida, NEXT, Jashanmal, Crate & Barrel, Country Road, NotNeutral, VEGA, Porsgrund, Paul, Migros, Narumi, Berghoff, Yalco, Weissstetal, Silsal Design House, Wallace & Co, Kashida, Manses Design and Nordic Nest which have been designed to meet the customer demand of various regions.

STRENGTHENING OUR LOCAL CONNECTIONS

We serve the local market with our diverse brands, Dankotuwa being our premium brand catering mostly for the tier one customer base and fair representation across all customer segments. Royal Fernwood being a brand of colours for youth, caters for a specific customer segment to provide amazing value for money. Laklain and Earth & Ware are two brands under Dankotuwa which cater for more price consensus customer segment and the millennials respectively.

The group had an increase in local sales by 58% compared to the previous year. The biggest contribution came from brands of Dankotuwa with an increase of 68% whereas RFPL sales grew by 44%. The relatively low negative impact of COVID-19 has supported the business growth, and the actual growth reported in the local markets has by far exceeded the average sales of a normalised situation.

Our brands were sold through a variety of channels including our showrooms, widespread dealer network across the country, B2B segment which consists of corporate, HoReCa, & tea and then ever-growing e-commerce channel. The biggest growth came from dealer sales doubling the sales from the previous year and there was 87% growth in the B2B business. This growth was mostly supported by brands of Dankotuwa which had a substantial increase in corporate sales resulting in a 156% growth in B2B sector. It was encouraging to note that there was a 46% growth in the showroom channel despite the closure of the Union Place showroom.

With the same zest and commitment, we continued product development for the local market creating novel product ranges that include a new porcelain bathroom accessory collection, a self-watering plant and a limited-edition blue bird dinner collection based on the blue macaw's life cycle. In addition, we expanded our dealer network and uplifted our showrooms for better presentation and visibility while enhancing sales staff capabilities to deliver customer satisfaction. The strong relationships that we have nurtured across all sales channels were pivotal to driving profitability during the period.

Our success in national sales was reaffirmed by being recognised as the Most Loved Brand by LMD during the year.

COLLECTIVE LEADERSHIP AND OUR PEOPLE

While the organisational structure is pivotal in achieving the goals of an organisation, it is also significant to go beyond the traditional hierarchical structure to build leadership at all levels. As such, during the year we initiated a program called "Collective Leadership" where we have formed small teams of employees bestowing them with leadership responsibilities to manage all affairs of the Company for a specific period. These teams include members from all levels of the Company facilitating higher employee engagement and leadership building across the organisation.

Our people remain the greatest asset and the cornerstone of our business. As they navigate the Company towards progression with integrity and commitment, we persistently remain

dedicated to ensuring their well-being in every possible way. The two 'Great Place To Work Awards' we were bestowed on during the year in the 'General' and 'Manufacturing' category are a confirmation of our work ethic and our sincere commitment to the welfare of our employees.

The work-life balance and mental well-being of our employees is important aspects of a healthy work environment. In support of this, we carried out initiatives to improve their work-life balance with several motivational speakers addressing them with compelling messages to pursue success and happiness in life. Apart from these, we also conducted a series of entertainment programs to uplift their spirits with the help of renowned musicians across the island.

Further in supporting their physical health, we conducted regular health check-ups for all employees for non-communicable diseases. Going forward, we intend to expand medical facilities to the workforce.

SUSTAINING QUALITY IN PRODUCTION

The quality of our product remains our foremost concentration as it is the consistent upliftment of quality that has ensured our distinct market position over the years as a renowned and respected brand name locally and internationally. Therefore, we continue to keep our sustained focus on maintaining excellence in our production process, quality standards as well as the people involved in the production process. Besides, we have commenced manufacturing data automation process in line with industry 4.0 during the year in enhancing our efficiency and productivity.

We strongly believe that compliance and product quality are two critical elements that go hand in hand and therefore we complied with all the necessary industry standards including compliance audits that are required by international customers.

Moreover, our focused plan on waste reduction is expected to have a positive impact on the Company's bottom line. Our sustainability journey through reducing the waste and the carbon footprint of our factories has enabled us to strengthen our sustainability practices at the factory level. This process is further strengthened by the support of academics of University of Peradeniya.

WAY FORWARD

We are confident of the future outlook of the business when assessing the market conditions in the present macro and micro-environment. Accordingly, a comprehensive three-year strategic plan has been established which indicates a clear strategic direction for the future. Therefore, progressing ahead we will pursue our expansion strategy for the international market leveraging on the rupee devaluation in the current background. However, we are cognizant of the increasing gas prices and its negative implications on our operations. Therefore sourcing power economically would be a priority issue that needs to be addressed. We will remain vigilant of the current country context that may have a negative impact on the overall business performance. However, we believe with the support of all stakeholders we would be able to navigate through and meet the expectation.

In our effort to expand the global presence, we will continue to increase the number of countries that we serve and, in this process, will form strategic partnerships with our key partners to further strengthen our relationships. In the near term, we intend to strengthen our presence in Australia and Europe region while concentrating on expanding the digital marketing footprint by showcasing our products on globally renewed e-commerce sites. Our presence in B2B platform such as 'Nextrade' is also a priority in the near term. The Group, through the efforts of our international marketing team, will further consolidate our presence across key export market countries such as the USA, India, Maldives and the Middle East.

We believe the appointment of the new designers globally will support us with fresh market insights to greatly expand our product development.

In the domestic sphere, we have maintained our position as a top brand and will continue further product development with continued expansion into new geographical areas within the Country. Further, our brand architecture is another key topic that will be taken up in order to ensure the right positioning of the brands.

Chief Executive Officer's Review

Production capacity expansion will remain a core area of focus for the coming years by investing in new machinery. With the plans to centralise many common functions between the two companies, we expect to have substantial savings especially in the area of supply chain management.

APPRECIATION

As we conclude one of the most successful years in the history of our Company, I would like to express my sincere appreciation to the Chairman and the Board of Directors for their counsel and leadership in navigating the Company ahead in the face of numerous obstacles. I would also like to thank Ambeon Holdings PLC for their support and advise.

Furthermore, I wish to extend my deepest appreciation to all our stakeholders for their continued trust and loyalty and for being a strength to us during these pressing times. The Management and employees of Dankotuwa and Royal Fernwood, are the pillar of strength in steering the Company ahead amidst uncertainty and I am extremely thankful for their dedication and unwavering support during this period.

Our strong connection and the long-standing relationship with our customers are reflective of the confidence 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 health workers in managing the pandemic and enabling an environment conducive to the resumption of business.

Last but not the least, I wish to thank all our suppliers, financial institutions, and other business partners for their steadfast support of the Company's progress.

(Sgd.)
Channa Gunawardana
Chief Executive Officer
25th August 2022





BOARD OF DIRECTORS



MR. YUDHISHTRAN (YUDY) KANAGASABAI

Chairman/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 and Hunter & Company PLC. He is also a Non – Executive Director of Cargills Food Company Limited, Cargills Bank Limited, Ambeon Capital PLC, Lanka Canneries Limited, Colombo City Holdings PLC and Taprobane Capital Plus (Private) 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 CA Sri Lanka.



MR. RANIL PATHIRANA

Deputy Chairman/Non-Independent, Non-Executive Director

Mr. Ranil Pathirana has extensive experience in finance and management in financial, apparel and energy sectors and presently serves as a Director of Hirdaramani Apparel Holdings (Private) Limited, Hirdaramani Leisure Holdings (Private) Limited and Hirdaramani Investment Holdings (Private) Limited which are the holding companies of the Hirdaramani Group. He is also the Managing Director for Hirdaramani International Exports (Pvt) Limited.

Mr. Pathirana is the Chairman of Windforce PLC and a Non-Executive Director of Ambeon Capital PLC, as well as several other listed Companies.

He is a Fellow Member of the Chartered Institute of Management Accountants, UK and holds a Bachelor of Commerce Degree from the University of Sri Jaywardenepura.



MR. REVANTHA DEVASURENDRA

Non-Independent, Non-Executive Director

Mr. Revantha Devasurendra serves on the boards of many public and private companies. His focus is on driving strategy and implementing systems and processes that foster accountability, with the ambition of inspiring people towards a common purpose and vision.

He 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.

He is a founding board member of the Entrepreneurs Organization (EO) Sri Lanka where he served as the Chapter President for the year 2020/21.

The guiding principles which Mr. Devasurendra lives by includes practicing gratefulness, having a positive outlook, being a servant leader, having a beginner's mindset, challenging the status quo, staying humble and living life to the fullest.



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.



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

Board of Directors



MR. SHALIKE KARUNASENA

Independent Non-Executive Director

Mr. Karunasena has over 25 years of experience in Financial Management, Treasury and Strategy in the fields of Commodities Trading, Plantations/Agri-commodities, Refining & Manufacturing and Leisure/Hospitality with nearly 20 years of Senior Management experience, functioning within the South and South East Asian Regions. He is a Fellow of the Chartered Institute of Management Accountants, UK. Mr. Shalike Karunasena presently serves as the Group Chief Financial Officer of the Gardiner Group of Companies.



DR. SAJEEVA NARANGODA

Non-Independent, Non-Executive Director

Dr. Sajeeva Narangoda is currently the Executive Director of Ambeon Holdings PLC. In addition, Dr. Narangoda serves on the respective Boards of Dankotuwa Porcelain PLC., Colombo City Holdings PLC, MillenniumIT ESP, Royal Fernwood Porcelain Ltd, Taprobane Capital Plus and Ambeon Securities as a non-Executive Director.

A seasoned professional with over two decades of experience, his illustrious career includes serving Dankotuwa Porcelain PLC as its Chief Executive Officer, Millennium IT ESP as its Director/Chief Operating Officer, Browns Hospitals Limited (currently known as Melsta Hospitals) as Director/Chief Executive Officer and Hemas Hospitals a fully owned subsidiary of Hemas Holdings PLC as the Chief Operating Officer.

He has also been serving the Australian Council on Healthcare Standards (ACHSI) as an International Hospital Assessor since 2012 and as country representative for Sri Lanka since July 2019.

Dr. Narangoda holds a Bachelor of Dental Surgery degree from the University of Peradeniya Sri Lanka and an MSc (Finance and Management) from Keele University UK. In addition, he is a Fellow Member of the Chartered Institute of Management Accountants (CIMA) - UK, Chartered Global Management Accountant (CGMA) - UK/USA and a Certified Practising Accountant (CPA), Australia.

Some of his professional contributions include serving as a National Council Member of the National Chamber of Exporters Sri Lanka, Director at the Centre for Excellence in Ceramic Technology (CINTEC), Sri Lanka and Director at the Ceramic and Glass Council, Sri Lanka.

MANAGEMENT TEAM



CHANNA GUNAWARDANA
Chief Executive Officer



MIYURU RAJAPAKSHE
Senior General Manager - Operations



JAGATH RAJAMANTHRI
*General Manager - Operations
(Royal Fernwood Porcelain Limited)*



SAROJ RANATHUNGA
Head of Finance - Porcelain Cluster



INDIKA ABEYSIRI
Chief Financial Officer



VINOBA SENAVIRATHNE
Deputy General Manager - Operations



SACHINI BODHIPAKSHA
*Asst. General Manager -
International Marketing*



SURESH SEBASTIAN
*Asst. General Manager -
Channels & Operations*



PRIYANTHA MADAGODA
Senior Manager - Decoration & Finishing



MADUSHA FERNANDO
Senior Manager - Human Resources



NUWAN ILLANGASINGHE
Manager - IT





MANAGEMENT DISCUSSION AND ANALYSIS

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THE GLOBAL AND LOCAL OPERATING ENVIRONMENT

GLOBAL ECONOMY

The year 2021/22 witnessed the continued resurgence of the pandemic with the new variants of COVID-19 persistently disrupting the daily life and the business environment exacerbated by the unequal access to vaccination across many countries creating uncertainty about the economic outlook ahead. Nevertheless, the global economy remained on the path to recovery with an easing of activity supported by the vaccination drives and the policy support by the governments to address the emerging challenges although the multifaceted nature of the challenges continued to pressurize the countries across the world on determining appropriate policy interventions leading to gaps in recovery across economic groups.

During the calendar year 2021, global growth was estimated at 6.1% compared to the 3.1% contraction observed in 2020 indicating a continued adaptation of economic activity to the pandemic situation and the persistent policy support. However, the situation changed towards the latter half of the year with the intensifying pandemic situation in many economies and supply chain disruptions to industrial production in advanced economies. Further, the increased demand has led to an increase in commodity prices which in turn led to high consumer price inflation in many developing and advanced economies while the rising food insecurity in low-income economies continues to take a heavy toll on poorer households even leading to social unrest.

The recent Russian invasion of Ukraine also continues to affect the global recovery with increasing commodity and oil prices worsening inflationary pressure in the global arena. Meanwhile, rapid climate change also persists to be a concern with the need for reforms to tackle the future climate-related crises. In this milieu, returning to pre-pandemic performance remains a challenge for the emerging and developing economies compared to the advanced economies.

LOCAL ECONOMY

The Sri Lankan economy showed growth momentum at the commencement of 2021 in contrast to the historic contraction witnessed during the previous year. According to the provisional national estimates of the Department of Census and Statistics (DCS), the Sri Lankan economy recorded a growth of 3.7%

in calendar year 2021, in real term. This growth was underpinned by the extensive vaccination campaign that exhilarated normalisation of the activities, financial and policy stimuli extended by the government and the Central Bank to support those affected by the pandemic as well as the growth in key economic sectors such as agriculture, industry, manufacturing, and the services sectors.

However, this growth momentum subdued towards the latter part of the year with a heightened COVID-19 pandemic leading to the reimposition of lockdowns and movement restrictions affecting the daily activities and the commercial operations. Consequently, the country was facing an acute foreign exchange crisis due to several brewing issues over a period of time. The tourism industry, the main foreign exchange earner faced a severe setback while the workers' remittances also dropped under the COVID-19 backdrop. The Sri Lankan rupee was subject to rapid depreciation pressure, amidst the shortage of foreign exchange liquidity in the domestic foreign exchange market. Further, the growing import bill, rising inflation, as well as the notable unemployment rates, also impacted the domestic economy indicating the signs of an emerging economic crisis.

Towards the end of the financial year, a spiralling economic crisis emerged with foreign reserves exhausting to considerably low levels. As a result, there were fuel and gas shortages, frequently prolonged power cuts and shortage of essential food items which eventually led to social unrest. Sri Lanka is compelled to adopt reforms seeking assistance from the IMF and the other international players in emerging out of the current economic crisis.

TRADE BALANCE

The trade account deficit widened considerably during calendar year 2021 by imports outpacing the exports. As such, the deficit in the trade account widened to US dollars 8.1 Bn in calendar year 2021 from US dollars 6 Bn in calendar year 2020. Although there was a stable increase in the exports, the notable increase in imports propelled by higher commodity prices such as fuel, increase demand for import goods, higher medical and pharmaceutical items import expenses such as vaccines and relaxing restrictions on non-essential goods contributed to the broadening of trade deficit.

EXPORT PERFORMANCE

During the calendar year 2021, export earnings grew by 24.4% compared to the previous year and earnings from merchandise exports arrive at US dollars 12.5 Bn, which is the highest level of export earnings for a year, since the highest export earnings of US dollars 11.9 Bn that was recorded in calendar year 2019. This is an indication of the Country's strong export performance that exceeded US dollars 1.0 Bn consecutively every month from June 2021.

MANUFACTURING SECTOR PERFORMANCE

The manufacturing activities was on a recovery path during the year supported by the continued operations under the new normal set up. The sector grew by 7.2% in calendar year 2021 as opposed to the 3.9% decline recorded in 2020. As such all-manufacturing activities expanded during the period except for the manufacture of coke and refined petroleum products that were negatively affected due to the temporary closure of Sapugaskanda refinery. Textiles, wearing apparel and leather related products remain the key contributor to the overall growth in the manufacturing sector which was largely encouraged by the healthy external demand. Besides, the manufacture of food, beverages, and tobacco products, rubber and plastic products, and other non-metallic mineral products also contributed considerably to the expansion in manufacturing activities.

Furthermore, manufacturing subsectors that include other non-metallic mineral products, basic metals, and fabricated metal products also registered significant expansions of 23.0%, 20.7% and 23.5% respectively, in calendar year 2021 in contrast to the COVID-19 induced contractions in 2020. This positive progress in the manufacturing subsectors was mainly attributable to the Government measures to improve domestic production capacity along with import restrictions on tiles and ceramic products.

The growth in the construction sector during the year also contributed to the improvement in demand for products from these subsectors. The increased production of cement, tiles, glass bottles, roofing sheets and porcelain tableware contributed to the expansion in the production of other non-metallic mineral product subsectors.

IMPACT ON THE GROUP PERFORMANCE

The development in the operating environment undoubtedly impacted our operations including disruptions to factory operations during COVID-19-related lockdowns, the requirement to consider new work arrangements to ensure the health and safety of employees, disruption to the supply chain process, as well as price hikes in gas and fuel that impacted our cost margins.

Under this condition, we had to bring in adequate strategies to tackle the challenges when needed to sustain our ongoing operations. Besides, we were resolute in serving our customers without compromising quality and service excellence while safeguarding the well-being of our workforce. We were confident of our ability to progress with our deserved world-renowned brand name which stands for quality and exclusivity.

It is this assurance backed by our highest adherence to world-class standards, crafting distinctive products to customer preferences across the world that made us persist in these trying times. As a result, we were able to sell our products to both domestic and international customers further expanding our presence through the growth of our dealer network and the geographical penetration. Although the business remained sluggish on the local front, the greater penetration into the global market enabled us to sustain our bottom line along with reaping the advantages of the depreciation of the rupee value against the US dollar as a business that relies mainly on export earnings. Another attribute to this growth was the strict cost control measures and the persistent upliftment of employee morale during the time.

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



MANAGEMENT REPORT OF THE COMPANY – DANKOTUWA PORCELAIN PLC

DANKOTUWA

World-class tableware

AN AMBEON COMPANY

AN OVERVIEW

Dankotuwa Porcelain PLC (DPL) has a long-standing legacy of over 38 years and has established a reputed brand name in the porcelainware category. With its unique designs, vibrant colours, and constantly evolving products to suit the customer demand, the brand has come a long way from its modest beginnings establishing itself as a world-renowned manufacturer of award-winning porcelain tableware and giftware. The journey that began with traditional tableware, has now expanded into ornamental figurines and giftware with elaborate and exquisite designs that have not only won the domestic audience but also the international customer. Now having established a strong international presence across key regions, DPL continues the path to success with novel product development obtaining customer insights and changing trends from both the local and international experts. Besides, the Company adheres to all industry's best practices and international standards supplying the products to the domestic audience and some of the world's premium international tableware brands and retailers. Distinguishing itself from its competitors through the zest and drive to craft unique products, balancing class and style, and catering to different social segments, DPL has succeeded in keeping itself at a higher altitude securing deals with the top brands in the market.



"Our products are unique due to its whiteness and fine applications of precious materials such as Gold and Platinum. We use only high quality raw materials in the process thus we are proud to say that our products are Lead and Cadmium free"



Management Report of the Company – Dankotuwā Porcelain PLC

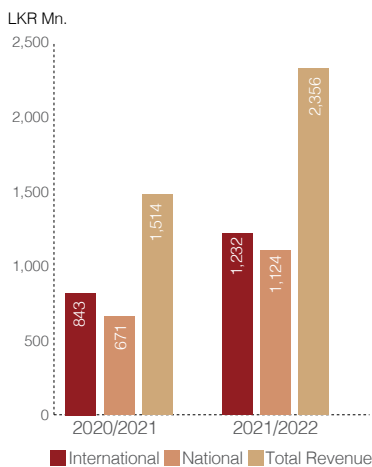
FINANCIAL PERFORMANCE

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 2.36 Bn for the year under review in comparison to LKR 1.51 Bn recorded in the previous year denoting an increase of 56%. Export sales recorded a significant rise recording LKR 1,232.01 Mn during the year against LKR 843.33 Mn 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. Favourable exchange rates movements have also contributed to the increase in export sales. Domestic sales also denoting an increase, ending the year with a revenue of LKR 1,124.37 Mn as against LKR 671.18 Mn of the previous year.

Total Revenue



COST OF SALES

With the corresponding rise in revenue, cost of sales has increased by 32%. Accordingly, the Company incurred a cost of sales of LKR 1.43 Bn during the year in comparison to LKR 1.09 Bn in the previous year. This has resulted in an increased gross profit margin of 39% in comparison to 28% in the last financial year.

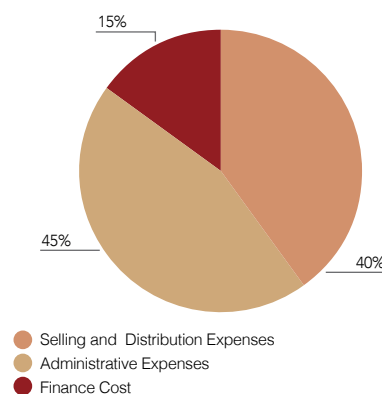
OPERATIONAL EXPENSES

The Company's operational costs which consist of Administration and Selling & Distribution, recorded an reduction during the year under review reaching LKR 485.20 Mn. This marked a 6.67% reduction as against the previous year's cost which was mostly marked in reduction of Administration cost. There was an increase in Distribution cost by 34% due to the 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.

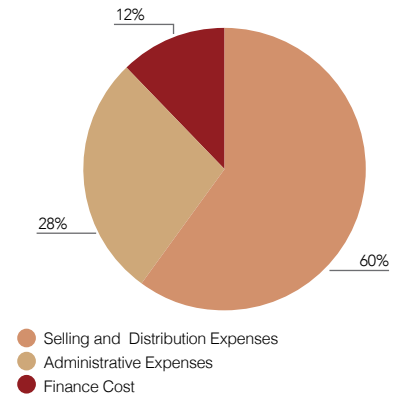
FINANCE COST

During the year borrowings were reduced by 33%. Accordingly, the finance cost also reduced to LKR 64.74Mn from LKR 94.28 Mn compared to the previous year.

Expenditure - 2020/2021



Expenditure - 2021/2022



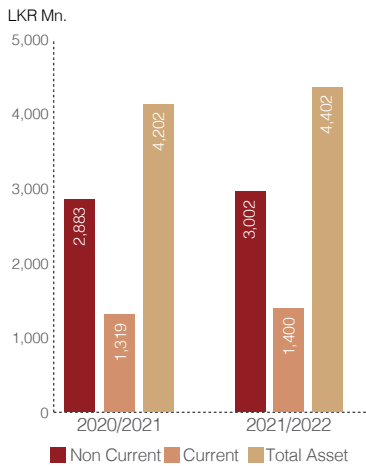
PROFITABILITY

The Company reported an impressive financial performance during the financial year. The Profit Before Tax (PBT) was recorded at LKR 491.26 Mn, a commendable achievement when compared to the loss of LKR 134.53 Mn made during the corresponding financial year 2020/2021. The Company reported a fair value gain of investment in a subsidiary of LKR 82.69 Mn during the current year as against the LKR 6.87 Mn in the previous year which was included in above Profit Before Tax.

