

Accelerating Performance



DANKOTUWA
World-class tableware
ANNUAL REPORT 2022/23

Accelerating Performance



Securing growth and stability during an extremely volatile economic context is a matter of having the right strategies prudently executed. But it is a task that can only be undertaken when there are already strong potentials, an integrated approach to business and the dedication of people. Equipped with these strengths and amplified by strong leadership, we triumphed over a turbulent year and continued to pursue a strategy not only in overcoming challenges but also one where our future growth was set in motion.

Our employees remained a true force of resilience as they worked to maintain stability and thrive towards accelerated performance. As a result, we posted exemplary financial outcomes while generating and delivering value to our stakeholders - especially our customers, who were served with ingenuity and passion.



Having surpassed the massive uncertainties of 2022, we now look forward to further enhancements in our offerings, heightening world-class recognition for Dankotuwa and Royal Fernwood and value creation for our stakeholders; and with strategic transformations within our corporate DNA, we remain more confident than ever in accelerating performance towards a triumphant future.

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OUR VISION

"ENHANCE PEOPLE'S LIFESTYLES THROUGH EXQUISITELY CRAFTED PORCELAIN PRODUCTS"

OUR MISSION

"TO BE ASIA'S LEADING MANUFACTURER AND MARKETER OF PORCELAIN TABLEWARE"

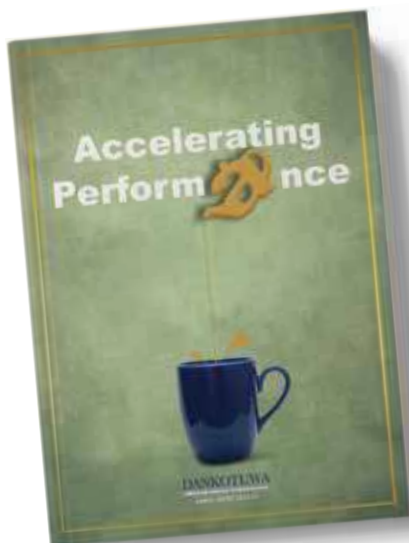
CORPORATE VALUES

1. **CREATIVE AND INNOVATIVE** – We take a human-centred 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.



Introduction

ABOUT THIS REPORT