TOTAL ASSETS

Total Assets of the Company rose to LKR 4.40 Bn as of 31st March 2022, recording an increase of LKR 200.52 Mn compared to the previous year's position of LKR 4.20 Bn. Non-current Assets rose by LKR 119 Mn mainly driven by revaluation of investment in a subsidiary by LKR 82.69 Mn and acquisition of property, plant and equipment of LKR 30.18 Mn. The Current Assets too recorded an increase of LKR 81.42 Mn. This was mainly due to increase in trade and other receivables by LKR 127.55 Mn and increase in inventory by LKR 40.67 Mn. There was a reduction in other elements in the Current Assets by LKR 86.81 Mn which resulted in the overall increase in the Current Assets. The increase in receivables resulted due to higher sales recorded towards the end of the financial year.

Total Assets



CURRENT AND NON-CURRENT LIABILITIES

Total liabilities have decreased by LKR 323.15 Mn which is mainly due to Interest bearing loans and the borrowings experienced a drop of LKR 312.79 Mn during the year with higher settlements of short-term loans. Accordingly, the Company ended the year with a borrowings position of LKR 642.94 Mn as against LKR 955.73 Mn recorded as at the end of the previous financial year.

GLOBAL MARKET LANDSCAPE

As a Company that caters to both the domestic and global market, we have consistently made effort to extend our brand's reach. Therefore, during the year, we extended the market in terms of design, value, customer portfolio, and the number of export destinations taking an inclusive growth strategy. Aligned with this, we added more new designs, innovative product ranges and premium products in adding value to the market by leveraging on the support of international and local designers. Innovative designs were introduced with new decorations, shapes, and glazes such as the water drop range while the product range expanded to other lifestyle products including bathroom accessories such as self-watering plants and candle holders. The increased engagement of international design consultants have enabled us to gain

a comprehensive understanding of the market dynamics thereby gauging the customer insight and preferences related to porcelainware creating innovative designs to suit the customer requirement. These new designs themselves secured a considerable revenue during the financial year.

Our customer base increased to a total of 37 customers including the new additions, namely, NEXT (UK), Aura Living (UAE & Saudi), VEGA (Germany), Elvi (India), Faze3 (India) and ERMS (Singapore).

In terms of destinations, at present, India and Middle East remain our biggest customers followed by, Europe, Scandinavia, the USA, and the Australian regions. Given our inclusive presence across the Globe, we were able to earn a revenue of LKR 1,232 Mn during the financial year under review which is a substantial growth of 46%. In achieving this we maintained our competitive advantage through heightened penetration into the international market with the consistent quality of products, innovative designs, and timely delivery. We also utilised social media platforms to promote our product range. In the event where some of the trade fairs such as Ambiente and Formex were cancelled during the year, we used alternative marketing tools to reach potential customers including advertising in International Tableware Magazines and distribution of product packs to show case our new capabilities.

With the idea of expanding further, we have appointed agents for every region including 3 new agents during the year under review for the regions of South America, Scandinavia, and the USA. We also look forward to getting designers from every region to provide us with better insights and understanding of customer mindset in strengthening our connections and pushing our brand name to the next level.

By recognising our effort in the global market, we were recognized for best exporter award under Ceramic & Porcelain Products sector organised by Sri Lanka Export Development Board during the year 2020/21.



OUR FOOTPRINT IN SRI LANKA

We achieved 68% growth in national sales by recording a revenue of LKR 1,124.37 Mn. The main contributor to this growth was the dealer channel that recorded a growth of 75% and revenue of LKR 408.65 Mn. B2B channel recorded a revenue of LKR 270.63 Mn which is a growth of 156% compared to the corresponding year while the showroom channel grew by 48% recording a revenue of LKR 241.85 Mn. Other categories contributed to growth by 20% recording a revenue of LKR 203.24 Mn.

With regard to the dealer channel, we have dealers across the country exceeding 250 sales points which continues to grow. These dealers who carry a wide range of unique Dankotuwa products, are an important channel that ensures our product availability throughout the country. Hence, we keep a continuous dialogue with our key dealers and update them on our product range through regular product awareness and factory visits. These touch points are also used as an opportunity to collect customer feedback on our designs, in addition to being updated with the latest market trends.

The Company's B2B segment consists of Corporate, HoReCa, & Tea sectors. We serve as a gifting partner for corporates in Sri Lanka and this includes gifts for their employees and customers. As for the HoReCa sector, which was passing a challenging phase during the year, is expected to see a turnaround in the near future for us to better serve this market. Value added tea sector uses Sri Lankan porcelain to serve its customers and we remain the preferred partner in that process for many premium tea brands in Sri Lanka.

Management Report of the Company – Dankotuwa Porcelain PLC

It was encouraging to note that there was a 48% growth in the showroom channel despite the closure of the Union Place showroom. As showrooms are a critical sales channel in terms of branding for us, we will continue to make this channel stronger as we go on.

Our success in national sales was reaffirmed by being awarded as the Most Loved Brand by LMD during the year.

We continue to develop products for the local market driven by our enthusiasm and commitment, consistently creating a diversified product range with the support of local designers. Some of these novel product highlights include a new porcelain bathroom accessories collection, a self-watering plant, steam inhaler and a limited-edition blue bird dinner collection based on the blue macaw's life cycle. We further initiated a tableware design competition in collaboration with the Academy of Design (AOD), the most future ready design academy of Sri Lanka, to harness the novel design capabilities of the youth.

CUSTOMER NEEDS ANALYSIS

Understanding the changing customer behaviour in both global and the Sri Lankan market is crucial to us and in this connection, we have initiated several measures to identify customer insights and changing trends going a step beyond to obtain expert assistance to provide feedback on customer behaviour and their preferences. Given this feedback and the increased customer preference to shop on online platforms, we have enhanced our presence in online shopping platforms such as Amazon, Next trade, Daraz, Orel Buy, Kapruka, and House of Gifts allowing more convenience and accessibility to the customers across the world.

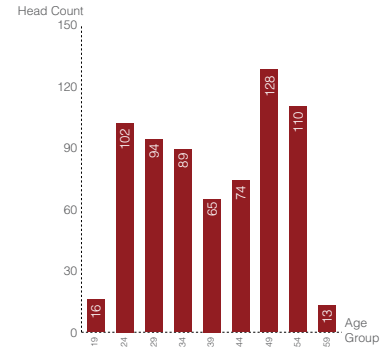
With the support of international and local designers, we continue to be developing products that cater to a wide-ranging preference of the target audience, offering the customers with stylish and unique high-quality tableware that includes a unique whiteware range, decals with innovative designs, premium collections with hand-painted designs captivating the customers of all age groups consolidating our reputation as a customer focused elegant and luxurious tableware manufacture.

HUMAN CAPITAL MANAGEMENT

Employees are the foundation of a successful business as they are the driving force of business growth and prosperity. With their unique skills, knowledge, and capabilities, they nurture and support an environment in which business progression can be achieved. Hence, at Dankotuwa Porcelain PLC, we have consistently endeavoured to develop a high-performing culture with enhanced employee engagement, providing exposure to learning and development opportunities to enhance capabilities as well as meticulous management of human resources to support their work-life balance and overall well-being.

Over the years, it is their expertise and productivity that have enabled us to deliver high-quality products upholding our well-known brand name. In our aim to establish a high calibre workforce, we are cognizant of the need for prudent recruitment carefully selecting the right skills and experience to suit the demands of the Company and its long-term value creation. As an equal opportunity employer, while ensuring gender representation, and diversity and equal opportunity in the workplace, we continue to nurture a professional and a productive workforce that can drive the business towards greater heights.

Workforce by Age



CAREER TRAJECTORY

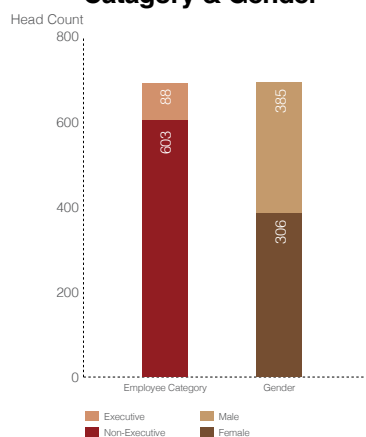
Career growth or the professional advancement of our employees is a key focus in the journey of building a futuristic organization. We believe that our people should also grow with the organization so that mutual benefits are achieved, and employees are retained. As such, we have implemented several programs to achieve this objective as stated below.

We conduct an annual performance evaluation for all employees across the Company in supporting them to advance in their career path. All the employees from the management and executive positions to the non-executive category take part in this annual performance evaluation and are rewarded with appreciating and incentives for outstanding performance.

In addition to the annual performance, many different programs are available to appreciate employees monthly and quarterly performance achievement. Based on the level of the performance, individuals are given a chance to celebrate and then further enhancing their areas of focus including soft skill development by providing exposure to coaching, technical training and seminars.

We conduct a "training need analysis" for each employee across all categories thereby deriving a training programme for individuals. Based on this, we provide our employees with exposure to the necessary learning and development opportunities to sharpen their existing skills and capabilities as well as to acquire new knowledge. Through such extensive exposure, we consistently make effort to foster a cadre who are well equipped to contribute to the Company's short and long-term goals.

Workforce by Employee Category & Gender



Based on the identified training requirements, we carried out several technical and soft skill training programs during the year covering areas such as Ceramic engineering, Business process re-engineering, IT, Finance, Process of export and imports, HR IS Awareness, Quality Management, Smart digital manufacturing, Selling skills, Customer care, Interviewing skills, Wellbeing and Work-life balance, as well as firefighting. Various categories of employees took part in these training programs based on their technical and soft skill requirements. In the COVID-19 backdrop, some of these trainings were conducted online while some were conducted physically at the Company premises.

Our commitment to care for our employees is a continuous effort as we sincerely recognize their valuable contribution in the years of the Company's unprecedented achievement. We have made every exertion to support their professional growth and personal well-being constantly safeguarding them at every possible avenue.

EMPLOYEE ENGAGEMENT

One of the key initiatives of employee engagement was the 'Collective Leadership' program that empowered the employees across all levels of operation to participate in the Company's decision-making process. This provided an opportunity for the team members who have specialised in specific area to get involved in the overall leadership of the organization improving team motivation during the year. External resources were also used to establish the concepts such as Leaderless organization, Collective leadership, and Distributed leadership.

TEAM DISCUSSION ON COLLECTIVE LEADERSHIP



DPL FACTORY TEAM



Employee engagement is crucial to cultivating a better work culture that increases employee productivity, relationships, and motivation of staff who in turn positively impact the Company's bottom line. Although the COVID-19 outbreak during the period somewhat curtailed our space for carrying out such activities, a considerable number of measures were carried out in this perspective.

We conducted several initiatives to ensure their engagement such as building an adventure park with recreation equipment for outbound training activities, celebrating

religious festivals such as Christmas carol programs and Pirith chanting ceremonies, and providing dry ration packs for the staff, conducting motivational programs, facilitation of employees to meet most of the government institutes such as Divisional Secretariate, Police, Children & Women Bureau, ID card office, as well as Lawyers, Counsellors and banks. In addition, during the year a health camp and a dental clinic were conducted for the staff members. These activities in turn helped ensure greater employee participation and work-life balance improving their motivation to work.

Management Report of the Company – Dankotuwa Porcelain PLC

A scholarship seminar was also conducted for children of DPL staff and initiated an agricultural program by our own employees within the premises to provide themselves with healthy vegetables. Further vegetable and dried fish were made available for employees at a reasonable price and provided dry rations for employees affected by flooding as well as dry ration packs for all employees during the festive month of December and April along with porcelain gift set.

Moreover, we conducted a musical program, Art competition for employee's children, quiz competitions, experience sharing sessions by eminent professionals, recognition of small achievements at department levels and held inter-departmental competitions on various topics to keep our employees engaged with the organization all the time.

During the year, we were recognised and awarded as a 'Great Place To Work', an indication of how our people perceive our organisation and a confirmation of our commitment to their furtherance.



EMPLOYEE HEALTH AND WELL-BEING

We comprehend our responsibility as an employer and our general commitment toward employees, taking every proactive measure in upholding health & safety of our employees. Therefore, during the period, one of our core focuses was the containment of the spread of the COVID-19 within the Company and factory premises. In addition, we have taken necessary precautions to ensure overall health and well-being of the workforce, assuring that they are safe, healthy, satisfied and engaged at work.

Prevention of the spread of the pandemic was achieved through several successful measures which include rigorous controls in every aspect of our business operations. Taking immediate action for quarantine upon identification of suspected COVID-19 cases, carrying our rapid antigen tests frequently, providing necessary personal protective equipment (PPE) for employees, roaster-based shifts and providing isolated in house accommodation for quarantined employees. These actions have contributed greatly to curbing the outbreak of the pandemic within the factory premises as well as curtailing the spread of pandemic within their families and close contacts.

Furthermore, we were concerned about the general health and well-being of our employees and carried out a primary health check of all employees to check their basic health issues/non-communicable diseases maintaining a health file with their medical history for future reference. Health files will be handed over to them in their retirement to benefit the doctors and health care providers with personal health information. Employees are further referred to the regional state hospitals the Company has partnered with to encourage employees to seek medical advice when necessary and to maintain a healthy lifestyle. A health camp and an employee health desk were also organised in collaboration with the government organisations.

Additionally, we have also upgraded our factory medical facility with a new emergency unit that is equipped with oxygen and other basic emergency requirements to attend to the employees until being transferred to a hospital in the event of a tragedy. These measures have relieved them of the expenses of medical tests and consultations easing them of that burden.

The Company also consistently encourage a general health and safety culture within the organisation with regular safety programs conducted to enhance employee awareness of such issues while at work and make an effective contribution to upholding health and safety standards within the organisation. Through such measures, the Company aim to reduce potential accidents by maintaining a secure work environment for all employees.

PRODUCT RESPONSIBILITY AND SUPPLIER RELATIONSHIP

In developing products that meet or exceed the customers' expectations, we adhere to strict quality controls throughout our sourcing, production and distribution processes thereby guaranteeing the highest standard of product safety and responsibility. While our products are lead and cadmium free with regular testing to guarantee compliance with customer specifications, we also ensure our products are free from animal bone ash. Our consistent commitment to adhere to the highest quality standards has enabled us to build long-term partnerships with world-class international retail brands such as, Portmerion, Jashanmal, Country Road, Porsgrund, Narumi, Berghoff, Yalco, and Weissstal winning the trust and loyalty of customers across the globe.



We select our suppliers following a rigorous evaluation process based on the criteria of quality, value, business practices, ethics, and social and environmental practices amongst others. Over the years, we have nurtured positive and mutually beneficial relations with several suppliers who regularly provide us with high-quality material adhering to the business principles consistent with our own. When selecting the new suppliers, they will also be scrutinised for international standards of compliance. Currently, we engage with over 400 local and international suppliers on average.

ADHERENCE TO RULES & REGULATIONS

We adhere to all the laws and regulations stipulated by the applicable regulatory bodies conducting our business operations in accordance with such guidelines. As we strongly uphold corporate governance best practices as a crucial necessity for ensuring transparency and accountability in business activities, we have been able to nurture healthy relations with all regulatory authorities conducting our business accordingly ensuring the highest level of transparency and accountability.

During the financial year, we conducted environmental, social and ethical audits as required by customers such as Country Roads and NEXT. The highly satisfactory performance in these audits is an indication of our highest compliance with all the required regulations adopting to ethical business practices.

COMMUNITY EMPOWERMENT

As responsible corporate citizens, we are mindful of our responsibility toward societal well-being and therefore consistently carry out initiatives to uplift the communities in which we operate.

We are proud to say that Dankotuwa porcelain is the porcelain partner for most of the charity organizations, religious institutions, government education centres among many other institutes. We make it a practice to accept all request from any such organizations and be a partner in their progress.

We also resolutely support our employee children's education activities by organising series of seminars to equip them to better face the critical examination.

Moreover, apart from our regular donations to religious establishments, we extended our helping hand to other nearby needy organizations and government institutes. We also supplied necessary medical equipment to Dankotuwa and Marawila hospitals as our ongoing assistance to combat COVID-19 infection.

FUTURE AHEAD

Given the macro-economic outlook of the Country, we strongly believe that Sri Lanka needs to rebuild its foreign reserves in recovering its economic stability and therefore we will support this endeavour through focusing on bringing in foreign currency to the country aided by our export segment. Despite the current acute economic crisis and the multitude of challenges, we believe that the country's present economic situation will turn towards positive before long emerging even stronger as a nation from the current depth of the crisis. In an improved setting, we believe our local market conditions will also improve thereby continuously contributing to our success.

Our local expansion drive will continue with establishing greater reach across the country ensuring that our products are available in every nook and corner. Our niche lies in our product design and development that is a core element in our success and hence we will persistently allocate more resources into this sphere. Given the celebrated name of Dankotuwa Porcelain for its pristine whiteness with high gold and platinum designs, we plan to introduce more in the same categories going forward at the same time introducing adjacent products around the table for Sri Lankan consumers.

In the global sphere, We are planning to expand further into countries like USA and Australia in the near future including targeting of GCC countries. We will ensure that our products are displayed across the world and will facilitate this through appointment of more agents to represent us in the global arena. In the

next financial year, we expect to liaise with most of our customers face to face which is something that we have missed for the past two years, and we believe this will be an avenue to build closer relationships in acquiring more business.

Customer centricity will be at the forefront of our product development, with constantly keeping ourselves up to date on the customer preference in different countries obtained through designers appointed from respective regions who appreciate and understand the local customer taste and preference. As we go on, we will expand our designer network across the world to obtain greater insight into customers changing behaviours. Last but not the least, we would concentrate on new product design and development for the global market, which will be carried out based on the feedback of our customers and designers globally. Our designs team will be connected to the global forums for better update on the global trends.

We will continue to invest in expanding our manufacturing footprint by better utilising latest technologies available for the industry. Further an extra effort will be placed on uplifting the factory environment with Industry 4.0 architecture. These will ensure an increase efficiency in the operation and better product quality for our customers.

Our commitment to the valued shareholders will be the persistent effort to exceed their expectations by sustaining the profitability of the business prudently navigating the journey ahead despite the challenges in the operating environment.

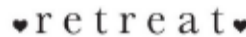


MANAGEMENT REPORT OF ROYAL FERNWOOD PORCELAIN LIMITED



OVERVIEW

Royal Fernwood Porcelain, renowned for its range of colours for the vibrant youth, caters to this specific customer segment providing amazing value for money, since its inception in 1994. With the overwhelming response received from our customers for porcelain tableware, the Royal Fernwood brand has become the industry leader for timeless premium masterpieces that represent the pinnacle of craft and design with exclusivity. Fortified by the responsibility to sustainable growth amidst an uncertain macro-economic environment, the Company continue to drive on the success path guided by corporate governance best practices, a perpetual drive to craft innovative cutting-edge products meeting the changing customer aspirations, and interests of all our stakeholders. With a persistent effort to embrace the changing customer trends, Royal Fernwood Porcelain has succeeded in creating world-class porcelainware over the years.



“Royal Fernwood Porcelain, renowned for its range of colours for the vibrant youth, caters to this specific customer segment providing amazing value for money”



Management Report of Royal Fernwood Porcelain Limited

As a leading manufacturer of export quality tableware, the Company adheres to all the required international standards in design and durability, nurturing strong relations with some of the world's foremost tableware brands. Utilising our strength such as hand glazing, hand painting, decals with elegant patterns inspired by nature such as flowers, naturalistic and geometric designs, the Company's consistent commitment to maintaining quality excellence combined with exclusivity has been recognised with awards in multiple occasions winning the praise of customers and all other stakeholders the world over.



FINANCIAL PERFORMANCE

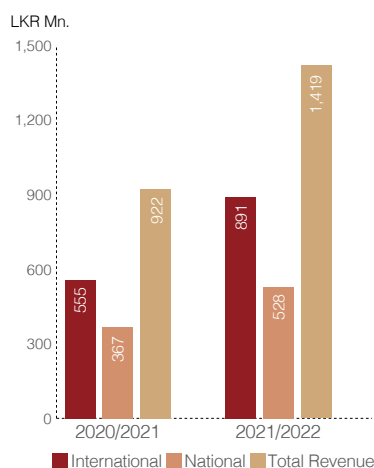
Despite the challenging macro-economic conditions and various operational limitations, the Company navigated achieving the anticipated sales volumes during the year. Armed with the learnings from the first quarter, the Company demonstrated its resilience, seeking new avenues for sustaining its operations through enhancing productivity and embracing new business opportunities.

REVENUE

Revenue for the financial year amounted to LKR 1,419.27 Mn marking an increase compared to the previous year's revenue of LKR 922.10 Mn. This increase was mainly due to the LKR 891.44 Mn contribution from the international market. Revenue from National sales recorded LKR 527.83 Mn during the

financial year. Despite challenging conditions during the first quarter and the second quarter of the financial year which led to a reduction in sales volumes in National sales, the Company demonstrated a good comeback during the remainder of the financial year under review.

Total Revenue



COST OF SALES

Cost of sales amounted to LKR 1,144.47 Mn denoting an increase of 59% compared to the previous year's total of LKR 722.02 Mn. The increase of sales volume is the main contributing factor for increasing the cost of sales, in addition to the material, labour, fuel power, packing and factory overheads increases during the financial year.

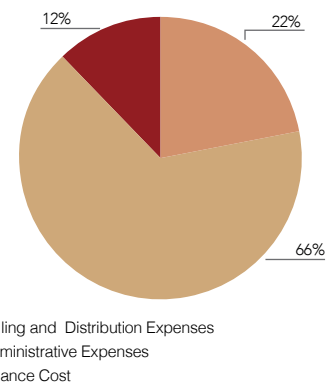
OPERATIONAL EXPENSES

Administrative expenses for the period under review was LKR 317.23 Mn marking an increase of 5% compared to the previous financial year, whilst selling and distribution costs marked an increase of 8% recording LKR 106.57 Mn. This year's admin cost includes LKR 107.45 Mn due to the change in inventory provisioning policy and LKR 69.82 Mn due to written off inventory.

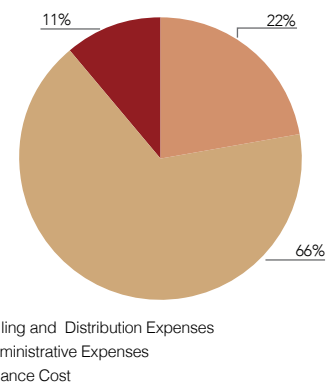
FINANCE COSTS

Finance costs were at LKR 55.03 Mn making a minor decrease of 3% during the year compared to the previous financial year as a result of the low interest rate prevailed in the market during 2021/22 financial year.

Expenditure - 2020/2021



Expenditure - 2021/2022



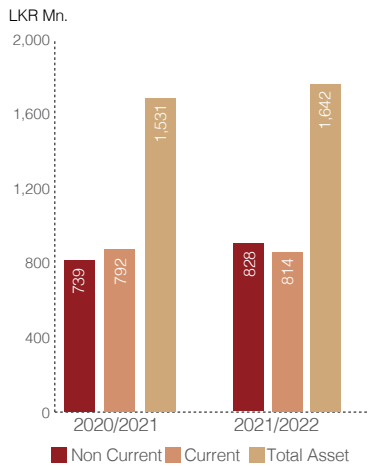
PROFITABILITY

The Company reported a gross profit of LKR 274.80 Mn during the year compared to LKR 200.09 Mn of the previous year. Regardless of the rise in revenue, the overriding increase in cost of sales led to the overall decline in y-o-y gross profits margin. As a result of the one-off charges driven by a restructuring and net rationalizing of inventory provisioning policy of LKR 107.45 Mn to be in line with that of the parent company and net inventory written off of LKR 69.82 Mn during the financial year in addition to operating under challenging business conditions and pandemic induced restrictions, the Company ended the financial year with a net loss before tax of LKR 197.88 Mn.

TOTAL ASSETS

Non-current assets stood at LKR 827.51 Mn as at 31st March 2022 while current assets amounted to LKR 813.89 Mn. Total assets as at year end stood at LKR 1.64 Bn marking an increase against the prior year's asset value of LKR 1.53 Bn.

Total Assets



LIABILITIES

During the year, Interest Bearing Loans and the Borrowings increased by LKR 162.60 Mn to LKR 723.03 Mn to fund for increased working capital requirement and to invest into property, plant and equipment. Trade and other payables increased by LKR 42.71 Mn to LKR 334.87 Mn due to the extended credit periods with suppliers and additional sourcing to mitigate shortages of RM. Accordingly, total liabilities of the Company increased to LKR 1,086.98 Mn from LKR 901.47 Mn reported during the previous financial year.

GLOBAL MARKET LANDSCAPE

We embraced an inclusive growth strategy during the year expanding our brand presence in both the local and international markets covering over 40 countries across the globe. To this, we added a range of new designs, shapes, colours, and themes thereby crafting innovative products that are distinctive and appeal to the customer. These high-quality porcelainware include design decals, reactive decals and colours, and glazers with new shapes and other lifestyle products. With persistent effort to maintain the highest standards in the global dinnerware industry and timely delivery we have succeeded in establishing our solid footprint in the

international market earning continues business success during the period.

RFPL was able to secure an international market revenue of LKR. 891.44 Mn during the financial year expanding our customer base. We established our presence across many destinations and our biggest customers include Crate and Barrel, VEGA, Notneutral, Exceylan International (Pvt) Ltd and Sannai.

As we continue to expand our geographical footprint perpetually creating new product designs and decorations to suit the wide clientele across the globe, we look forward to solidifying our presence in South America, Scandinavia, and the USA. Along with the support of international designers to better understand the customer preferences and changing market dynamics, we will look forward to establishing our imprint in profitable regions.

We have appointed agents across the region to promote our products to the international market. However, product promotional activities will not stop at the agent as we will also shoulder the product promotional responsibility displaying our products on social media platform in addition to utilising international Trade Fairs and high-end tableware magazines to reach the global audience.

OUR FOOTPRINT IN SRI LANKA

Our footprint in Sri Lanka operated mainly through the established dealer network across the island and showrooms, that remains our key touch points with the local customers. The mutually beneficial relationships we have nurtured with our dealers and capitalising on their skills in distribution we have been able to grow within the local market reaping the financial benefits while establishing our robust presence within the island.

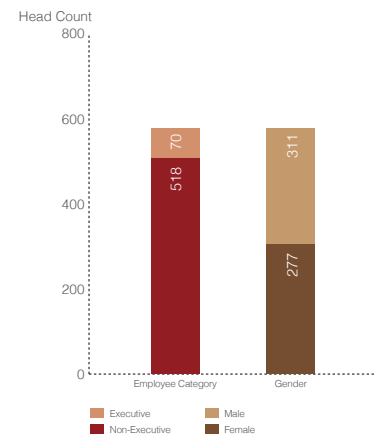
RFPL was able to secure a National Sales of LKR. 527.83 Mn during the financial year expanding our customer base. The main contributor to this growth was the dealer channel that recorded a growth of 156% and revenue of LKR 303.07 Mn. B2B channel recorded a revenue of LKR 75.16 Mn and Modern trade channel recorded a revenue of LKR 34.90 Mn while the showroom recorded a revenue of LKR 18 Mn. Special Sales category contributed to the growth by recording a revenue of LKR 96.71 Mn.

B2B customer segments include corporates, HoReCa and tea sector. Corporates use our products as promotional and branding materials providing them as gifts for their employees and customers. The HoReCa (Hotel, Restaurant, Cafeteria) sector also remain an important customer segment though the sector has witnessed setbacks during the financial year which was mainly attributable to the subdued performance of the tourism sector. However, we await to serve this segment as soon as the market condition stabilizes. Further, we are the preferred partner for many well know tea companies who uses our products to serve their customers.

HUMAN CAPITAL MANAGEMENT

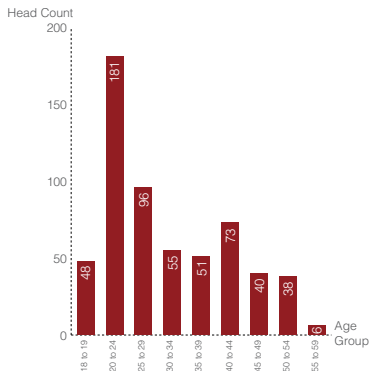
Our people are the pillar of strength that drives the Company's growth with their steadfast commitment and diligence to achieve the best. The pandemic phase was proof of their unwavering dedication as they went beyond the call of duty surpassing the challenges to continue the Company's operations without disruption. In comprehending their sincere dedication and the Company's commitment to ensure their well-being, we have continuously promoted a conducive work culture where all employees can express their ideas and opinions allowing open communication of any difficulties and challenges to their work-life. At the end of the financial year, RFPL comprise of 588 employees who diligently pursued our strategic direction delivering enhanced value to the stakeholders maintaining sustainable growth of the Company.

Workforce by Employee Category & Gender



Management Report of Royal Fernwood Porcelain Limited

Workforce by Age



CAREER TRAJECTORY

Career development or the professional growth of the employees is a priority concern for the Company as it ensures that the team is equipped with new skills relevant for their job role apart from being well informed on the industry trends and best practices. Professional development also enhances employee engagement and attract highly skilled talent adding to the competitive advantage and the long-term success of the Company.

It is this competent workforce that brings out the exclusivity in our products utilising their knowledge and skills to craft elegantly designed tableware upholding world class standards. Hence, we repeatedly encourage a performance-driven culture within the organisation that contribute to the enhancement of employee capabilities. The training needs identified through employee performance evaluation guide the Company to systematically invest in providing necessary skills and personality development. By inculcating a wealth of knowledge and expertise related to various aspects of the industry, the Company also intend to groom them to take over the next level of hierarchy and leadership.

During the financial year, we provided them several opportunities to participate in both technical and soft skills training that includes ceramic engineering, export and imports process, HR IS Awareness, Quality Management, Smart digital manufacturing, sales skills, customer care, interview skills, well-being and work-life balance. These training opportunities created an avenue to learn the latest technical and technological improvements while supporting the development of critical thinking needed for continuous process improvements.

Our recruitment process aims to employ the best talent with a driven attitude and nurture them to be valuable contributors to our growth. Apart from orienting them through an induction program to make their seamless transition to the job role enrooting a proper understanding of the Company culture and its vision and mission, we carry out several initiatives to enhance their motivation and satisfaction in the workplace. Based on the annual performance evaluation, we also reward the high-performing employees including offering them with industry par remuneration and several other benefits.

EMPLOYEE ENGAGEMENT

We believe that employee engagement is vital to creating a better work culture that promotes productivity and efficiency. In this regard, we carried out a multitude of events during the year that includes celebrating religious festivals, sports tournaments, and competitions, interactive information gathering sessions as well as motivational programs providing the employees with a space to demonstrate their interests and talents. These events have also immensely contributed to ensuring work-life balance of employees making them happy and motivated to work at a time of unprecedented challenges.

TEAM RFPL



EMPLOYEE HEALTH AND WELL-BEING

The Company was highly concentrated on the health and safety of employees in the COVID-19 pandemic backdrop. Hence, steps were taken to ensure the safety of the workforce implementing necessary measures across all levels of operations such as social distancing, providing them with masks and safety equipment and continuous monitoring for suspected cases through regular check-ups. We even created a 15-bed dormitory within the factory premises as a quarantine accommodation for the infected staff.

The pandemic situation has undoubtedly strengthened our health and safety practices based on the directive of the Health and Safety Committee of the parent company, Ambeon Holdings PLC, incorporating regulations introduced by the World Health Organisation and the Ministry of Health. While we communicated these health guidelines to the employees, we also continuously monitored their conformity to these measures taking immediate action in case of failure to comply.

Apart from the risk posed by COVID-19, we also focused on the maintenance of general health and well-being of the employees including occupational safety. We implemented necessary health and safety procedures to protect the employees from work-related accidents and risks apart from providing safety equipment and the necessary training in the proper use of machinery, tools and equipment and fire safety. Further, we carried out regular health and safety audits to ensure their compliance with safety protocols. In order to sustain their general well-being, a routine health check-up was also carried out for all employees for non-communicable diseases maintaining a Health File with their health details for future reference.

Welcome all employees with a token of appreciation



PRODUCT RESPONSIBILITY AND SUPPLIER RELATIONSHIP

We are committed to develop products that surpass customer expectation adhering to the highest quality standards. RFPL holds the following certifications and accreditations in maintaining the highest standards in quality assurance.

- ISO 9001-2015 certificate and ISO 9001-2015 international standard, which specifies requirements for a Quality Management System (QMS).
- 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.

Our quality standards have a direct link with the suppliers we choose as they provide us with highest quality raw material in a seamless manner to carry out our production process. Therefore, the Company nurture supplier relations with frequent communication with local and international suppliers through online and offline methods and even meeting them physically on occasion. Consequently, over the years we have succeeded in establishing strong partnerships with all our suppliers maintaining high product quality through sourcing high-quality raw materials within a short period of time meeting customer expectations and quality requirements.

We have built strong partnerships with local supply companies, suppliers from New Zealand, the 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.

ADHERENCE TO RULES & REGULATIONS

We comply with all the financial, labour and quality compliance measures including the international product standards. In addition, we comply with the relevant financial standards stipulated by CA Sri Lanka, and the environmental regulations and quality standards mandated by the Sri Lanka Standards Institute and the International Organisation for Standardization.

COMMUNITY EMPOWERMENT

Empowering the communities in which we operate has been at the forefront of our agendas as we believe it is our moral

obligation to support those who need assistance and uplift their lives. Therefore, during the year, we provided employment opportunities for people living in the surrounding areas apart from providing various other support for their upliftment.

FUTURE AHEAD

Our core agenda for the future remains the expansion of our brand across the globe capitalising on growth opportunities in markets of Europe, Australia, and the Middle East. By prudently diversifying our customer base, we intend to minimize our risk of reliance on few customers.

In this process, we will make a sustained effort to develop innovative products relevant to the current customer trends across the region with a primary focus on high-end lifestyle and giftware market. We are determined to craft intricate designs combined with exclusivity that enhances our brand identity while nourishing the distinct taste of the customer. In further enhancing our competitive edge, we would develop our capabilities in decorations, then working along with customers who require such product range. Likewise, we would concentrate on replacing imported clay with local clay, a project still at its initial stage.

As much as RFPL has a pivotal role to play along the brand of Dankotuwa, there is also a greater necessity for RFPL to emerge as a strong brand within the national sales function. This may require more innovative designs for the local market which will be introduced in the coming financial year. In this endeavour, we will embrace new technology towards process improvement with cost optimisation at the vanguard.







CORPORATE GOVERNANCE

As a subsidiary of Ambeon Holdings PLC, Dankotuwa Porcelain PLC's governance framework, structures and processes are aligned to that of the parent entity and customised to reflect relevant industry dynamics and operating models. The corporate governance framework drives accountability, transparency and integrity at every level of the organization, ensuring stability during challenging industry conditions. The Board of Directors are the apex governing body and holds responsibility for setting the strategic direction, formulating policies and exercising oversight over the affairs of the Company.

We at Dankotuwa Porcelain PLC are committed to Corporate Governance practices relying on a comprehensive system of internal controls and best practices to achieve this objective. The Company is in compliance with the Continuing Listing Rules of the Colombo Stock Exchange (CSE), Companies Act No. 7 of 2007 and the Code of Best Practice of Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and CA Sri Lanka as summarized below.

THE BOARD

The Board of Directors take responsibility for good Corporate Governance of the Company and the 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. The Board comprises of Seven Directors of whom all are Non-Executive Directors. Profiles of the Directors are given on pages 18 to 20.

Board composition and Directors Independence as at date.

Name of the Director	Type
Mr. Y Kanagasabai - Chairman	Non-Independent, Non-Executive Director
Mr. R P Pathirana - Deputy Chairman	Non-Independent, Non-Executive Director
Mr. R T Devasurendra	Non-Independent, Non-Executive Director
Mr. R P Peris	Independent, Non-Executive Director
Mr. N S Wijsekera	Independent, Non-Executive Director
Mr. C S Karunasena	Independent, Non-Executive Director
Dr. K S Narangoda	Non-Independent, Non-Executive Director

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 P Peris and Mr. N S Wijsekera are considered independent. Furthermore, the Board considers Mr. C S Karunasena as 'independent', given his objective and unbiased approach to matters of the Board notwithstanding that he is a Director of the ultimate 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 four Non-Executive Directors, namely Mr. Y Kanagasabai, Mr. R P Pathirana, Mr. R T Devasurendra and Dr. K S Narangoda as Non-Independent, as they are nominees of Ambeon Holdings PLC, the major shareholder of the Company.

BOARD MEETINGS AND ATTENDANCE

The Board convenes meetings at least on a quarterly basis. Given the conditions that prevailed during the year, Board meetings were shifted to digital platforms ensuring continuity of Board activities despite the prevalent conditions. The scheduled dates of meetings for the year are approved by the Board in advance and Directors are given adequate notice of any changes to the planned schedule. Meeting agendas and Board papers are circulated to all Board members prior to Board and Sub-committee meetings. In addition to the comprehensive Board papers, Directors are also regularly kept abreast of changes in the economic and industry landscape that could potentially impact the Group's ability to create value. The attendance at Board meetings during the financial year are given below:

Name of the Director	Board Meetings
Mr. Y Kanagasabai – Chairman	4/5
Mr. R P Pathirana - Deputy Chairman (appointed w.e.f. 01 July 2022)	N/A
Mr. R T Devasurendra	5/5
Mr. R P Peris	5/5
Mr. N S Wijsekera	5/5
Mr. C S Karunasena (appointed w.e.f. 09 November 2021)	2/2
Dr. K S Narangoda (appointed w.e.f. 10 January 2022)	1/1
Mr. R N Asirwatham (retired w.e.f. 29 September 2021)	2/2
Mr. A L Devasurendra (resigned w.e.f. 22 October 2021)	2/2
Mr. S E Gardiner (resigned w.e.f. 22 October 2021)	2/2
Mr. E M M Boyagoda (resigned w.e.f. 22 October 2021)	2/2
Mr. P P Maddumage (resigned w.e.f. 22 October 2021)	2/2
Mr. N M Prakash (resigned w.e.f. 01 September 2021)	1/2

The Board of Directors demonstrate independent judgement on aspects related to company's corporate strategy, performance and financial evaluation. All the Directors are given fair treatment at Board Meetings and encouraged to express their views at meetings. Chief Executive Officer of the company provides all information required for decision making by the Board of Directors, where necessary Directors obtain independent opinion from legal and accounting professionals in order to bring in wider perspectives on matters of importance.

DIRECTORS' 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.

SHAREHOLDER RELATIONS

The Annual General Meeting (AGM) is the main event for the shareholders to meet with the Board which allows reasonable opportunity for informed shareholders to communicate their views on various matters affecting the Company and the forthcoming AGM will be used to effectively communicate with shareholders. The AGM is also attended by the Management, External Auditors and Company Lawyers.

There were no transactions during the financial year deemed as a "major transaction" in terms of the definition stipulated in the Companies Act No. 7 of 2007.

ACCOUNTABILITY AND AUDIT

The Board believes that the independent verification is necessary to safeguard the integrity of the Group's accounting and financial reporting.

The Board aims to provide and present a balanced and understandable assessment of the Group's position and prospects. Therefore, the Board has established a formal and transparent process to independently verify and safeguard the integrity of the Group's accounting and financial reporting and internal control systems which are periodically reviewed and monitored to ensure effectiveness.

The Chief Financial Officer declares in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and that operational results are stated in accordance with relevant accounting standards.

BOARD SUB-COMMITTEES

The Board delegates some of its duties and functions to Board Sub-Committees. These Sub Committees, which have Board-approved, documented Terms of Reference, assist the Board with more detailed analysis and oversight of specified areas. The Chairperson of each Sub-committee presents to the Board the deliberations and subsequent recommendations of each Sub Committee meeting for Board review and approval.

Board Sub-Committee	Areas of oversight	Composition	Further information
Audit Committee	Financial Reporting Statutory compliance Internal controls and Risk Management Internal and External Audit	Three Non-Executive Directors	Audit Committee report presented on pages 56-57
Remuneration Committee	Assist the Board on succession planning Determine the rewards strategy Make recommendations to the Board on rewards and remuneration of executive and non-executive directors	Three Non-Executive Directors	Remuneration Committee report on pages 58
Related Party Transactions Review Committee	Review related party transactions Ensure that interests of shareholders are taken into account when entering into a transaction	Three Non-Executive Directors	Related Party Transactions Review Committee report on pages 59

Corporate Governance

INSTITUTIONAL SHAREHOLDERS AND INVESTING/DIVESTING DECISION

Board encourages shareholders to participate at Annual General Meetings (AGM) and make effective dialogue with the Board and use their voting rights. Shareholders are free to raise any queries on agenda items listed in the notice of AGM.

In addition, the Board is also conscious of its relationship with all stakeholders including the community within which its group operates with sustainable practices.

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 62-63
b) Principal activities of the entity and its subsidiaries during the year, and any changes therein.	Page 75
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 131
d) The public holdings percentage	Page 130
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 131
f) Information pertaining to material foreseeable risk factors of the Entity.	Page 50-53
g) Details of material issues pertaining to employees and industrial relations of the Entity.	Page 64
h) Extent, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Page 90-91
i) Number of shares representing the Entity's Stated Capital	Page 104
j) A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	Page 130
k) Financial ratios and market price information	Page 6
l) Significant changes in the Entity's or its subsidiaries fixed assets, and the market value of land, if the value differs substantially from the book value.	Page 88-101
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 45-46
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.	Page 132

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.	Complied	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'.	Complied	Out of the Non-Executive Directors, three 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	Complied	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'.	Complied	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.	Complied	Non-Executive Directors have declared their independence or non-Independence. Please refer page no 42 for necessary declaration.
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.	Complied	Profile of each Director is given on page 18-20 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.	Complied	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.	Complied	Composition of the Remuneration Committee is given on page 58 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	Complied	Remuneration received by the Directors is set out in Note 21 to the Financial Statements on page 116.

Corporate Governance

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.	Complied	The names of the Directors of the Remuneration Committee are set out on page 58 of this Report. Remuneration received by the Directors is set out in Note 27.2 to the Financial Statements on page 122
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>	Complied	<p>Audit Committee consists of Two Independent Non-Executive Directors and One Non-Independent Non-Executive Director. Report of the Audit Committee is given on pages 56 to 57 of the Annual Report.</p> <p>The Chief Executive Officer and the Chief Finance Officer attend the Audit Committee Meetings by invitation.</p> <p>Out of the Three Members, Two Members are from recognized professional accounting body.</p>
7.10.6 (b)	<p>Functions of the Audit Committee shall include,</p> <p>Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards.</p> <p>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.</p> <p>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.</p> <p>Assessment of the independence and performance of the Entity's external auditors.</p> <p>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.</p>	Complied	Report of the Audit Committee set out on pages 56 to 57 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.	Complied	<p>Name of the Directors on the Audit Committee, and its report is given on page 56 of the Annual Report.</p> <p>Statement of Auditors Independence is disclosed in page 57 of the Audit Committee Report.</p>

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.	Complied	Composition of the Related Party Transactions Review Committee is given on page 59 of the Related Party Transactions Review Committee Report. 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	Complied	Attendance of the Related Party Transactions Review Committee is given on page 59 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 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. 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.	Complied	Related Party Transactions are disclosed on page 132 to the Financial Statements. During the Financial year there were no non-recurrent related party transactions that require immediate disclosure to Colombo Stock Exchange (CSE).
9.3.2 (a)	In the case of Non-recurrent Related Party Transactions, if 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.	Complied	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	Complied	Please refer page 132 to the Financial Statements.

Corporate Governance

Section	Requirement	Compliance Status	Remarks
9.3.2 (c)	<p>Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following;</p> <p>Names of the Directors comprising the Committee</p> <p>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</p> <p>The policies and procedures adopted by the Committee for reviewing the Related Party Transactions.</p> <p>The number of times the Committee has met during the Financial Year.</p>	Complied	Please refer Report of the Related Party Transactions Review Committee on page 59 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.	Complied	Affirmative statement is included on page 64 of the Annual Report.

Statement of Compliance of Company's Act No. 07 of 2007

Section Reference	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 62
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	Pages 70 to 127
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	Pages 67 to 69
168 (1) (d)	Accounting Policies and any changes made during the accounting period	Pages 75 to 87
168 (1) (e)	Particulars of the entries made in the Interest Register during the accounting period	Pages 121 to 122
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Note 21 on page 116
168 (1) (g)	Corporate donations made by the Company during the accounting period	Page 63
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Pages 62 to 63 & Page 136
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Page 64
168 (1) (j)	Auditors' relationship or any interest with the Company and its subsidiaries	Page 64
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board	Page 65



RISK MANAGEMENT

Risk management is embedded in all processes and the responsibility of everyone within the Dankotuwa Group as it is critical to the long-term growth and sustainability of the company. Taking risks is therefore an integral part of any business activity and the Company (and its subsidiary) therefore strive to conduct its business activities in a socially responsible manner to achieve this long - term growth and sustainability by balancing its objectives against the risks it is prepared to take. The risk landscape unfolded new complexities during the year, reflecting continued economic, political, social and human challenges. The Dankotuwa Group proactively monitored emerging risks that could affect its financial performance, stability, business continuity, and supply chain over the long-term.

A robust risk management framework enabled Dankotuwa Porcelain PLC to assess a multitude of risks it faces and examine its impact on the Company's long term strategic goals. This framework has enabled Dankotuwa Porcelain PLC strives to identify risks as they emerge, evaluate the impact of each risk and take mitigatory steps to limit the impact of these risks on the Company's and subsidiary's performance and value creation. While we continuously strengthen the Company's and the subsidiary's risk management practices to withstand the uncertainties in the operating environment, this risk management framework has enabled us to harness opportunities for future growth.

In the light of increasing complexities in the business environment, heightened focus on risk management is a vital requirement and hence given the export driven nature of our business, our strong risk foundation have enabled us to make an informed strategic decision in sustaining our bottom line. Besides, it has enabled us to build resilience thereby helping to drive positive outcomes and business growth.

RISK GOVERNANCE

The Board of Directors hold ultimate responsibility for ensuring that the Company's risks are identified and mitigated effectively. The Board is supported by the Audit Committee which reviews the effectiveness of the Dankotuwa Group's Company's risk profiles and internal control

systems on a quarterly basis. The Audit Committee also carries out its responsibilities in managing the risk management framework by ensuring the implementation of a sound internal control systems as well as policies which will mitigate risks endured by the Company. In addition, the Audit Committee is the leading authority in ensuring that the risk and internal control strategies are shared across the Company and the Dankotuwa Group, whilst simultaneously creating awareness amongst employees.

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 driven through 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 the Ambeon Group and enabled 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 are managed at the company level by each Business Heads together with the CEO.

With clearly identified material risks and their corresponding impact to each risk, we have set in place risk mitigation plans that have 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 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, and operational 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, on-line automated risk management solution. This has enabled us to implement practices and processes that are essential to the effective 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 across the enterprises within the Ambeon umbrella.

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. The CEO and management team is 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 are categorized as those that may occur from routine operations. Such risks and its sources are related to physical resources in the internal environment and can be a result of a variety of factors such as human errors, machinery malfunctions and software related disruptions. As per the Group's IRM Framework, the Senior management of 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 Audit Committee reviews the key risks factors of the cluster together with the heatmaps on quarterly basis.

PRUDENT RISK MANAGEMENT MEASURES

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

INTERNAL AUDITS

During the year, the internal auditors performed audits based on the scope agreed. 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 Group Risk Division also performed a thorough risk analysis covering sales, inventories, debtors and production. This was conducted in a more pertinent manner, subsequent to the onset of COVID epidemic and adverse macro-economic factors, for better assessment of the related risk exposures. The Group Risk has also developed a risk dashboard which gets updated monthly, and exceptions noted are escalated promptly. A summary of key exceptions together with remedial actions taken is presented to the Audit Committee on quarterly basis.

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 agreed scope, whilst the Audit Committee reviews the findings of both internal and statutory audits.

GOVERNANCE STRUCTURE

The Board takes a bottom-up approach, the broader oversight of the entire risk management process remains with the Board. The Board of Dankotuwa escalates matters to the ultimate parent's Board via the Group Audit Committee.



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.

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 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 CEO.

The process of managing risks, which includes identification, analysis, evaluation, and management of risks is continuously monitored and reviewed 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 organisational 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.

Risk Management

Material Risks	Impact	Mitigation Plan
High cost of energy / raw materials	<ul style="list-style-type: none"> The increase in energy/ 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. 	<ul style="list-style-type: none"> Rationalising suppliers for better prices and credit terms. Capitalizing on the combined purchase volume of DPL and RFPL to reduce cost. Identifying substitute raw materials suppliers at competitive cost. Testing new body mixes. Acheiving operational efficiency in all areas of production.
Competitive rivalry - locally	<ul style="list-style-type: none"> This has an impact on the turnover levels of the Company. Restrictions imposed on imports will augur well for the Group in the months ahead. 	<ul style="list-style-type: none"> Introducing more innovative products to the local market. Improving visual merchandising. Advertising aggressively. Implimenting Sales Force Automation (SFA). Launching special sales programs. Strengthen dealer relationships. Establishing Shop-In-Shop concept. Capitalizing on the brand name of Dankotuwa Porcelain.
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"> Expanding the customer base through an effective marketing strategy. Evaluating the possibility of offering more capacity to current customers. Registering on e-commerce platforms such as Amazon and Next-Trade. Enhancing the quality and diversity of the product offering. Designing an in-glaze, gift range and other suitable product ideas.
Erosion of export markets and shift in demand levels	<ul style="list-style-type: none"> The pandemic has shifted the growth levels of the 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"> Developing new export markets focused on volume production Driving international sales to a minimum of 70% of production. Continuing to research into the latest trends in the global porcelain industry. Improving the yield of the plant.
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. Obtaining insights from the Group Treasury. Consistent monitoring of forex rates.

Material Risks	Impact	Mitigation Plan
Working capital management	<ul style="list-style-type: none"> Effectively managing the operations and 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. Closely observing maturity mismatch between current assets and liabilities
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. Setting 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"> Implimenting a cyber security control framework. Introducing Business Continuity Plan (BCP), firewalls and IT protocols. Establishing 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"> Implimenting stringent health and safety guidelines across all operations with strict adherence to all relevant health guidelines. Engaging with Employees Conducing awareness sessions on importance of safety and hygiene Random PCR testing
Pandemic Led Disruptions	<ul style="list-style-type: none"> Disruptions to operations could lead to inability in serving demand. Potential drop in manufactured volumes and thereby revenue Implications of corporate reputation and community relationships 	<ul style="list-style-type: none"> Implimenting stringent health and safety guidelines across all operations Proactive monitoring of emerging developments

RISK ENVIRONMENT OF 2021/22

Despite the adverse macro-economic and the challenges faced in logistics, mobility, operating our facilities and general customer reticence, the Company did well to stand where we are today. We foresee the Group coming out very strong in 2022/23. The Group was able to operate with 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. The said 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 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 remains uninterrupted 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 behavior and integrity.

EFFECTIVENESS REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Dankotuwa Group adopts the Five Lines of Assurance approach to coordinate and optimize its risk and assurance efforts. Combined assurance includes Board oversight by the Audit Committee, management oversight by the CEO and the Senior Leadership Team, independent assurance by internal audit, control and monitoring by group functions, and risk and control ownership by business units. It should be acknowledged that the Dankotuwa's risk management and internal control systems are designed to manage rather than eliminate the risk of failure in achieving our strategic and business objectives, and can only provide reasonable, but not absolute, assurance against material loss or misstatement.

Through these processes, the Dankotuwa Group strives to preserve and enhance its brand value, build resilience, and create emotionally connected customers, employees, and stakeholders, while complying with all industry, regulatory, and other general standards of significance.





REPORT OF THE AUDIT COMMITTEE

I take this opportunity to present to you the 2021/22 Report of the Audit Committee (the Committee) outlining the Committee's roles and responsibilities. The Committee continued to review and report to the Board on the Company's financial reporting, internal control & risk management processes, and the performance, independence, and effectiveness of the external auditors.

COMPOSITION

The Audit Committee comprises the following Board members

Mr. Shalike Karunasena – Chairman - Independent Non-Executive Director [appointed w.e.f. 29 December 2021]

Mr. Niranjana Wijesekera - Independent Non-Executive Director [appointed w.e.f. 29 December 2021]

Mr. Yudhishtan Kanagasabai- Non-Independent Non-Executive Director, [appointed w.e.f. 29 December 2021]

Mr. Rajan Asirwatham – Chairman/ Independent Non-Executive Director (resigned w.e.f. 29 September 2021)

Mr. Mangala Boyagoda – Independent Non-Executive Director (resigned w.e.f. 22 October 2021)

Mr. Murali Prakash – Non-Executive Director (resigned w.e.f. 01 September 2021)

The Audit Committee of the Parent Company Ambeon Capital PLC comprising of Mr. Yudhishtan Kanagasabai, Mr. Priyantha Fernando and Mr. Ranil Pathirana functioned as the Audit Committee of the Company during the period October 2021 to December 2021.

Brief profiles of the present Committee members are given in pages 18 to 20 of this Report.

The Chairman of the Committee is a Fellow of the Chartered Institute of Management Accountants of UK. The Board is satisfied that the Committee has an adequate blend of accounting, auditing, legal and commercial experience to carry out their duties.

The Company Secretary acts as the Secretary to the Committee.

MEETINGS

The Committee met 5 times during the year under review. The Chief Executive Officer, the Finance Officers, and any other member of the management team where necessary attend Audit Committee meetings by invitation. This enables engaging discussions on the Risk Management framework and issues (including internal audit reports) to be discussed and rectifying measures agreed upon expeditiously.

The attendance of the members at these meetings are given below.

Name of the Director	Attendance at meetings
Mr. Shalike Karunasena	2/2
Mr. Yudhishtan Kanagasabai	2/3
Mr. Niranjana Wijesekera	2/2
Mr. Rajan Asirwatham	2/2
Mr. Mangala Boyagoda	2/2
Mr. Murali Prakash	2/2
Mr. Priyantha Fernando	1/1
Mr. Ranil Pathirana	1/1

TERMS OF REFERENCE

The Charter of the Committee, which is approved and adopted by the Board of Directors, defines the terms of reference governing the Audit Committee. The 'Rules on Corporate Governance under Listing Rules of the Colombo Stock Exchange' and 'Code of Best Practice on Corporate Governance', issued jointly by CA Sri Lanka and the Securities and Exchange Commission, further regulate the roles and functions of the Committee.

THE ROLE OF THE AUDIT COMMITTEE

The Audit Committee will assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the external audit process and the Company's process for monitoring compliance with laws and regulations, company policies & procedures and the code of conduct.

The Committee continues to ensure that the internal audit activities are well managed, and that it adds value to the organization by being objective in providing relevant assurances, contributing to the effectiveness and efficiency of the governance framework, risk management and the overall control environment.

KEY RESPONSIBILITIES OF THE AUDIT COMMITTEE

Financial reporting:

The primary role of the Committee in relation to financial reporting is to monitor the integrity of the Company's financial statements and formal announcements, if any, relating to the Company financial performance.

The Committee reviewed and discussed the Company's quarterly interim financial statements prior to publication. The draft Financial Statements of Dankotuwa PLC For the year ended 31st March 2022 were also reviewed at a meeting of Audit Committee members, together with the External Auditors, Messrs. Ernst & Young, prior to release of same to the shareholders and regulatory authorities.

The scope of the review included ascertaining compliance with relevant disclosures with the Sri Lanka Accounting Standards including new Accounting Standards which came into effect during the year, the appropriateness of accounting policies, material judgement matters, alternative accounting treatments, material audit adjustments, going concern assumption, financial reporting controls, and compliance with applicable laws and regulations that could impact the integrity of the Company's financial statements, its Annual Report, and its quarterly financial statements prepared for publication.

Internal control:

The Directors are responsible for maintaining and reviewing the effectiveness of risk management and internal control systems and for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Committee reviewed the risk reports, and the reports issued by the Internal

Auditor and the External Auditor, and remedial actions taken from the findings were monitored by the Committee for implementation. This process assesses the adequacy and effectiveness of the internal controls and the processes for controlling business risks to ensure compliance with laws and regulations.

Internal audit:

The establishment and maintenance of appropriate systems of risk management and internal control is primarily the responsibility of business management. The Group Risk and Control function provides independent and objective assurance in respect of the adequacy of the design and operating effectiveness of the framework of risk management, control, and governance processes across the Group, focusing on a risk-based approach.

External audit:

The External Auditor's Letter of Engagement, including the scope of the audit, was reviewed, and discussed by the Committee with the External Auditors and Management prior to commencement of the audit. The Auditors were also provided with the opportunities to discuss and express their opinions on any matter and for the Committee to have the assurance that the Management has fully provided all information and explanations requested by the Auditors. The Committee reviewed opportunities for improvement which were observed during the audit and the letter of representation issued to the External Auditor to ensure that the representations made were consistent with the understanding of the Committee, as to the Company's operations and plans.

The Members of the Audit Committee have determined that Messrs. Ernst & Young, Chartered Accountants were independent and that no services have been provided that could give rise to a conflict of interest based on written representation.

The members of the Audit Committee have concurred to recommend to the Board of Directors the re-appointment of Messrs. Ernst & Young, Chartered Accountants, as Auditors for the financial year ending 31st March 2023, subject to the approval of the shareholders of Dankotuwa Porcelain PLC at the Annual General Meeting.

The Committee regularly monitors the Company's known and emerging exposures in relation to the changes in the external regulatory and political environment, including the possible impact on the Company's risk management activities in relation to the adverse macro-economic factors. The Committee reviewed the risk management actions and going concern assessment carried out by the Management after considering the existing and potential financial impact and is satisfied that the Company can continue as a going concern and adequate disclosures have been made in these Financial Statements.

CONCLUSION

The Committee is satisfied that the Company's internal controls, risk management processes, and accounting policies provide reasonable assurance that the affairs of the Company are managed in accordance with Company policies and that Company assets are properly accounted for and adequately safeguarded. All required steps were taken to further improve the control environment when gaps were identified. The Committee believes that the Company's accounting policies are appropriate and have been applied consistently.

(Sgd.)
Shalike Karunasena
Chairman
The Audit Committee
25 August 2022

REPORT OF THE REMUNERATION COMMITTEE

The Board Remuneration Committee of Dankotuwa Porcelain PLC is established to take independent, objective decisions on all matters associated with the total remuneration and other terms of service of all Staff, so that they remain both competitive and sustainable in terms of attracting and retaining talent.

COMPOSITION

The Committee comprised of the following members as at the end of the year with three Non-Executive Directors of whom, two are Independent Non-Executive Directors and is Chaired by an Independent Non-Executive Director.

Mr. R P Peris – Chairman/Independent, Non-Executive Director

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

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

Brief profiles of the Committee Members are given in pages 18 to 20 of this Report.

REMUNERATION POLICY

The Group's remuneration policy aims to attract and retain staff with the appropriate professional, managerial and operational expertise necessary to achieve the Group's objectives and create value for our shareholders.

TERMS OF REFERENCE

The Terms of Reference of the Committee includes the following:

- Ensure that the remuneration policy of the company recognises and addresses the short and long term needs of the organization in relation to performance, talent retention and rewards considering both internal and external factors.
- Recommend a remuneration structure and a reward scheme for all Senior Executives based on performance
- Evaluate the performance of the Senior Executive Personnel and their management development and succession plans.
- Make recommendations to the Board on salary increments, bonuses, perquisites and incentives of all executives
- Review the remuneration policy at least once in two years and update if necessary.

MEETINGS

The Board Remuneration Committee met once during the financial year. Attendance by the Committee Members at this meeting is given below;

Name of the Director	Attendance at Meetings
Mr. R P Peris – Chairman	1/1
Mr. N Wijesekera	1/1
Mr. R T Devasurendra	1/1

NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-Executive Directors receive fees for services on Board and Board Committees. They do not receive any performance or incentive payments. The Directors emoluments are disclosed on Note 21 to the Financial Statements.

(Sgd.)
R P Peris
Chairman
Remuneration Committee
25th August 2022

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

PURPOSE OF THE 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 comprised of the following members as at the year end with two Independent Non-Executive Directors and one Non-Executive Director and Chaired by an Independent Non-Executive Director.

Mr. Niranjan Wijesakera - Chairman
Mr. Shalike Karunasena
Mr. Yudhishtan Kanagasabai

Mr. R N Asirwatham retired as Chairman of this Committee with effect from 29 September 2021 consequent to his retirement from the Board of Directors. Mr. N M Prakash resigned with effect from 01 September 2021 consequent to his resignation from the Board of Directors and Mr. R T Devasurendra resigned with effect from 29 December 2021 consequent to the restructuring of the Board Subcommittees.

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, 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 three (03) meetings were held during the financial year which consisted of a combination of physical meetings 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	3/3
Mr. N M Prakash	3/3
Mr. R T Devasurendra	3/3
Mr. N S Wijesekera	N/A
Mr. C S Karunasena	N/A
Mr. Y Kanagasabai	N/A

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 121 to 122 of this Annual Report.

DECLARATION

The Committee in its review process, recognized the adequacy of the content and quality of the information forwarded to its members by the Management during the year and affirms that the RPTs have occurred on an arm's length basis.

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 the affairs of the company on page 64 of this Annual Report.

(Sgd.)
Niranjan Wijesekera
Chairman
25th August 2022





FINANCIAL STATEMENTS

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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 2022, 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 CA 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.

SUMMARIZED FINANCIAL STATEMENTS

Year ended 31 March 2022	GROUP		COMPANY	
	2022 LKR'000	2021 LKR'000	2022 LKR'000	2021 LKR'000
Revenue	3,762,106	2,432,418	2,356,373	1,514,507
Profit/(Loss) Before Tax	210,692	(395,955)	491,260	(134,531)
Income Tax Reversal/ (Expense)	(21,210)	(1,840)	(69,068)	(35,719)
Profit/(Loss) After Tax	189,482	(397,795)	422,192	(170,250)

ACCOUNTING POLICIES AND CHANGES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 75 to 87 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.

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 67 to 127 of this Annual Report.

GROUP STRUCTURE

The Group Structure is demonstrated on page 4 of this 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 10, 12 to 16 and pages 26 to 39 of this Annual Report.

FINANCIAL STATEMENTS

The Financial Statements of the Company for the year ended 31 March 2022 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 67 to 127 of this Annual Report.

BOARD OF DIRECTORS

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

Mr. Yudy Kanagasabai (Chairman) – Non-Independent Non-Executive Director

Mr. Ranil Pathirana (Deputy Chairman) - Non-Independent, Non-Executive Director (appointed w.e.f. 01 July 2022)

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

Mr. Rohan Peris – Independent Non-Executive Director

Mr. Niranjana Wijesekera – Independent Non-Executive Director

Mr. Shalike Karunasena – Independent, Non-Executive Director (appointed w.e.f. 09 November 2021)

Dr. Sajeewa Narangoda - Non-Executive Director (appointed w.e.f. 10 January 2022)

Mr. Rajan Asirwatham – Independent Non-Executive Director (retired w.e.f. 29 September 2021)

Mr. Ajith Devasurendra – Non-Independent, Non-Executive Director (resigned w.e.f. 22 October 2021)

Mr. Mangala Boyagoda – Independent Non-Executive Director (resigned w.e.f. 22 October 2021)

Mr. Sanjeev Gardiner – Non-Independent, Non-Executive Director (resigned w.e.f. 22 October 2021)

Mr. Priyantha Maddumage - Non-Independent, Non-Executive Director (resigned w.e.f. 22 October 2021)

Mr. Murali Prakash – Non-Independent, Non-Executive Director (resigned w.e.f. 01 September 2021)

Mr. Shalike Karunasena – Alternate Director to Mr. Priyantha Maddumage (resigned w.e.f. 22 October 2021)

Mr. Chirath Devasurendra – Alternate Director to Mr. Ajith Devasurendra (resigned w.e.f. 22 October 2021)

Mr. Shalike Karunasena, Dr. Sajeeva Narangoda and Mr. Ranil Pathirana being Directors appointed since the last Annual General Meeting come up for election in terms of Article 24 (2) of the Articles of Association. With the unanimous support of the Board they will be elected at the AGM.

In accordance with the provisions of Article 24 (6) of the Articles of Association, Mr. Revantha Devasurendra retires by rotation and being eligible offers himself for re-election 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 CA 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 121 to 122.

DIRECTORS' REMUNERATION

The Directors' Remuneration is disclosed in note 21 to the Financial Statements on page 116.

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;

Mr. Yudy Kanagasabai (Chairman) – Nil

Mr. Ranil Pathirana (Deputy Chairman - appointed w.e.f. 01 July 2022) – 182,500 shares

Mr. Revantha Devasurendra – Nil

Mr. Rohan Peris – 50,000 shares

Mr. Niranjan Wijesekera – Nil

Mr. Shalike Karunasena – Nil

Dr. Sajeeva Narangoda - Nil

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 CA Sri Lanka and the Colombo Stock Exchange. The Corporate Governance Report is given on pages 42 to 48 of this Annual Report.

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 pages 56 to 57 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 53 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 117 to 119 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 30,180,109 and LKR 115,502,705 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 page 96 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 pages 90 to 91 of this Annual Report.

All freehold land of the Group was revalued by professional 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 of the Financial Statements.

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

EMPLOYMENT

The Company's and Group's strength of manpower as at 31 March 2022 is 691 and 1,279 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 2022 was LKR 1,402,101,647/- represented by 162,552,920 fully paid Ordinary Shares.

SHARE INFORMATION

There were 4,949 registered shareholders as at 31 March 2022.

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

The distribution of shareholdings is shown on page 130 of this 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 of this 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 131 of the Annual Report.

Disclosures required under section 7.6 (iv) of the Listing Rules of the Colombo Stock Exchange is indicated on page 130 of this Annual Report.

EQUITABLE TREATMENT OF SHAREHOLDERS

The Company has made all endeavors 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 2022, 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 121 to 122 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 2022 have been audited by M/s. Ernst & Young, Chartered Accountants and the Independent Auditors' Report thereon is given on pages 67 to 69 of this Annual Report as required by the Section 168 (1) (c) of the Companies Act No. 07 of 2007.

A sum of LKR 1.6 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 27th September 2022. The notice of the Annual General Meeting appears on page 137 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.)
Yudhishtan Kanagasabai
Chairman

(Sgd.)
Ranil Pathirana
Deputy Chairman

(Sgd.)
Nexia Corporate Consultants (Private)
Limited
Secretaries

25 August 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

This Statement sets out the responsibilities of the Board of Directors in relation to the Financial Statements of the Company. The responsibility of the Auditors, in relation to the Financial Statements, is set out in the Independent Auditor's Report on pages 67 to 69.

The Companies Act No. 7 of 2007 requires the Directors to prepare and present Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the end of the financial year, and the profit or loss of the Company for the financial year and place them before a general meeting of shareholders. The Financial Statements comprise of the Statement of Financial Position as at 31 March 2022, the Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows for the year ended and Accounting Policies and Notes thereto.

Accordingly, the Board of Directors confirms that the Financial Statements of the Company give a true and fair view of the:

- financial position of the Company as at 31st March 2022; and
- financial performance of the Company for the financial year ended 31st March 2022.

The Directors are required to ensure that, in preparing these Financial Statements:

- The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- Financial Statements are presented in accordance with Sri Lanka Accounting Standards (SLFRSs/ LKASs) and all applicable standards as relevant, have been followed;
- Judgments and estimates have been made which are reasonable and prudent;
- Provides the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

The Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and to that Financial Statements presented comply with the requirements of the Companies Act. The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate, to enable them to form their audit opinion in accordance with Sri Lanka Auditing Standards (SLAUS).

The Financial Statements were audited by Ernst and Young, the Independent External Auditors. To ensure complete independence, the Independent External Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented.

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the balance sheet date have been paid or, where relevant provided for, except as specified in Note 24 to the Financial Statements covering contingent liability.

(Sgd.)
Mr. Yudhishtan Kanagasabai
Chairman

25 August 2022

INDEPENDENT AUDITORS' REPORT



Ernst & Young
Chartered Accountants
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TO THE SHAREHOLDERS OF DANKOTUWA PORCELAIN PLC

Report on the audit of the 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 2022, 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 2022, and

of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (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 the 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of land and buildings <p>Property, plant & equipment, and investment property includes land and buildings carried at fair value in accordance with its accounting policy disclosed in note 5 and 7 respectively. This was a key audit matter due to the:</p> <ul style="list-style-type: none"> Materiality of the reported land and buildings which amounted to Rs. 2.6 Bn and represent 52% of total assets as of reporting date. The degree of assumptions, judgements and estimation uncertainties associated with the fair valuation of land and buildings such as reliance on comparable market transactions and consideration of current market conditions. <p>Key areas of significant judgments, estimates and assumptions used in the valuation of the land and buildings as disclosed in note 5 and 7 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> <p>We assess the competency, capability and objectivity of the external valuer engaged by the Group.</p> <p>We read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each property.</p> <p>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 valuer, and</p> <p>We have also assessed the adequacy of the disclosures made in Note 5 and 7 to the financial statements.</p>

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

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACA, D L B Karunathilaka ACA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCA FCMA FCCA

A member firm of Ernst & Young Global Limited

Independent Auditors' Report



Other information included in the Group's 2022 Annual Report

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

25 August 2022
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2022	Note	GROUP		COMPANY	
		2022 LKR	2021 LKR	2022 LKR	2021 LKR
Revenue	4	3,762,106,290	2,432,418,285	2,356,372,591	1,514,507,019
Cost of Sales		(2,557,390,117)	(1,796,931,425)	(1,429,542,254)	(1,086,035,780)
Gross Profit		1,204,716,173	635,486,860	926,830,337	428,471,239
Other Income	19	14,756,482	3,779,464	12,159,094	11,260,580
Selling and Distribution Expenses		(435,213,310)	(341,600,956)	(328,639,410)	(245,944,615)
Administrative Expenses		(480,626,359)	(580,857,441)	(156,559,966)	(273,954,210)
Fair Value Gain /(Loss) from Investment Property	7	-	14,307,063	-	14,307,063
Operating Profit /(Loss)		303,632,986	(268,885,010)	453,790,055	(65,859,943)
Finance Cost	20	(112,931,774)	(146,335,049)	(64,745,043)	(94,281,841)
Finance Income	20	19,990,615	19,265,384	19,527,005	18,737,372
Change in Fair Value of Investment in Subsidiary	9	-	-	82,688,000	6,873,000
Profit / (Loss) Before Tax	21	210,691,827	(395,954,675)	491,260,017	(134,531,412)
Income Tax (Expense)/Reversal	22	(21,210,159)	(1,839,835)	(69,067,865)	(35,718,664)
Profit / (Loss) for the year		189,481,668	(397,794,510)	422,192,152	(170,250,076)
Attributable to:					
Equity Holders of the Parent		196,304,022	(388,249,425)		
Non-Controlling Interest		(6,822,354)	(9,545,085)		
		189,481,668	(397,794,510)		
Basic/Diluted Earnings/(Loss) Per Share	23	1.21	(2.39)	2.60	(1.05)

Figures in brackets indicate deductions

The accounting policies and notes on pages 75 through 127 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2022	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		LKR	LKR	LKR	LKR
Profit / (Loss) for the Year		189,481,668	(397,794,510)	422,192,152	(170,250,076)
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to Profit or Loss in subsequent periods					
Effect of Cash Flow Hedges	13	41,086,698	(18,107,000)	7,581,072	(2,084,354)
Tax impact on Cash Flow Hedges	22	(6,556,435)	2,569,737	(1,195,535)	(343,546)
Translation of Foreign Operations	13	1,395,618	(149,065)	1,395,618	(149,065)
Net Other Comprehensive Income/(Loss) to be reclassified to Profit or Loss in subsequent periods		35,925,882	(15,686,328)	7,781,155	(2,576,965)
Other Comprehensive Income not to be reclassified to Profit or Loss in subsequent periods					
Actuarial Loss	15	7,400,940	(22,414,692)	9,280,968	(22,081,323)
Tax impact on Actuarial Loss	22	(1,194,471)	3,535,564	(1,476,476)	3,482,225
Revaluation of Land and Buildings		167,803,684	95,702,256	101,761,034	77,903,471
Tax impact on Revaluation Gain	22	(25,775,245)	113,240,164	(15,868,848)	116,087,970
Net Other Comprehensive Income not to be reclassified to Profit or Loss in subsequent periods		148,234,909	190,063,292	93,696,678	175,392,343
Other Comprehensive Income for the year- Net of Tax		184,160,790	174,376,964	101,477,833	172,815,378
Total Comprehensive Income/(Loss) - Net of Tax		373,642,458	(223,417,545)	523,669,985	2,565,302
Attributable to:					
Equity Holders of the Parent		376,901,178	(213,939,764)		
Non-Controlling Interest		(3,258,719)	(9,477,781)		
		373,642,458	(223,417,545)		

Figures in brackets indicate deductions

The accounting policies and notes on pages 75 through 127 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2022	Note	GROUP		COMPANY	
		2022 LKR	2021 LKR	2022 LKR	2021 LKR
Non-Current Assets					
Property, Plant and Equipment	5	2,105,875,672	1,971,393,463	1,410,758,078	1,355,007,263
Right to Use Asset	6	27,415,139	39,761,635	27,415,139	39,761,635
Investment Property	7	702,743,214	702,743,214	580,028,314	580,028,314
Intangible Assets	8	51,015,905	51,265,953	16,813,563	23,804,232
Investment in Subsidiaries	9	-	-	966,591,253	883,903,253
		2,887,049,930	2,765,164,265	3,001,606,347	2,882,504,697
Current Assets					
Inventories	10	918,744,033	1,048,667,469	511,884,451	471,214,569
Trade and Other Receivables	11	787,449,681	519,466,165	500,274,270	372,723,140
Income Tax Receivable		6,833,825	14,647,579	6,833,825	14,647,579
Cash and Cash Equivalents	16	424,219,194	481,441,240	381,451,418	460,443,619
		2,137,246,733	2,064,222,453	1,400,443,964	1,319,028,907
Total Assets		5,024,296,663	4,829,386,718	4,402,050,311	4,201,533,604
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	1,589,869,733	1,412,563,438	1,225,541,480	1,131,868,139
Retained Earnings / (Losses)		(364,271,651)	(563,866,532)	383,957,714	(46,038,932)
Equity Attributable to Equity Holders of the Parent		2,627,699,729	2,250,798,553	3,011,600,841	2,487,930,854
Non Controlling Interest		8,802,059	12,060,779	-	-
Total Equity		2,636,501,788	2,262,859,332	3,011,600,841	2,487,930,854
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	14	217,552,898	139,164,120	104,870,898	-
Lease Liability	18	15,234,451	17,519,811	15,234,451	17,519,811
Retirement Benefit Liability	15	191,488,590	194,480,538	162,402,339	167,264,145
Deferred Tax Liability	22	190,635,840	143,660,304	203,057,373	123,209,427
		614,911,779	494,824,773	485,565,061	307,993,383
Current Liabilities					
Interest Bearing Loans and Borrowings	14	1,148,416,789	1,376,990,699	538,073,562	955,729,625
Lease Liability	18	14,694,188	21,439,722	14,694,188	21,439,722
Trade and Other Payables	17	609,772,119	673,272,192	352,116,659	428,440,020
		1,772,883,096	2,071,702,613	904,884,409	1,405,609,367
Total Equity and Liabilities		5,024,296,663	4,829,386,718	4,402,050,311	4,201,533,604

Figures in brackets indicate deductions

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



Indika Abey Siri
Chief Financial Officer

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



Yudhishtan Kanagasabai
Chairman



Shalike Karunasena
Director

The accounting policies and notes on pages 75 through 127 form an integral part of the Financial Statements.

Colombo
25 August 2022

STATEMENT OF CHANGES IN EQUITY

GROUP

Year ended 31 March 2022

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	Exchange					Total	Non-Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserve	Hedge Reserve	Fluctuation Reserve	Retained Earnings			
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 01 April 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
Profit/(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)	(18,946,433)	174,309,661	67,304	174,376,965
Total Comprehensive Income/(Loss)	-	208,942,421	(15,537,263)	(149,065)	(407,195,858)	(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	12,060,779	2,262,859,332
Profit/(Loss) for the Year	-	-	-	-	196,304,022	196,304,022	(6,822,354)	189,481,668
Other Comprehensive Income/(Loss)	-	142,028,439	33,882,238	1,395,618	3,290,860	180,597,156	3,563,635	184,160,790
Total Comprehensive Income/(Loss)	-	142,028,439	33,882,238	1,395,618	199,594,882	376,901,178	(3,258,719)	373,642,458
Balance as at 31 March 2022	1,402,101,647	1,589,229,960	-	639,773	(364,271,651)	2,627,699,729	8,802,059	2,636,501,788

COMPANY

Year ended 31 March 2022

	Exchange					Retained Earnings	Total Equity
	Stated Capital	Revaluation Reserve	Fluctuation Reserve	Hedge Reserve	Amalgamation Reserve		
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 01 April 2020	1,402,101,647	1,068,379,800	(606,780)	(3,957,637)	(123,361,720)	142,810,242	2,485,365,552
Profit/(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)	-	(188,849,174)	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
Profit/(Loss) for the Year	-	-	-	-	-	422,192,152	422,192,152
Other Comprehensive Income/(Loss)	-	85,892,186	1,395,618	6,385,537	-	7,804,493	101,477,834
Total Comprehensive Income/(Loss)	-	85,892,186	1,395,618	6,385,537	-	429,996,646	523,669,987
Balance as at 31 March 2022	1,402,101,647	1,348,263,427	639,773	-	(123,361,720)	383,957,714	3,011,600,841

STATEMENT OF CASH FLOWS

Year ended 31 March 2022	Note	GROUP		COMPANY	
		2022 LKR	2021 LKR	2022 LKR	2021 LKR
Cash Flows from / (Used in) Operating Activities					
Profit/(Loss) Before Tax		210,691,827	(395,954,675)	491,260,017	(134,531,412)
Adjustments for					
Depreciation	5	101,858,567	96,260,474	64,531,163	59,489,400
Amortization of Right to Use Assets	6.1	22,265,889	17,502,431	22,265,889	17,502,431
Fair Value gain from Investment Property	7	-	(14,307,063)	-	(14,307,063)
Change in Fair Value of Investment in Subsidiary	9.1	-	-	(82,688,000)	(6,873,000)
Profit / (Loss) on Sales of Property, Plant and Equipment		-	(661,469)	-	364,458
Amortization of Intangible Assets	8.1	7,334,946	6,990,670	6,990,670	6,990,670
Provision for Defined Benefit Plans	15.1	23,621,023	29,619,136	18,966,746	24,260,347
Interest Income	20.1	(19,990,615)	(19,265,384)	(19,527,005)	(18,737,372)
Finance Cost	20.2	112,931,774	146,335,049	64,745,042	94,281,841
Provision / (Reversal) for Bad Debts	11.4	(4,492,013)	(78,034)	1,491,285	(2,055,647)
Bad Debts Writeoff	11.4	(720,381)	(33,101,425)	(720,381)	(16,769,124)
Inventory Write off	10.1	(191,223,626)	-	-	-
Reversal / (Charged) from Exchange Fluctuation Reserve	13.2	1,395,618	(149,065)	1,395,618	(149,065)
Unrealized Foreign Exchange Difference		74,507,437	(27,791,805)	7,581,072	(14,184,727)
ESC Write off		-	6,051,955	-	6,051,955
Impairment of PPE		1,219,594	6,223,567	1,219,594	6,223,567
Provision / (Reversal) for Slow Moving Inventories	10.1	193,244,305	155,539,170	12,936,378	17,847,819
Operating Profit/ (Loss) before Working Capital Changes		532,644,345	(26,786,468)	590,448,090	25,405,078
(Increase) / Decrease in Inventories		127,902,756	214,396,335	(53,606,260)	126,406,253
(Increase) / Decrease in Trade and Other Receivables		(262,771,122)	141,939,862	(128,322,035)	(8,472,812)
Increase / (Decrease) in Trade and Other Payables		(63,500,073)	279,152,056	(76,323,361)	222,866,287
Cash generated from Operations		334,275,907	608,701,785	332,196,434	366,204,806
Defined Benefit Plan Cost Paid	15	(19,212,031)	(24,643,216)	(14,547,582)	(22,069,642)
Finance Cost Paid		(100,980,126)	(112,053,138)	(52,793,398)	(59,999,930)
Net Cash from Operating Activities		214,083,750	472,005,431	264,855,454	284,135,234
Cash Flows from / (Used in) Investing Activities					
Interest Income	20.1	19,990,615	19,265,384	19,527,005	18,737,372
Acquisition of Intangible Asset	8.1	(7,084,896)	-	-	-
Acquisition of Property, Plant and Equipment	5.1.2	(69,757,223)	(30,690,928)	(19,741,075)	(7,016,212)
Proceeds from Sale of Property, Plant and Equipment		-	1,025,926	-	-
Net Cash Flows from / (Used in) Investing Activities		(56,851,504)	(10,399,618)	(214,070)	11,721,160
Cash Flows from / (Used in) Financing Activities					
Repayment of Leases	18	(18,894,682)	(19,857,716)	(18,894,682)	(19,857,716)
Proceeds from Interest Bearing Loans and Borrowings	14	1,864,655,247	1,327,727,015	1,179,000,000	1,024,919,823
Repayment of Interest Bearing Loans and Borrowings	14	(2,024,654,984)	(1,604,524,657)	(1,402,924,144)	(1,183,280,666)
Net Cash Flows from / (Used in) Financing Activities		(178,894,419)	(296,655,358)	(242,818,824)	(178,218,559)
Net Increase / (Decrease) in Cash and Cash Equivalents		(21,662,173)	164,950,455	21,822,560	117,637,835
Cash and Cash Equivalents at the Beginning of the Year	16	(15,859,703)	(180,810,158)	69,934,402	(47,703,433)
Cash and Cash Equivalents at the End of the Year	16	(37,521,876)	(15,859,703)	91,756,961	69,934,402

Figures in brackets indicate deductions

The accounting policies and notes on pages 75 through 127 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 2022, 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 2022 was authorized for issue in accordance with a resolution of the Board of Directors on 25 August 2022.

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.

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 2022 are prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRSs and LKASs (hereafter referred as SLFRSs), as laid down by CA 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.

Notes to the Financial Statements

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 2022. 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 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 recognised 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.

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.

Notes to the Financial Statements

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 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.

VII. 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.

VIII. Valuation of Property, Plant and Equipment

The Group measures land and buildings and investment properties at revalued 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 as of 31 March 2022.

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

IX. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

X. 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.

XI. Investment in subsidiary

Investment in Subsidiary are those entities 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.

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.

Notes to the Financial Statements

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.

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 in note 5.11 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 date, 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 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,

Notes to the Financial Statements

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

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.

(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% 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.

Notes to the Financial Statements

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 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.

2.3.17 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. 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.

2.3.18 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

2.3.19 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.

Notes to the Financial Statements

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.

2.3.20 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.

2.3.21 Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of available for-sale financial assets, 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.

2.3.22 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

The group has prepared the financial statements for the year ended 31 March 2022 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements for the year ended 31 March 2022, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the group companies and the appropriateness of the use of the going concern basis.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the group's ability to continue to operate as a going concern. The group's businesses recorded strong improvement in revenue compared to previous year on the back of a fast recovery momentum with most of the businesses reaching pre COVID-19 levels of operations post the easing of restrictions. The management has formed judged that the group have adequate resources to continue in operational existence for the foreseeable future driven by the continues operationalization of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the group.

In determining the above significant management judgements, estimates and assumptions, the impact of the macroeconomic uncertainties, including supply chain disruptions, power interruptions and distribution challenges on account of the prevailing foreign exchange market limitations have been considered as of the reporting date and specific considerations have disclosed under the notes, as relevant.

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 Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract

On 25 March 2021, CA Sri Lanka issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

3.2 Amendments to LKAS 16 Property, Plant & Equipment: Proceeds before Intended Use

On 25 March 2021, CA Sri Lanka issued LKAS 16 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 recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

3.3 SLFRS 1 First – time Adoption of Sri Lanka Financial Reporting Standards – Subsidiary as a first – time adoption

As part of its 2018-2020 annual improvements to SLFRS standards process, CA Sri Lanka issued an amendment to SLFRS 9 Financial Instruments (SLFRS 9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Notes to the Financial Statements

4 REVENUE

Year ended 31 March 2022	GROUP		COMPANY	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
4.1 Revenue				
Exports	2,123,444,647	1,397,884,819	1,232,007,743	843,328,857
Local	1,638,661,643	1,034,533,466	1,124,364,848	671,178,162
	3,762,106,290	2,432,418,285	2,356,372,591	1,514,507,019

4.2 Revenue from Local Sales of the Group, includes of Revenue generated from showrooms for the year ended 31 March 2022 amounting to LKR 259,832,327/- (2021 - LKR.178,848,484).

4.3 Revenue from Local Sales of the Company, includes of Revenue generated from showrooms for the year ended 31 March 2022 amounting to LKR 241,842,000 (2021 - LKR.163,372,723/-).

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 2022 amounting to LKR 843,246,766 (2021 -LKR 728,654,629/-).

4.6 Cost of Sales of the company includes of expenses for inventories for the year ended 31 March 2022 amounting to LKR 559,265,893 (2021 - LKR 373,545,138/-).

5 PROPERTY, PLANT & EQUIPMENT

Group

	Balance as at 01.04.2021 LKR	Additions LKR	Disposals / Transfers LKR	Revaluation LKR	Balance as at 31.03.2022 LKR
5.1 Gross Carrying Amounts					
5.1.1 At Cost					
Building - Leasehold	56,806,312	-	(3,927,811)	-	52,878,501
Roadways & Fence	2,687,404	-	-	-	2,687,404
Plant & Machinery	1,442,486,242	39,458,206	(333,320)	-	1,481,611,128
Motor Vehicles	12,244,935	-	-	-	12,244,935
Office Equipment	85,140,591	19,966,178	(212,430)	-	104,894,339
Furniture & Fittings	39,685,805	1,089,187	(602,019)	-	40,172,973
Computer Equipment	56,588,861	7,021,746	(71,825)	-	63,538,782
Capital WIP	10,580,100	45,300,484	(45,745,482)	-	10,135,102
	1,706,220,250	112,835,801	(50,892,888)	-	1,768,163,163
5.1.2 At Valuation					
Land -Freehold	1,025,373,150	-	-	-	1,025,373,150
Building - Freehold	726,590,000	2,666,904	-	132,890,098	862,147,002
	1,751,963,150	2,666,904	-	132,890,098	1,887,520,152
	3,458,183,400	115,502,705	(50,892,888)	132,890,098	3,655,683,314

GROUP

	Balance as at 01.04.2021 LKR	Charge for the Year LKR	Disposals/ Transfers LKR	Impairment LKR	Balance as at 31.03.2022 LKR
5.2 Depreciation					
5.2.1 At Cost					
Building - Leasehold	25,064,046	8,638,936	(3,927,811)	-	29,775,171
Roadways & Fence	2,085,741	73,164	-	-	2,158,905
Plant & Machinery	1,308,184,038	45,830,352	-	-	1,354,014,390
Motor Vehicles	10,014,005	-	-	-	10,014,005
Office Equipment	67,630,231	4,887,694	-	-	72,517,925
Furniture & Fittings	25,938,495	4,354,909	-	-	30,293,404
Computer Equipment	47,873,381	3,160,464	-	-	51,033,845
	1,486,789,937	66,945,519	(3,927,811)	-	1,549,807,645
	Balance as at 01.04.2021 LKR	Charge for the Year LKR	Disposals/ Transfers LKR	Revaluation LKR	Balance as at 31.03.2022 LKR
5.2.2 At Valuation					
Building - Freehold	-	34,913,048	-	(34,913,048)	-
	-	34,913,048	-	(34,913,048)	-
	1,486,789,937	101,858,567	(3,927,811)	(34,913,048)	1,549,807,645
				GROUP	
				2022	2021
				LKR	LKR
5.3 Net Book Values					
5.3.1 At Cost					
Building - Leasehold				23,103,330	31,742,266
Roadways & Fence				528,499	601,663
Plant & Machinery				127,596,729	134,302,204
Motor Vehicles				2,230,930	2,230,930
Office Equipment				32,376,414	17,510,360
Furniture & Fittings				9,879,569	13,747,310
Computer Equipment				12,504,937	8,715,480
Capital WIP				10,135,102	10,580,100
				218,355,520	219,430,313
5.3.2 At Valuation					
Land				1,025,373,150	1,025,373,150
Building - Freehold				862,147,002	726,590,000
				1,887,520,152	1,751,963,150
				2,105,875,672	1,971,393,463

Notes to the Financial Statements

5.3.3 The Group acquired Property, Plant and Equipment to the aggregate value of LKR 115,502,705 during the financial year (2021- LKR. 46,150,736/-).Cash payments amounting to LKR 69,757,223 (2021 LKR. 30,690,928/-) were made during the year for purchase of Property, Plant and Equipment.

5.4 As at 31 March 2022, Group Property, Plant and Equipment with a cost of have been fully depreciated and continue to be in use by the group LKR 1,004,971,890 (2021 LKR 779,776,403/-).

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 2022 for the group by FRT Valuation Services (pvt) Ltd, who has valuation experience for similar properties.

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

Company	Property	Location	Method of Valuation	Value LKR	Valuers Details	Effective Date of Valuation
Dankotuwa Porcelain PLC	Freehold Land	Dankotuwa	Open Market Value Method	788,350,000	FRT Valuation Services (Private) Limited	31 March 2022
	Freehold Building	Dankotuwa		498,028,000		
Royal Fernwood Porcelain Ltd	Freehold Land	Kosgama	Open Market Value Method	237,023,150	FRT Valuation Services (Private) Limited	31 March 2022
	Freehold Building	Kosgama		364,119,002		

5.5.1 Fair Value Hierarchy and Significant Unobservable Valuation Input as at 31 March 2022

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 feet	29	Level 3	Estimated price per square Foot LKR 1,500/- LKR 6,010/-	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 2021

Type of property	Extent	No of Buildings	Fair Value Hierarchy	Fair Value Hierarchy	Sensitivity of 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 feet	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

5.6 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:

5.6.1 Dankotuwa Porcelain PLC

Type of property	Cost LKR	Cumulative Depreciation If assets were carried at cost LKR	Net Carrying Amount 2022 LKR	Net Carrying Amount 2021 LKR
Land - Freehold	250,000	-	250,000	250,000
Building - Freehold	165,081,657	128,466,853	36,614,804	45,775,725
	165,331,657	128,466,853	36,864,804	46,025,725

5.6.2 Royal Fernwood Porcelain Ltd

Type of property	Cost LKR	Cumulative Depreciation If assets were carried at cost LKR	Net Carrying Amount 2022 LKR	Net Carrying Amount 2021 LKR
Land - Freehold	3,462,294	-	3,462,294	3,462,294
Building - Freehold	18,094,334	1,516,255	16,578,079	16,578,079
	21,556,628	1,516,255	20,040,373	20,040,373

Notes to the Financial Statements

COMPANY

5.7 Gross Carrying Amounts

	Balance as at 01.04.2021 LKR	Additions LKR	Disposals / Transfers LKR	Revaluation LKR	Balance as at 31.03.2022 LKR
5.7.1 At Cost					
Building - Leasehold	56,806,312	-	(3,927,811)	-	52,878,501
Roadways & Fence	2,687,404	-	-	-	2,687,404
Plant & Machinery	907,086,645	6,125,253	(333,320)	-	912,878,578
Motor Vehicles	10,944,935	-	-	-	10,944,935
Office Equipment	48,350,763	19,487,217	(212,430)	-	67,625,550
Furniture & Fittings	25,241,781	611,636	(602,019)	-	25,251,398
Computer Equipment	41,157,835	2,720,000	(71,825)	-	43,806,010
Capital WIP	10,439,036	-	(10,439,036)	-	-
	1,102,714,711	28,944,106	(15,586,441)	-	1,116,072,376

5.7.2 At Valuation

Land - Freehold	788,350,000	-	-	-	788,350,000
Building - Freehold	417,548,000	1,236,003	-	79,243,997	498,028,000
	1,205,898,000	1,236,003	-	79,243,997	1,286,378,000
	2,308,612,711	30,180,109	(15,586,441)	79,243,997	2,402,450,376

5.8 Depreciation

	Balance as at 01.04.2021 LKR	Charge for the Year LKR	Disposals LKR	Impairment LKR	Balance as at 31.03.2022 LKR
5.8.1 At Cost					
Building - Leasehold	25,064,046	8,638,936	(3,927,811)	-	29,775,171
Roadways & Fence	2,085,741	73,164	-	-	2,158,905
Plant & Machinery	826,010,624	26,704,023	-	-	852,714,647
Motor Vehicles	8,714,005	-	-	-	8,714,005
Office Equipment	37,277,527	3,231,698	-	-	40,509,225
Furniture & Fittings	16,190,482	1,553,284	-	-	17,743,766
Computer Equipment	38,263,021	1,813,559	-	-	40,076,580
	953,605,446	42,014,664	(3,927,811)	-	991,692,299

	Balance as at 01.04.2021 LKR	Charge for the Year LKR	Disposals LKR	Impairment LKR	Balance as at 31.03.2022 LKR
5.8.2 At Valuation					
Building - Freehold	-	22,516,499	-	(22,516,499)	-
	-	22,516,499	-	(22,516,499)	-
	953,605,446	64,531,163	(3,927,811)	(22,516,499)	991,692,299

5.9 Net Book Values

	2022 LKR	2021 LKR
5.9.1 At Cost		
Building - Leasehold	23,103,330	31,742,266
Roadways & Fence	528,499	601,663
Plant & Machinery	60,163,931	81,076,020
Motor Vehicles	2,230,930	2,230,930
Office Equipment	27,116,325	11,073,235
Furniture & Fittings	7,507,633	9,051,299
Computer Equipment	3,729,430	2,894,814
Capital WIP	-	10,439,036
	124,380,078	149,109,263
5.9.2 At Valuation		
Land - Freehold	788,350,000	788,350,000
Building - Freehold	498,028,000	417,548,000
	1,286,378,000	1,205,898,000
Total Carrying Amount of Property, Plant and Equipment	1,410,758,078	1,355,007,263

5.10 The Company acquired Property, Plant and Equipment to the aggregate value of LKR 30,180,109 during the financial year (2021 -LKR.17,455,248/-). Cash payments amounting to LKR. 19,741,075 (2021 - 7,016,212/-) 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 772,107,095 (2021 - LKR 635,284,522/-).

Notes to the Financial Statements

5.12 The useful lives of the assets of the companies in the group are estimated as follows.

	GROUP		COMPANY	
	2022	2021	2022	2021
	Over the Lease Period	Over the Lease Period	Over the Lease Period	Over the Lease Period
Buildings Leasehold				
Buildings Freehold				
Buildings Freehold	25-40 years	25-40 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	10-50 years	10-50 years	50 years	50 years
Factory Equipment	10-20 years	10-20 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 to 25 Years	6 to 25 Years
Furniture & Fittings	5-10 years	5-10 years	10 years	10 years
Computer Equipment	4 years	4 years	4 years	4 years

6 RIGHT TO USE ASSETS (GROUP/COMPANY)

Right of use assets

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.

6.1 Right to Use Assets

	GROUP /COMPANY			
	GROSS CARRYING AMOUNTS			
	As At 31.03.2021 LKR	Additions LKR	Transferred LKR	As At 31.03.2022 LKR
Right to Use Asset - Building (Note 6.3)	57,929,801	16,375,502	(25,749,990)	48,555,313
Right to Use Asset Motor Vehicle	8,623,478	-	-	8,623,478
	66,553,279	16,375,502	(25,749,990)	57,178,791

6.1 Right to Use Assets

	GROUP /COMPANY			
	AMORTIZATION			
	As At 31.03.2021 LKR	Additions LKR	Transferred LKR	As At 31.03.2022 LKR
Right to Use Asset - Building (Note 6.3)	25,174,374	20,111,494	(19,293,881)	25,991,987
Right to Use Asset Motor Vehicle	1,617,270	2,154,395	-	3,771,665
	26,791,644	22,265,889	(19,293,881)	29,763,652

6.2 Net Book Value

	GROUP / COMPANY	
	As at 31.03.2022 LKR	As at 31.03.2021 LKR
	Right to Use Asset - Building (Note 6.3)	22,563,326
Right to Use Asset Motor Vehicle	4,851,813	7,006,208
	27,415,139	39,761,635

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

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

Notes to the Financial Statements

7 INVESTMENT PROPERTY

	GROUP		COMPANY	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
As at 01.04.2021	702,743,214	688,436,151	580,028,314	565,721,251
Fair value gain from Investment Property	-	14,307,063	-	14,307,063
As at 31.03.2022	702,743,214	702,743,214	580,028,314	580,028,314

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 2022 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 LKR	Valuers Details	Effective Date of Valuation
Dankotuwa Porcelain PLC	Freehold Land	Dankotuwa	Open Market Value Method	580,028,314	F.R.T Valuation Services	31 March 2022
Royal Fernwood Porcelain Ltd	Freehold Land	Kosgama	Open Market Value Method	122,714,900	(Private) Limited	31 March 2022
				702,743,214		

7.2 Fair Value Hierarchy and Significant Unobservable Valuation Input as at 31 March 2022

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	1753.07 p	Positively Correlated

7.3 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/-	3985.95 p	Positively Correlated
Royal Fernwood Porcelain Ltd	Freehold Land	Kosgama	Level 3	Average Market value per perch LKR 70,000	1753.07 p	Positively Correlated

31 March 2022 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 2022 represents the best estimate, which meets the requirements of SLFRS-13 Fair Value Measurement.

8 INTANGIBLE ASSETS

	CARRYING AMOUNT			
	GROUP		COMPANY	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
Summary				
Computer Software (Note 8.1)	23,554,184	23,804,232	16,813,563	23,804,232
Goodwill on Consolidation (Note 8.2)	12,673,968	12,673,968	-	-
Brand Name (Note 8.3)	14,787,753	14,787,753	-	-
	51,015,905	51,265,953	16,813,563	23,804,232

8.1 Computer Software

Cost

	GROUP		COMPANY	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
As at the beginning of the year	65,352,772	65,352,772	65,352,772	65,352,772
Acquired / Incurred during the period	7,084,896	-	-	-
As at the end of the year	72,437,668	65,352,772	65,352,772	65,352,772

Amortisation

As at the beginning of the year	41,548,540	34,557,870	41,548,540	34,557,870
Amortisation for the year	7,334,946	6,990,670	6,990,670	6,990,670
As at the end of the year	48,883,484	41,548,540	48,539,209	41,548,540
Net book value as at the end of the year	23,554,184	23,804,232	16,813,563	23,804,232

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 Group acquired Intangible Assets to the aggregate value of LKR 7,084,896/- during the 2021/22 financial year (2020/21 - Nil).

8.2 Goodwill on Consolidation

	GROUP	
	2022	2021
Balance at the beginning of the year	12,673,968	12,673,968
Impairment for the year (Note 8.4.1)	-	-
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.

Notes to the Financial Statements

8.3 Brand Name

	GROUP	
	2022	2021
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	
	2022	2021	2022	2021
	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 3.50% 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 concluded that the recoverable value of subsidiary exceeds its carrying values.

9 INVESTMENT IN SUBSIDIARY - COMPANY

Non-Quoted	Country of Incorporation	No of Ordinary Shares	DIRECT HOLDING		Fair Value	Cost	Fair Value	Cost
			2022	2021	2022	2022	2021	2021
					LKR	LKR	LKR	LKR
Royal Fernwood Porcelain Ltd	Sri Lanka	2,137,512,160	95.69%	95.69%	616,272,000	391,381,586	533,584,000	391,381,586
Royal Fernwood Porcelain Ltd (Note 9.1)	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)					966,591,253	741,700,839	883,903,253	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

		2022	2021
		LKR	LKR
9.1	At the beginning of the Year (Note 29)	883,903,253	877,030,253
	Change in Fair Value	82,688,000	6,873,000
	At the end of the Year	966,591,253	883,903,253

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	2022	2021	Effective date
Royal Fernwood porcelain Ltd	Discounted Cashflow Method	Cash Flow Forecast	Cost of Equity	Level 3	17.10%	11.60%	31 March 2022
			Growth Rate	Level 3	3.50%	3.50%	31 March 2022

9.3 Sensitivity Analysis

Year ended 31 March 2022

Royal Fernwood Porcelain Ltd		2022		2021		
		Effect on Profit or Loss Statement	Effect on Statement of Financial Position	Effect on Profit or Loss Statement	Effect on Statement of Financial Position	
		LKR	LKR	LKR	LKR	
	If one percentage point change in the assumed weighted average cost of capital , would have the following effects	1%	(141,706,898)	(141,706,898)	(166,937,223)	(166,937,223)
		-1%	167,379,172	167,379,172	213,973,245	213,973,245
	If one percentage point change in the assumed terminal growth rate , would have the following effects	1%	118,726,496	118,726,496	158,851,083	158,851,083
		-1%	(102,424,119)	(102,424,119)	(76,234,324)	(76,234,324)

Notes to the Financial Statements

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 2022 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 2022 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	
	2022	2021	2022	2021	2022	2021
	LKR	LKR	LKR	LKR	LKR	LKR
Non-Controlling Interests material individually						
Royal Fernwood Porcelain Ltd	4.31%	4.31%	8,802,059	12,060,779	(3,258,719)	(9,477,781)

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

Year ended 31 March 2022	2022 LKR	2021 LKR
Revenue	1,419,270,064	922,099,890
Operating Costs	(1,568,274,421)	(1,123,414,072)
Other Income	5,686,064	2,908,635
Finance Costs	(55,025,505)	(56,672,728)
Finance Income	463,608	528,011
Fair Value Gain from Investment Property	-	-
Tax (Expense) / Reversal	39,588,906	33,086,578
Profit or Loss from Continuing Operations	(158,291,286)	(221,463,686)
Other Comprehensive Income/(Loss)	82,682,954	1,561,585
Total Comprehensive Income/(Loss)	(75,608,332)	(219,902,101)

9.4.3 Summarized Statement of Financial Position as at 31 March

Year ended 31 March 2022	2022 LKR	2021 LKR
Current Assets	813,889,226	792,395,994
Non-Current Assets	827,509,120	739,101,096
Total Assets	1,641,398,346	1,531,497,090
Current Liabilities	945,213,589	713,424,137
Non-Current Liabilities	141,768,251	188,048,116
Total Liabilities	1,086,981,840	901,472,253

9.4.4 Summarized Cash Flow Information for the year ended 31 March

Year ended 31 March 2022	2022 LKR	2021 LKR
Operating	(50,771,703)	187,870,203
Investing	(56,637,437)	(22,120,779)
Financing	63,924,407	(118,436,801)
Net increase/(decrease) in Cash and Cash Equivalents	(43,484,733)	47,312,623

10 INVENTORIES

	GROUP		COMPANY	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Raw Materials	383,024,648	356,595,808	151,240,795	157,057,049
Indirect Materials	24,594,451	29,391,726	24,594,451	29,391,726
Packing Materials	35,165,755	29,030,759	14,245,323	10,773,858
Spare Parts	32,339,419	35,881,876	32,339,419	35,881,876
General Inventory	14,300,924	15,033,659	14,300,924	15,033,659
Consumables	21,191,119	5,489,359	21,191,119	5,489,359
Semi Finished Goods	159,532,247	160,252,210	159,532,247	160,252,210
Work in Progress	143,083,891	69,390,150	27,425,078	24,277,390
Finished Goods	436,524,103	671,264,531	181,107,820	128,884,555
Others	32,804,099	35,488,360	32,804,100	35,488,360
Less : Allowance for Obsolete & Slow Moving Inventories (Note 10.1)	(364,028,254)	(362,007,574)	(147,108,456)	(134,172,078)
	918,532,403	1,045,810,864	511,672,820	468,357,964
Goods in Transit	211,631	2,856,605	211,631	2,856,605
Total Inventories at the Lower of Cost and Net Realizable Value	918,744,033	1,048,667,469	511,884,451	471,214,569

Notes to the Financial Statements

	GROUP		COMPANY	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
10.1 Provision for Inventories				
Balance as at the Beginning of the Year	362,007,574	206,468,404	134,172,078	116,324,259
Provision Made / (Reversal) During the Period	193,244,305	155,539,170	12,936,378	17,847,819
Stock Written off During the Period	(191,223,626)	-	-	-
Balance as at the End of the Year	364,028,254	362,007,574	147,108,456	134,172,078

11. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
Trade Debtors - Related Party (11.1)	1,452,335	1,817,908	-	1,392,339
- Other	725,717,939	452,698,308	414,426,951	266,429,439
Less: Impairment for Doubtful Debts (11.4)	(46,951,993)	(52,164,387)	(34,647,302)	(33,876,398)
	680,218,281	402,351,829	379,779,649	233,945,380
Other Debtors - Related Party (11.2)	-	4,450,345	63,458,736	51,131,298
- Other	7,986,498	7,480,959	7,986,498	7,480,959
- Provision for Other receivable	(24,036,301)	(5,760,349)	(5,760,349)	(5,760,349)
	664,168,478	408,522,784	445,464,534	286,797,288
Advances and Prepayments	123,281,203	110,879,656	54,809,736	85,862,127
Loans Given to Employees (11.3)	-	63,725	-	63,725
	787,449,681	519,466,165	500,274,270	372,723,140

		GROUP		COMPANY	
		2022	2021	2022	2021
		LKR	LKR	LKR	LKR
11.1	Trade Receivables - Related Parties				
	Relationship				
	Ambeon Holdings PLC	11,250	612,293	-	612,292
	Ceylon Leather Products (Pvt) Ltd	938,312	1,128,648	-	720,779
	Taprobane Investments (Pvt) Ltd	3,351	3,351	-	-
	Millenum I.T.E.S.P (Pvt) Ltd	499,422	59,268	-	59,268
	South Asia Textiles Ltd	-	14,348	-	-
		1,452,335	1,817,908	-	1,392,339

		GROUP		COMPANY	
		2022	2021	2022	2021
		LKR	LKR	LKR	LKR
11.2	Other Receivables - Related Parties				
	Relationship				
	Ambeon Holdings PLC	-	3,574,370	-	3,574,370
	Royal Fernwood Porcelain Ltd	-	-	63,458,736	46,680,953
	Colombo City Holdings PLC	-	767,440	-	767,440
	Ceylon Leather Products Ltd	-	44,167	-	44,167
	South Asia Textiles Ltd	-	64,368	-	64,368
		-	4,450,345	63,458,736	51,131,298

		GROUP		COMPANY	
		2022	2021	2022	2021
		LKR	LKR	LKR	LKR
11.3	Loans to Company Employees				
	Summary				
	Balance as at the Beginning of the Year	63,725	81,639	63,725	81,639
	Loans Granted During the Year	-	-	-	-
	Less: Repayments During the Year	(63,725)	(17,914)	(63,725)	(17,914)
		-	63,725	-	63,725
	Less: provision for loans	-	-	-	-
	Balance as at the End of the Year	-	63,725	-	63,725

Notes to the Financial Statements

	GROUP		COMPANY	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
11.4 Impairment of Doubtful Debts				
Balance as at the Beginning of the Year	52,164,387	85,343,846	33,876,398	52,701,169
Writeoff	(720,381)	(33,101,425)	(720,381)	(16,769,124)
Provision Made (Reversal) During the Period	(4,492,013)	(78,034)	1,491,285	(2,055,647)
Balance as at the End of the Year	46,951,993	52,164,387	34,647,302	33,876,398

11.5 Aging Analysis of trade receivables as follows;

	Neither past due nor impaired LKR	PAST DUE BUT NOT IMPAIRED			Total LKR
		31 to 60 days	61 to 90days	More than 91 days	
		LKR	LKR	LKR	
Group					
2022	512,427,509	96,098,261	1,027,198	70,665,313	680,218,281
2021	169,088,206	191,506,681	15,197,012	26,559,931	402,351,829
Company					
2022	296,204,497	31,513,683	1,027,198	51,034,271	379,779,649
2021	83,022,818	138,080,480	4,038,634	8,803,449	233,945,380

12 STATED CAPITAL

	2022		2021	
	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	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
Revaluation Reserve (13.1)	1,589,229,960	1,447,201,521	1,348,263,427	1,262,371,241
Foreign Currency Translation Reserve (13.2)	639,773	(755,845)	639,773	(755,845)
Amalgamation Reserve (13.3)	-	-	(123,361,720)	(123,361,720)
Hedge Reserve (13.4)	-	(33,882,238)	-	(6,385,537)
	1,589,869,733	1,412,563,438	1,225,541,480	1,131,868,139

13.1 Revaluation Reserve

	GROUP*		COMPANY	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Balance as at the Beginning of the Year	1,447,201,521	1,238,259,100	1,262,371,241	1,068,379,800
Revaluation Reserve Identified During the Year	142,028,439	208,942,421	85,892,186	193,991,441
Balance as at the End of the Year	1,589,229,960	1,447,201,521	1,348,263,427	1,262,371,241

*Attributable to 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.

13.2 Foreign Currency Translation Reserve

	2022 LKR	2021 LKR
Balance as at Beginning of the year	(755,845)	(606,780)
Reversal /(Addition) during the year	1,395,618	(149,065)
Balance as at the End of the year	639,773	(755,845)

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.

13.3 Amalgamation Reserve - Company

	2022 LKR	2021 LKR
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	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Balance as at the Beginning of the Year	(33,882,238)	(18,344,975)	(6,385,538)	(3,957,638)
Identified during the period	40,438,673	(18,107,000)	7,581,072	(2,084,354)
Deferred Taxation Adjustment on Hedge Reserve	(6,556,435)	2,569,737	(1,195,535)	(343,546)
Balance as at the End of the Year	-	(33,882,238)	-	(6,385,538)

*Attributable to Equity Holders of the parent

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

Notes to the Financial Statements

14 INTEREST BEARING LIABILITIES

	2022			2021		
	Amount Repayable Within 1 Year LKR	Amount Repayable After 1 Year LKR	Total LKR	Amount Repayable Within 1 Year LKR	Amount Repayable After 1 Year LKR	Total LKR
14.1 Summary - Group						
Loans from Related Party (Note 14.2)	78,984,355	-	78,984,355	92,332,121	-	92,332,121
Bank Loans (Note 14.4)	607,691,364	217,552,898	825,244,262	787,357,635	139,164,120	926,521,755
Bank Overdrafts (Note 16.2)	461,741,070	-	461,741,070	497,300,943	-	497,300,943
	1,148,416,789	217,552,898	1,365,969,687	1,376,990,699	139,164,120	1,516,154,819

14.1.1 Summary - Company

Loans from Related Party (Note 14.2)	78,984,355	-	78,984,355	92,332,121	-	92,332,121
Bank Loans (Note 14.4)	169,394,750	104,870,898	274,265,648	472,888,287	-	472,888,287
Bank Overdrafts (Note 16.2)	289,694,457	-	289,694,457	390,509,217	-	390,509,217
	538,073,562	104,870,898	642,944,460	955,729,625	-	955,729,625

14.2 Intercompany Loans

	As at 01.04.2021 LKR	Loan Obtained LKR	Interest Accrued LKR	Repayments LKR	As at 31.03.2022 LKR
Ambeon Holdings PLC	92,332,121	350,000,000	10,145,630	(373,493,395)	78,984,355
	92,332,121	350,000,000	10,145,630	(373,493,395)	78,984,355

14.3.1 Security:

None

Loan Repayment Terms:

Loan together with the interest accrued is repayable within the year.

Interest Rate

10% per annum

14.4 Bank Loans

Bank Loans - Company	Notes	As at 01.04.2021 LKR	Loans Obtained LKR	Repayment LKR	Accrued Interest LKR	Exchange (Gain)/ Loss LKR	As at 31.03.2022 LKR
Sampath Bank PLC - Packing Credit Loan-USD	14.4.6	105,000,000	110,000,000	(190,000,000)	-	-	25,000,000
Pan Asia Banking Corporation PLC - Short Term Loan-USD	14.4.8	79,163,315	-	(79,163,315)	-	-	-
DFCC Bank PLC - Short Term Loan-LKR	14.4.10	26,675,112	148,000,000	(174,675,112)	-	-	-
DFCC Bank PLC - Packing Credit Loan - LKR	14.4.11	40,487,920	-	(40,487,920)	-	-	-
NDB-Short Term Loan	14.4.12	196,561,940	375,000,000	(500,630,978)	460,396	-	71,391,358
People's Bank-Short Term Loan	14.4.13	25,000,000	-	(11,236,639)	-	-	13,763,361
Nation Trust Bank-PLC	14.4.14	-	196,000,000	(33,236,785)	1,347,714	-	164,110,929
Total Bank Loans - Company		472,888,287	829,000,000	(1,029,430,749)	1,808,110	-	274,265,648
Bank Loans - Subsidiary	Notes	As at 01.04.2021 LKR	Loans Obtained LKR	Repayment LKR	Accrued Interest LKR	Exchange (Gain)/ Loss LKR	As at 31.03.2022 LKR
Hatton National Bank PLC-Term Loan	14.4.15	12,674,000	-	(3,996,000)	-	-	8,678,000
Hatton National Bank PLC-Term Loan		-	184,500,000	(22,500,000)	-	-	162,000,000
Hatton National Bank PLC-Term Loan - USD	14.4.16	180,995,311	-	(181,777,698)	-	782,388	-
Hatton National Bank PLC- Import Loan -USD	14.4.17	43,776,277	27,876,675	(70,304,256)	-	4,351,159	5,699,855
Hatton National Bank PLC-Import Loan - EUR	14.4.17	54,323	-	(55,503)	-	1,178	-
Hatton National Bank PLC-Import Loan - LKR	14.4.17	14,516,178	65,990,459	(72,616,614)	-	-	7,890,023
Hatton National Bank PLC- Packing Credit Loan-USD	14.4.18	13,153,391	-	(13,159,250)	-	5,857	-
Hatton National Bank PLC- Packing Credit Loan-LKR	14.4.18	-	99,000,000	(20,000,000)	-	-	79,000,000
Peoples Bank - Import Loan -LKR	14.4.21	13,689,994	-	(13,689,994)	-	-	-
Peoples Bank-Packing Credit Loan-USD	14.4.21	10,952,274	-	(10,963,015)	-	10,742	-
DFCC Bank -Term Loan - LKR	14.4.23	20,000,000	-	(9,333,336)	-	-	10,666,664
DFCC Bank - Import Loan - LKR	14.4.23	16,973,285	-	(16,973,287)	-	-	-
DFCC Bank - Import Loan - USD	14.4.23	-	89,888,113	(46,358,506)	-	24,770,711	68,300,317
DFCC Bank - PCI Loan - LKR	14.4.23	7,868,728	218,400,000	(17,524,974)	-	-	208,743,755
DFCC Bank -STL Loan -- USD	14.4.24	112,958,911	-	(116,432,297)	-	3,473,385	-
DFCC Bank-Packing Credit Loan - USD	14.4.24	6,020,792	-	(6,046,110)	-	25,318	-
DFCC Bank-Packing Credit Loan - EURO	14.4.24	-	-	-	-	-	-
		453,633,468	685,655,247	(621,730,840)	-	33,420,739	550,978,614
Total Bank Loans - Group		926,521,755	1,514,655,247	(1,651,161,589)	1,808,110	33,420,739	825,244,262

Notes to the Financial Statements

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 75Mn	To finance working capital relating to export orders
14.4.6	Sampath Bank PLC	Packing Credit Loans	LKR 50 Mn or USD 1 Mn	To finance working capital relating to export orders
14.4.7	Sampath Bank PLC	Overdraft Facilities	LKR 75 Mn	To finance working Capital requirements
14.4.8	Pan Asia Banking Corporation PLC	Packing Credit Loans	US\$ 1Mn	To finance working capital relating to export orders
14.4.9	DFCC Bank PLC	Short Term Loan	LKR 40 Mn	To finance working capital requirements
14.4.10	DFCC Bank PLC	Packing Credit Loans	LKR 40 Mn	To finance working capital relating to export orders
14.4.12	National Development Bank	Short Term Loan	LKR 325 Mn	To finance working Capital requirements
14.4.13	Peoples Bank	Short Term Loan	LKR 25 Mn	To finance working Capital requirements
14.4.14	Nation Trust Bank	Term Loan	LKR 250 Mn	To clear related party payables from balance sheet

Interest Rate	Repayment Terms	Security	CARRYING VALUE OF THE ASSETS PLEDGED	
			2022	2021
AWPLR+2.5% p.a	Maximum 3 Months			
3 Months LIBOR +4.5% subject to minimum of 5.25% p.a. Additional 2% p.a. for overdue loans	Maximum 4 Months	Floating hypothecation over stocks and book debts of the Company	893 Mn	715 Mn
AWPLR+2.5% p.a	Maximum 4 months			
AWPLR+2.5% p.a	Maximum 4 Months			
AWPLR +2.0%p.a	Maximum 3 months			
LIBOR +3.5% subject to minimum of 5.25%p.a	Maximum 3 months	Hypothecation Bond for LKR 100Mn over Stocks and Book Debts of the Company	100 Mn	100 Mn
AWPLR +2.0%p.a	Maximum 3 months			
3 Months LIBOR +4.0% 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.	893 Mn	715 Mn
AWPLR + 1.25% p.a.	Maximum 3 months			
3 Months LIBOR +3.25% subject to minimum	Maximum 4 months	Mortgage bond for LKR 80,000,000 over stocks and book debts for the value of 1.5 times of the facility.	893 Mn	715 Mn
AWPLR +1.25%p.a	Maximum 3 months			
4% p.a.	24 months	Corporate Gurantee of Ambeon Hlodings PLC	-	-
AWPLR +1.50%p.a	60 Months	Mortgage bond over 1.08 Bn unquoted share of Royal Fernwood Porcelain Limited.	464Mn	-

Notes to the Financial Statements

Royal Fernwood Porcelain Ltd

	Lending Institution	Nature of Facility	Facility Amount	Purpose of the Facility
14.4.15	Hatton National Bank PLC	Term Loan (LKR)	LKR 20 Mn	To finance working capital requirements
14.4.16	Hatton National Bank PLC	Term Loan (USD)	USD 1.25 Mn	Reschedule of Over due Outstanding
14.4.17	Hatton National Bank PLC	Import Loan	LKR 125 Mn	To finance working capital requirements
14.4.18	Hatton National Bank PLC	Packing Credit Loan	LKR 125 Mn	To finance working capital requirements
14.4.19	Peoples Bank	Import letter of credit	LKR 50 Mn	To finance working capital requirements
14.4.20	Peoples Bank	Short term loans (Import & Local)	LKR 50 Mn	To finance working capital requirements
14.4.21	Peoples Bank	Foreign currency short term loan	LKR 50 Mn	To finance working capital requirements
14.4.22	Peoples Bank	Bank Guarantee	LKR 15 Mn	To issue Bid/ Performance/ Advance Payment Guarantees for orders of Government Sector.
14.4.23	DFCC Bank PLC	Import Loans		To finance working capital requirements
14.4.24	DFCC Bank PLC	Export Loans	USD 1,750,000	To finance working capital requirements

Interest Rate	Repayment Terms	Security	CARRYING VALUE OF THE ASSETS PLEDGED	
			2022	2021
AWPLR + 3.0% (Weekly Review)	59 Equal monthly Installments of LKR 333,000/-	Primary mortgage bond over immovable property in the factory at Kosgama	601 Mn	546 Mn
LIBOR +4.5% (Monthly Review)	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	601 Mn	546Mn
AWPLR + 4%	Maximum 3 months	Corporate Guarantee of Parent Company- Ambeon Holding PLC	-	-
Sight : Commission of 0.25% Usance : Commission of 0.325%	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 1,250,000/- as the case may be over stocks kept/to and Book Debts of the Company together with in favour of the Bank.	771 Mn	745Mn
3 months LIBOR + 3.5%	Maximum 4 months			

Notes to the Financial Statements

15 RETIREMENT BENEFIT LIABILITY

	Balance 01.04.2021	Charge for the Year	Payments during the Year LKR	Balance 31.03.2022 LKR
Retirement Benefits Obligation - Group	194,480,538	16,220,083	(19,212,031)	191,488,590
	194,480,538	16,220,083	(19,212,031)	191,488,590

	Balance 01.04.2021	Charge for the Year	Payments during the Year LKR	Balance 31.03.2022 LKR
Retirement Benefits Obligation - Company	167,264,144	9,685,778	(14,547,582)	162,402,339
	167,264,144	9,685,778	(14,547,582)	162,402,339

	GROUP		COMPANY	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
15.1 Expense on Defined Benefit Plan				
Interest Cost on Benefit Obligation	13,334,929	16,355,525	11,429,781	13,945,744
Current Service Cost	10,286,094	13,263,611	7,536,965	10,314,603
Recognition in the statement of Profit or Loss	23,621,023	29,619,136	18,966,746	24,260,347
Actuarial (Gain)/Loss for the year (Note 15.4)	(7,400,940)	22,414,692	(9,280,968)	22,081,323
Recognition in the Other Comprehensive Income	(7,400,940)	22,414,692	(9,280,968)	22,081,323
Recognition in the Total comprehensive Income	16,220,083	52,033,828	9,685,778	46,341,670

- 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 2022. Appropriate and compatible assumptions were used in determining the cost of retirement benefits.

Principal Actuarial Assumptions

The principal financial assumptions underlying the valuation are as follows:

	GROUP/COMPANY	
	2022	2021
Discount Rate	15% per annum.	7% per annum.
Future Salary Increase Rate	12%	7%
Normal Retirement Age	60 Years	55 Years

The retirement benefit plan was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No.28 of 2021. The retirement benefit gratuity of the Company is based on Projected unit cost method.

15.3 Maturity Profile of the Defined Benefit Plan

	GROUP		COMPANY	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Within Next 12 Months	40,743,085	32,850,977	31,678,686	24,548,927
Between 1 - 2 Years	62,860,362	56,557,747	51,787,707	47,013,515
Between 2 - 5 Years	42,620,705	58,716,314	36,223,862	52,540,494
Between 5- 10 Years	29,380,139	34,122,298	27,104,193	31,480,051
Beyond 10 years	15,884,299	12,233,202	15,607,891	11,681,157
	191,488,590	194,480,538	162,402,339	167,264,144
Weighted Average Duration of Defined Benefit Obligation (Years)	3.52	3.81	4.42	4.84

15.4 Break up of the Actuarial (Gain)/ Loss

	GROUP		COMPANY	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Actuarial (Gain)/ Loss Resulting from Changes in Experience Adjustments	(7,400,940)	22,414,692	(9,280,968)	22,081,323
	(7,400,940)	22,414,692	(9,280,968)	22,081,323

15.5 Sensitivity Analysis

			GROUP		COMPANY	
			2022 LKR	2021 LKR	2022 LKR	2021 LKR
Actuarial Assumptions						
If a one percentage point change in the assumed discount rate would have the following effects.	Change in Discount Rate	+1%	(5,776,186)	(7,042,482)	(5,137,385)	(6,355,528)
		-1%	6,185,146	7,589,673	5,512,764	6,860,320
If a one percentage point change in the assumed salary increment rate would have the following effects.	Salary Increment Rate	+1%	6,601,886	8,028,997	5,906,828	7,240,631
		-1%	(6,258,230)	(7,583,767)	(5,587,307)	(6,827,176)

16 CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

	GROUP		COMPANY	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
16.1 Favorable Cash and Cash Equivalents Balance				
Cash and Bank Balances	92,943,796	168,291,863	50,176,020	147,294,242
Short Term Deposits	331,275,398	313,149,377	331,275,398	313,149,377
	424,219,194	481,441,240	381,451,418	460,443,619
16.2 Unfavorable Cash and Cash Equivalent Balances				
Bank Overdraft (Note 14)	(461,741,070)	(497,300,943)	(289,694,457)	(390,509,217)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(37,521,876)	(15,859,703)	91,756,961	69,934,402

16.3 Short Term deposit includes an amount of LKR 315,834,015/- pertaining to the balance amount of right issue funds raised.

Notes to the Financial Statements

17 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Trade Payables - Related Parties (Note 17.1)	404,729	2,627,688	2,830,418	-
- Others	139,524,381	263,115,706	98,765,834	180,770,827
Other Payables - Related Parties (Note 17.2)	104,251,114	167,067,851	22,641,261	118,821,412
- Others*	365,591,895	240,460,947	227,879,146	128,847,781
	609,772,119	673,272,192	352,116,659	428,440,020

*Others has included Sundry Creditors and Accrued Expenses

17.1 Trade Payables - Related Parties

	Relationship	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Royal Fernwood Porcelain Ltd	Subsidiary	-	-	2,830,418	-
Ceylon Leather Products Ltd	Group Company	404,729	2,627,688	-	-
		404,729	2,627,688	2,830,418	-

17.2 Other Payables - Related Parties

	Relationship	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Ambeon Holdings PLC	Immediate Parent	93,782,309	152,123,686	-	104,014,592
Royal Fernwood Porcelain Ltd	Subsidiary	-	-	12,172,456	-
Colombo City Holdings PLC	Group Company	-	1,714,845	-	1,714,845
Ceylon Leather Products Ltd	Group Company	756,395	1,634,197	756,395	1,521,341
Taprobane Investments (Pvt) Ltd	Group Company	1,049,051	1,049,051	1,049,051	1,049,051
South Asia Textiles Ltd	Group Company	-	12,375	-	12,375
Lexinton Holdings (Pvt) Ltd	Group Company	-	-	-	-
Taprobane Capital (Pvt) Ltd	Group Company	54,205	94,661	54,205	70,172
Millennium I.T.E.S.P (Pvt) Ltd	Group Company	8,609,154	10,439,036	8,609,154	10,439,036
		104,251,114	167,067,851	22,641,261	118,821,412

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 2022.

	2022 LKR	2021 LKR
Balance as at 01.04.2021	38,959,533	26,953,698
Additions	16,375,303	27,273,583
Disposal	(10,425,500)	-
Interest Cost	3,913,985	4,589,968
Repayment	(18,894,682)	(19,857,716)
Balance as at 31.03.2022	29,928,639	38,959,533

	2022			2021		
	Gross Lease Liability	Finance Cost Attributable to Future Periods	Net Lease Liability	Gross Lease Liability	Finance Cost Attributable to Future Periods	Net Lease Liability
Amount Payable within one year	17,061,696	(2,367,508)	14,694,188	22,609,342	(1,169,620)	21,439,722
Amount Payable more than one year	16,348,836	(1,114,385)	15,234,451	20,399,584	(2,879,773)	17,519,811
Total	33,410,532	(3,481,893)	29,928,639	43,008,926	(4,049,393)	38,959,533

18.1 These refer to Lease arrangement for retail Show Room Leases as per SLFRS 16

19 OTHER INCOME

	GROUP		COMPANY	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Miscellaneous Income	11,297,002	3,779,464	8,699,614	7,801,100
Asset utilization Fee	3,459,480	-	3,459,480	3,459,480
	14,756,482	3,779,464	12,159,094	11,260,580

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

20 FINANCE COST / INCOME

20.1 Finance Income

	GROUP		COMPANY	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Interest on Short Term Investments	18,692,832	17,281,096	18,229,224	16,885,603
Interest on Staff Loans	-	4,822	-	4,822
Interest on Foreign Currency Savings Accounts	1,297,783	1,979,466	1,297,781	1,846,947
	19,990,615	19,265,384	19,527,005	18,737,372

Notes to the Financial Statements

20.2 Finance Cost

	GROUP		COMPANY	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Overdraft Interest	27,042,000	42,899,861	18,333,115	29,158,039
Interest on Bank Loan	70,244,581	60,045,059	30,766,735	21,733,673
Interest on Intercompany Loans	10,145,630	26,949,086	10,145,630	26,949,086
Interest on Packing Credit Loan	1,585,578	11,851,075	1,585,578	11,851,075
Interest on Lease	3,913,985	4,589,968	3,913,985	4,589,968
	112,931,774	146,335,049	64,745,042	94,281,841

21 PROFIT / (LOSS) BEFORE TAX

	GROUP		COMPANY	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Stated after Charging / (Crediting)				
- Included under Cost of Sales				
- Depreciation	76,186,958	76,045,936	45,287,398	39,274,863
- Salaries	533,002,624	409,930,965	319,384,951	247,134,250
- Employee Benefits Liability	14,518,819	22,905,267	11,984,558	17,546,478
- Defined Contribution Plan Costs - EPF & ETF	49,456,403	47,698,358	34,624,898	29,566,115
- Other Staff Costs	141,234,621	33,406,419	93,689,729	33,406,419
- Included under Administration Expenses				
- Depreciation	13,691,918	6,617,908	7,264,072	6,617,908
- Amortization of Intangible Assets	7,334,946	6,990,670	6,990,670	6,990,670
- Directors' Remuneration	17,051,763	13,831,186	9,000,000	2,500,000
- Salaries	104,867,727	67,443,192	66,506,710	67,443,192
- Employee Benefits Liability	3,703,885	3,589,680	2,349,385	3,589,680
- Defined Contribution Plan Costs - EPF & ETF	12,268,525	5,869,019	7,333,161	5,869,019
- Other Staff Costs	26,737,976	6,049,927	16,122,810	6,049,927
- Legal Fees	869,924	1,357,882	430,568	877,382
- Auditors' Fee and Expenses - Current Year	5,410,110	1,948,000	2,635,000	1,123,500
- Auditors' Fee and Expenses - Other Services and Branch	610,726	247,605	610,726	247,605
- Allowances for Obsolete & Slow Moving Inventories	193,244,305	155,539,170	12,936,378	17,847,819
- Included under Selling & Distribution Expenses				
- Depreciation	11,979,691	3,235,785	11,979,691	3,235,785
- Amortization	2,154,394	10,360,844	2,154,394	10,360,844
- Salaries	49,552,152	30,741,095	31,831,649	30,741,095
- Employee Benefits Liability	2,699,275	3,124,188	2,267,128	3,124,188
- Defined Contribution Plan Costs - EPF & ETF	5,598,042	3,407,703	3,732,761	3,407,703
- Other Staff Costs	29,029,015	9,629,463	21,865,188	9,629,463
- Impairment for Doubtful Debts	1,491,285	(78,034)	1,491,285	(2,055,647)

22 INCOME TAX EXPENSE

	GROUP		COMPANY	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year (22.1)	6,028,255	-	6,028,255	-
Current Tax Expense relating to branch operation in India, Chennai	1,732,520	-	1,732,520	-
Deferred Income Tax				
Deferred Taxation Charge / (Reversal) (22.2)	13,449,384	1,839,835	61,307,090	35,718,664
Income Tax Expense/(Reversal) Reported in the Statement of Profit or Loss	21,210,159	1,839,835	69,067,865	35,718,664

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

	GROUP		COMPANY	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Accounting Profit / (Loss) Before Tax	210,691,827	(395,954,675)	491,260,017	(134,531,412)
Income Exempt from tax	(154,029,349)	(41,471,374)	(153,561,740)	(39,917,436)
Aggregate Disallowed items	453,105,608	330,665,246	132,942,598	141,264,895
Aggregate Allowable Items	(283,731,915)	(122,225,094)	(61,859,844)	(85,872,306)
Trade Profit/(Loss)	226,036,171	(228,985,897)	408,781,030	(119,056,259)
Taxable Business Profit / (Loss)	226,036,171	(228,985,897)	408,781,030	(119,056,259)
Other Sources of income				
Interest on Staff Loans	-	4,822	-	4,822
Interest on Deposit	18,696,832	17,281,096	18,229,224	16,885,603
Total Statutory Income	18,696,832	17,285,918	18,229,224	16,890,425
Less- Carried forward tax loss utilized (Note 22.1.1)	(389,584,889)	(17,285,918)	(389,114,939)	(16,890,425)
Taxable Income / (Loss)	(144,851,886)	-	37,895,315	-
Income Tax attributable to Taxable Income -18% (2021-18%)	3,254,576	-	3,254,576	-
Income Tax attributable to Export Sales - 14% (2021 - 14%)	2,773,679	-	2,773,679	-
Current Income Tax Expense	6,028,255	-	6,028,255	-
Recognition on Deferred Tax on Temporally Difference (Note 22.2)	13,449,384	1,839,835	61,307,090	35,718,664
Current Tax Expense relating to branch operation in India, Chennai	1,732,520	-	1,732,520	-
Under / (Over) Provision of Current Taxes in respect of Prior Years	-	-	-	-
Total Income Tax Expense	21,210,159	1,839,835	69,067,865	35,718,664

Notes to the Financial Statements

22.1.1 Tax Losses Carried Forward

	GROUP		COMPANY	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
Tax Losses Brought Forward	536,463,354	324,763,375	389,114,939	286,949,105
Tax Losses Incurred During the Year	182,614,931	228,985,896	-	119,056,259
Tax Losses Utilized	(389,584,889)	(17,285,918)	(389,114,939)	(16,890,425)
Tax Losses Carried Forward	329,493,396	536,463,354	-	389,114,939

22.2 Deferred Tax Liability

22.2.1 Group

	FINANCIAL POSITION		STATEMENT OF PROFIT OR LOSS		OTHER COMPREHENSIVE INCOME	
	2022	2021	2022	2021	2022	2021
	LKR	LKR	LKR	LKR	LKR	LKR
Deferred Tax Liabilities						
Capital Allowances for Tax Purposes	60,292,929	70,741,564	(10,448,635)	(14,172,013)	-	-
Revaluation of Buildings	119,096,000	94,413,541	-	-	24,682,459	(26,489,051)
Revaluation of Land	125,397,741	124,304,955	-	-	1,092,786	(86,751,113)
Fair Value Gain from Investment Property	42,182,541	42,182,541	-	1,430,706	-	-
Right to use Assets	(399,863)	126,491	(526,355)	126,491	-	-
	346,569,348	331,769,092				
Deferred Tax Assets						
Hedge Reserve	-	6,556,435	-	-	6,556,435	(2,569,737)
Defined Benefit Plans - Comprehensive Income	31,675,411	30,732,179	(2,137,704)	16,214,871	1,194,471	(3,535,564)
Impairment for doubtful debts	7,357,617	8,268,386	910,769	11,057,916	-	-
Inventory Provision	55,940,920	57,612,616	1,671,697	(13,868,024)	-	-
Carry Forward of Unused Tax Losses	60,959,560	84,939,172	23,979,612	1,049,888	-	-
	155,933,508	188,108,788	-	-	-	-
Deferred Income Tax - Expense/(Income)			13,449,384	1,839,835	33,526,151	(119,345,465)
Net Deferred Tax Liability	190,635,840	143,660,304				

The effective Tax rate used is 15.77 % for Company and 15% for Royal Fernwood Porcelain Limited (15.77% and 16% in 2021).

22.2.2 Company

	FINANCIAL POSITION		STATEMENT OF PROFIT OR LOSS		OTHER COMPREHENSIVE INCOME	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Deferred Tax Liabilities						
Capital Allowances for Tax Purposes	14,473,429	17,447,198	(2,973,769)	(21,791,771)	-	-
Revaluation of Buildings	73,404,549	58,628,488	-	-	14,776,062	(29,336,857)
Revaluation of Land	125,397,741	124,304,955	-	-	1,092,786	(86,751,113)
Fair Value Gain from Investment Property	36,923,331	36,923,331	-	1,430,706	-	-
Fair Value Gain from Investment in Subsidiary	9,485,525	1,216,725	8,268,800	687,300	-	-
Right to use Assets	(399,862)	126,491	(526,355)	126,491	-	-
	259,284,711	238,647,188	-	-	-	-
Deferred Tax Assets						
Defined Benefit Plans - Comprehensive Income	27,312,474	26,377,556	(2,411,394)	17,142,462	1,476,476	(3,482,225)
Cash Flow Hedge	-	1,195,535	-	-	1,195,535	343,546
Impairment for doubtful debts	5,511,914	5,342,308	(169,606)	9,414,019	-	-
Inventory Provision	23,402,950	21,158,937	(2,244,013)	9,965,475	-	-
Carry Forward of Unused Tax Losses	-	61,363,426	61,363,426	18,743,982	-	-
	56,227,338	115,437,762	-	-	-	-
Deferred Income Tax - Expense/(Income)			61,307,090	35,718,664	18,540,858	(119,226,649)
Net Deferred Tax Liability	203,057,373	123,209,427				

The average Tax rate used is 15.77% (15.77% in 2021) for the purpose of deferred tax computation

	GROUP		COMPANY	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Balance as at 01 April	143,660,304	261,165,934	123,209,427	206,717,412
Charge/ (Reversal) to Profit or Loss				
- Due to Change in Tax Rate	-	74,891,021	-	72,366,239
- Due to Change in Temporary Differences	13,449,384	(73,051,185)	61,307,090	(36,647,575)
Charge/ (Reversal) to Other Comprehensive Income				
- Due to Change in Tax Rate	-	(138,918,188)	-	(138,241,408)
- Due to Change in Temporary Differences	33,526,152	19,572,722	18,540,858	19,014,759
Balance as at 31 March	190,635,840	143,660,304	203,057,374	123,209,427

Notes to the Financial Statements

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.

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

	GROUP		COMPANY	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
Amount Used as the Numerator:				
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	196,304,024	(388,249,425)	422,192,152	(170,250,076)
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	1.21	(2.39)	2.60	(1.05)

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

Except for below, no circumstances has arisen since the reporting date which requires to be disclosed.

Surcharge Tax

The Government of Sri Lanka in its budget for 2022 proposed a one-time tax, referred to as a surcharge tax, at the rate of 25% to be imposed on any company/group of companies that have earned an aggregate taxable income in excess of LKR 2,000 million for the year of assessment 2020/21. The tax is imposed by the Surcharge Tax Act No. 14 of 2022 which was passed by the Parliament of Sri Lanka on 7th April 2022. As the law was enacted after the reporting period end, the financial statements for the year ended 31 March 2022 do not reflect the tax liability that would arise in consequence.

Interest Rate

The Monetary Board of the Central Bank of Sri Lanka (CBSL) has decided to increase the standing deposit facility rate (SDFR) and the standing lending rate (SLFR). The depletion of foreign reserves has put restrictions on imports and affected supplies.

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	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR	2022 LKR	2021 LKR	2022 LKR	2021 LKR	2022 LKR	2021 LKR
As at 1 April	(192,160,050)	(337,562,112)	397,000,206	380,607,808	(13,153,797)	(3,039,089)	-	-	191,686,359	40,006,607
Sale of Goods / Services	23,959	1,853,228	-	10,340,087	(14,489,830)	(8,659,846)	-	-	(14,465,871)	3,533,469
Purchase of Goods / Services	(23,286,045)	(19,497,289)	(23,858,820)	(2,069,997)	(935,181)	(10,458,561)	-	-	(48,080,046)	(32,025,847)
Cost Apportionment	(18,967,651)	(35,013,123)	25,633,731	10,042,666	-	(6,250)	-	-	6,666,080	(24,976,707)
(Receipt)/Payment of good or Services	142,057,666	25,008,333	-	(1,920,358)	18,110,004	9,009,949	-	-	160,167,670	32,097,924
Loan Settlements / Transfers	23,493,395	200,000,000	-	-	-	-	-	-	23,493,395	200,000,000
Interest	(10,145,631)	(26,949,087)	-	-	-	-	-	-	(10,145,631)	(26,949,087)
As at 31 March	(78,984,357)	(192,160,050)	398,775,117	397,000,206	(10,468,803)	(13,153,797)	-	-	309,321,956	191,686,359

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
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.

27.2 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;

	2022 LKR	2021 LKR
Group		
Short-Term employee benefits	32,290,000	24,985,150
Post Employment Benefits	3,328,500	-
	35,618,500	24,985,150
Company		
Short-Term employee benefits	25,450,000	15,700,000
Post Employment Benefits	2,640,000	-
	28,090,000	15,700,000

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		
2022	+5	9,954,058
	-5	(9,954,058)
2021	+5	(17,214,131)
	-5	17,214,131
Company		
2022	+5	6,166,568
	-5	(6,166,568)
2021	+5	(1,574,079)
	-5	1,574,079

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		
2022	+1	13,659,697
	-1	(13,659,697)
2021	+1	(14,238,227)
	-1	14,238,227
Company		
2022	+1	6,429,445
	-1	(6,429,445)
2021	+1	(8,633,975)
	-1	8,633,975

The assumed spread of the interest rate is based on the current observable market environment.

Notes to the Financial Statements

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.

Notes	GROUP			COMPANY		
	2022 LKR	% of allocation	2021 LKR	2022 LKR	% of allocation	2021 LKR
Risk Exposure						
Trade and Other receivables	664,168,478	61%	408,522,784	445,464,534	54%	286,797,288
Cash and Short Term Deposits	424,219,194	39%	481,441,240	381,451,418	46%	460,443,619
Total credit risk exposure	1,088,387,672	100%	889,964,024	826,915,952	100%	747,240,907

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 424,219,194 as at 31 March 2022 (2021 - LKR 481,441,240/=) as explained in note No 16.1.

The Company held cash & short term deposits of LKR 381,451,418 as at 31 March 2022 (2021 - LKR 460,443,619/=) 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 2022	Total	Less than	3-12 months	1-5 Years	Over 5 Years
	LKR	3 months			
Trade & Other Payables	609,772,119	609,772,119	-	-	-
Interest Bearing Loans & Borrowings	1,365,969,688	1,069,432,433	78,984,357	217,552,898	-
	1,975,741,807	1,679,204,552	78,984,357	217,552,898	-

As at 31 March 2021	Total	Less than	3-12 months	1-5 Years	Over 5 Years
	LKR	3 months			
Trade & Other Payables	673,272,192	673,272,192	-	-	-
Interest Bearing Loans & Borrowings	1,259,364,313	1,284,658,575	(80,718,793)	139,164,120	-
	1,932,636,505	1,957,930,767	(80,718,793)	139,164,120	-

28.2.1 Maturity Analysis of Financial Liabilities - Company

As at 31 March 2022	Total	Less than	3-12 months	1-5 Years
	LKR	3 months		
Trade & Other Payables	352,116,659	352,116,659	-	-
Interest Bearing Loans & Borrowings	642,944,458	289,694,457	248,379,103	104,870,898
	995,061,117	641,811,116	248,379,103	104,870,898

As at 31 March 2021	Total	Less than	3-12 months
	LKR	3 months	
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

Notes to the Financial Statements

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.

As at 31 March	GROUP		COMPANY	
	2022	2021	2022	2021
Debt/Equity	51.98%	67.36%	21.35%	38.41%

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.

	Notes	Fair Value Hierarchy	2022		2021		
			Carrying Value	Fair Value	Fair Value Hierarchy	Carrying Value	Fair Value
			LKR	LKR		LKR	LKR
Assets Measured at Fair value							
Freehold Land	5.1.2	Level 3	1,025,373,150	1,025,373,150	Level 3	1,025,373,150	1,025,373,150
Freehold Buildings	5.1.2	Level 3	862,147,002	862,147,002	Level 3	726,589,999	726,589,999
Investment Properties	7	Level 3	702,743,214	702,743,214	Level 3	702,743,214	702,743,214

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.

	Notes	2022			2021		
		Fair Value Hierarchy	Carrying Value	Fair Value	Fair Value Hierarchy	Carrying Value	Fair Value
			LKR	LKR		LKR	LKR
Assets Measured at Fair value							
Freehold Land	5.5	Level 3	788,350,000	788,350,000	Level 3	788,350,000	788,350,000
Freehold Buildings	5.5	Level 3	498,028,000	498,028,000	Level 3	417,548,000	417,548,000
Investment Properties	7.1	Level 3	580,028,314	580,028,314	Level 3	580,028,314	580,028,314
Investment in Subsidiaries	9	Level 3	966,591,253	966,591,253	Level 3	883,903,253	883,903,253
Financial Instrument at Amortised Cost	16.1	Level 2	331,275,398	331,275,398	Level 2	313,149,377	313,149,377

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 2022 there is no transfer from level 1 to level 2 in the fair value hierarchy





SUPPLEMENTARY INFORMATION

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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 2022

Range of Shareholding	No. of Shareholders	No. of Shares	%
1 upto 1,000 shares	3,457	871,335	0.54
1,001 to 10,000 shares	1,133	4,181,335	2.57
10,001 to 100,000 shares	315	9,202,941	5.66
100,001 to 1,000,000 shares	40	11,338,060	6.97
Over 1,000,000 shares	4	136,959,249	84.26
TOTAL	4,949	162,552,920	100.00

PUBLIC SHAREHOLDING

Information pertaining to public shareholding is as follows;

	2021/22	2020/21
Number of public shares	36,539,720	36,459,690
Public holding percentage	22.48	22.43
Number of public shareholders	4,945	5,619
Float adjusted market capitalization (LKR)	361,764,775	375,544,386

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)	9.90 (31.03.2022)	10.30 (31.03.2021)
Highest value per share recorded during the period (LKR)	20.80 (07.01.2022)	17.10 (15.01.2021)
Lowest value per share recorded during the period (LKR)	8.70 (29.03.2022)	10.10 (19.03.2021)

SHARE TRADING

No. of transactions	26,941	30,873
No. of shares traded	83,496,509	105,272,671
Value of shares traded (LKR)	1,251,396,387	1,266,434,097

There were 4,949 registered shareholders as at 31 March 2022 (5,625 as at 31 March 2021).

TWENTY LARGEST SHAREHOLDERS AS AT

	Name of shareholder	31 March 2022		31 March 2021	
		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	5,394,036	3.32
3.	Hatton National Bank PLC/Almas Organisation (Pvt) Ltd	5,284,923	3.25	-	-
4.	Melbourne Rolling Mill (Pvt) Ltd	1,180,290	0.73	-	-
5.	Seylan Bank PLC/A.M. Nimesha Anuruddha Abeykoon	630,850	0.39	500,400	0.31
6.	Mr. M A Jafferjee	563,404	0.35	-	-
7.	Merchant Bank of Sri Lanka & Finance PLC 01	550,000	0.34	175,000	0.11
8.	Mr. M F M Ali	519,005	0.32	-	-
9.	Mr. D L B C Perera	395,289	0.24	395,289	0.24
10.	Commercial Bank of Ceylon PLC/A. N. Weerakkody	385,520	0.24	-	-
11.	LOLC Finance PLC/M.K.C. Perera	365,789	0.23	-	-
12.	DFCC Bank PLC/Ravi Exports (Pvt) Ltd	350,000	0.22	-	-
13.	Mr. A K Palliya Guruge Don (Deceased)	334,600	0.21	334,600	0.21
14.	Mr. A M Mansoor	332,649	0.20	292,265	0.18
15.	DFCC Bank PLC/Maskeliya Tea Exports (Pvt) Ltd	315,171	0.19	* 189,721	0.12
16.	Merchant Bank of Sri Lanka & Finance PLC/U.D. Premakumara	297,960	0.18	-	-
17.	Mr. R E Rambukwelle	295,000	0.18	360,000	0.22
18.	Merchant Bank of Sri Lanka & Finance PLC/P.C.U. Ekanayake	289,505	0.18	-	-
19.	Mr. M H A Kamil	286,844	0.18	273,394	0.17
20.	Mr. H A Nasar	280,000	0.17	280,000	0.17

* individual account

DIRECTOR'S SHAREHOLDINGS AS AT

	Name	31 March 2022	31 March 2021
1.	Mr. R T Devasurendra	Nil	Nil
2.	Mr. R P Peris (appointed w.e.f. 01 April 2021)	24,000	N/A
3.	Mr. N S Wijesekera (appointed w.e.f. 01 April 2021)	Nil	N/A
4.	Mr. Y Kanagasabai (appointed w.e.f. 01 June 2021)	Nil	N/A
5.	Mr. C S Karunasena (appointed w.e.f. 09 November 2021)	Nil	N/A
6.	Dr. K S Narangoda (appointed w.e.f. 10 January 2022)	Nil	N/A
7.	Mr. R P Pathirana (appointed w.e.f. 01 July 2022)	N/A	N/A

CHIEF EXECUTIVE OFFICER'S SHAREHOLDING AS AT

	Name	31 March 2022	31 March 2021
1.	Mr. Channa Gunawardana	Nil	Nil

Investor Information

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.

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
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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
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Aggregate value of the recurrent Related Party Transactions does not exceed 10% of the Group Consolidated Revenue

DECADE AT A GLANCE

Period ended, (LKR'000) except ratios	GROUP							COMPANY		
	2022**	2021**	2020**	2019** Restated	2018**	2017**	2016** Restated	2015** Restated	2014**	2013*
SUMMARY OF OPERATING RESULTS										
Turnover (Net of Taxes)	3,762,106	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
Cost of Sales	(2,557,390)	(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)
Gross Profit	1,204,716	635,487	689,859	653,662	485,630	562,456	505,163	353,090	318,941	333,850
Other Income/(Expenses)	14,756	3,779	13,191	13,080	5,978	16,077	21,991	12,128	8,367	4,756
Distribution Costs	(435,213)	(341,601)	(354,437)	(278,539)	(318,107)	(211,415)	(238,935)	(208,661)	(155,726)	(166,442)
Administrative Expenses	(480,626)	(580,857)	(596,885)	(197,495)	(238,231)	(214,409)	(201,842)	(234,443)	(150,939)	(111,184)
Finance Costs	(112,932)	(146,335)	(155,129)	(92,737)	(45,876)	(35,377)	(63,091)	(78,071)	(49,123)	(24,435)
Finance Income	19,991	19,265	24,763	36,701	33,232	29,517	7,331	1,088	1,499	2,714
Fair Value Gain from Investment Property	-	14,307	114,489	293,029	-	-	-	-	-	-
Net Profit/(Loss) before Tax	210,692	(395,955)	(264,148)	427,701	(77,373)	146,848	30,617	(154,868)	(26,981)	39,259
Tax (Expense) / Reversal	(21,210)	(1,839)	40,038	(61,445)	80,851	(25,945)	(25,456)	7,973	(1,276)	(7,908)
Net Profit/(Loss) after Tax	189,482	(397,793)	(224,110)	366,256	3,478	120,904	5,161	(146,895)	(28,257)	31,350
Other Comprehensive Income Net of Taxes	184,161	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	373,642	(223,417)	(129,148)	635,909	249,499	212,648	259,893	(146,618)	(31,526)	34,406
Dividends for the previous period						(40,638)			(28,898)	
Retained Profit/(Loss) for the period	373,642	(223,417)	(129,148)	635,909	249,499	172,010	259,893	(146,618)	(60,424)	34,406

Decade at a Glance

Period ended, (LKR'000) except ratios	GROUP						COMPANY			
	2022**	2021**	2020**	2019** Restated	2018**	2017**	2016** Restated	2015** Restated	2014**	2013*
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	1,402,102	679,644	679,644	679,644
Reserves/Other Components of Equity	1,589,870	1,412,563	1,219,307	1,115,254	851,568	589,377	507,703	248,824	502,360	249,007
Retained Earnings	(364,272)	(563,866)	(156,671)	78,029	(278,740)	(260,579)	(280,734)	(261,920)	(150,688)	(102,582)
Non-Controlling Interest	8,802	12,061	21,539	20,041	13,688	8,220	3,059	(11,867)	23,599	-
Total Equity	2,636,502	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
ASSETS & LIABILITIES										
Current Assets	2,137,247	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
Current Liabilities	(1,772,883)	(2,071,702)	(2,027,795)	(1,496,260)	(944,436)	(694,493)	(532,183)	(642,571)	(754,002)	(429,295)
Net Current Assets	364,364	(7,480)	391,085	496,931	662,211	749,872	728,420	380,906	377,419	369,347
Non Current Assets	2,887,050	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
Non Current Liabilities	(614,912)	(494,824)	(618,901)	(487,147)	(680,449)	(616,358)	(666,121)	(1,032,855)	(947,547)	(97,992)
Net Assets	2,636,502	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
FACTORY OUTPUT (Pcs)										
Production Quantity										
White ware (Pcs)	8,754,335	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
Decorated ware (Pcs)	5,929,671	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
Sales Quantity										
Export (Pcs)	4,357,926	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
Local (Pcs)	5,179,706	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
KEY RATIOS										
Earnings per Share (LKR)	1.21	(2.39)	(1.39)	2.22	0.02	0.74	0.15	(1.70)	(0.22)	0.48
Net Assets per Share(LKR)	16.17	13.85	15.16	15.97	12.15	10.65	10.02	12.83	14.28	11.43
Dividend per Share(LKR)	-	-	-	-	-	0.65	-	-	0.40	-
Annual Sales Growth(%)	55%	9%	3%	4%	(12)%	(1)%	3%	29%	18%	32%
Current Ratio(Times)	1.21	1.00	1.19	1.33	1.70	2.08	2.37	1.60	1.50	1.86
Market Value Per Share (at year end)	9.80	10.30	4.50	5.30	6.90	6.00	6.80	11.20	11.50	13.80

*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 above Production Quantity - Whiteware (Pcs) includes the decoratedware (Pcs).

The above summarized financial Information's is extracted from audited financial statements

GLOSSARY OF FINANCIAL TERMINOLOGY

ACCURAL 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.

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

ROYAL FERNWOOD PORCELAIN LIMITED

No. 10, 5th Floor, Gothami Road
Colombo 8
Tel: 011 5 700 700
Fax: 011 2 680 225
Email: fernwood@fernwoodporcelain.com

Mr. A G Weerasinghe (Chairman)
Dr. L J A Peiris
Mr. E M M Boyagoda
Dr. K S Narangoda

DANKOTUWA SINGAPORE PTE LIMITED

No. 3, Shenton Way
10 – 05, Shenton House
Singapore (068805)

Mr. N S Wijesekera
Mr. R P Peris
Mr. S Pasupathy

Sub-Subsidiary Companies

Director

FERNWOOD LANKA (PRIVATE) LIMITED

No. 10, 5th Floor, Gothami Road
Colombo 8
Tel: 011 5 700 700
Fax: 011 2 680 225

Mr. A G Weerasinghe
Dr. L J A Peiris

LANKA DECALS (PRIVATE) LIMITED

No. 10, 5th Floor, Gothami Road
Colombo 8
Tel: 011 5 700 700
Fax: 011 2 680 225

Mr. A G Weerasinghe
Dr. L J A Peiris

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held by way of electronic means on Tuesday, 27 September 2022 at 10.30 am 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 2022 together with the Report of the Auditors thereon (Resolution 1).
2. To elect Mr. C S Karunasena, 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 Dr. K S Narangoda, 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. R P Pathirana, 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. R T Devasurendra, Director who retires by rotation in terms of Article No. 24 (6) of the Articles of Association (Resolution 5).
6. To re-appoint M/s. Ernst & Young, Chartered Accountants, the retiring auditors and to authorize the Directors to determine their remuneration (Resolution 6).
7. To authorise the Directors to determine donations for charitable and other purposes for the year 2022/23 as set out in the Companies' Donation Act [CAP147] (Resolution 7).

By Order of the Board

Sgd.
Nexia Corporate Consultants (Pvt) Ltd
Secretaries

Colombo
25 August 2022

Notes:

1. A shareholder entitled to attend and vote at the above meeting is entitled to appoint a Proxy who need not be a shareholder, to attend and vote instead of him/her. A Proxy need not be a shareholder of the company.
2. A Form of Proxy is enclosed in this Report.
3. Shareholders who are unable to participate in the above 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. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 10, 5th Floor, Gothami Road, Colombo 8, not later than 48 hours before the time appointed for the meeting.

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. Y Kanagasabai	or failing him
Mr. R P Pathirana	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. C S Karunasena	or failing him
Dr. K S Narangoda	

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 27 September 2022 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 2022	<input type="checkbox"/>	<input type="checkbox"/>
2. To elect Mr. C S Karunasena	<input type="checkbox"/>	<input type="checkbox"/>
3. To elect Dr. K S Narangoda	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect Mr. R P Pathirana	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Mr. R T Devasurendra	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint auditors	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorize Directors to make donations	<input type="checkbox"/>	<input type="checkbox"/>

Mark your preference with "X"

Signed on this day of 2022.

.....
 Signature

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

Form of Proxy

INSTRUCTIONS AS TO THE COMPLETION OF 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 dplagm2022@dankotuwa.com or by facsimile to +94 11 2680225 by 10.30 a.m. on 25, September 2022.

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: +94-11 530 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
No. 130, Level 2, Nawala Road,
Narahenpita, Colombo 5, 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
Nations Trust Bank PLC
Pan Asia Banking Corporation PLC
People's Bank PLC
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank

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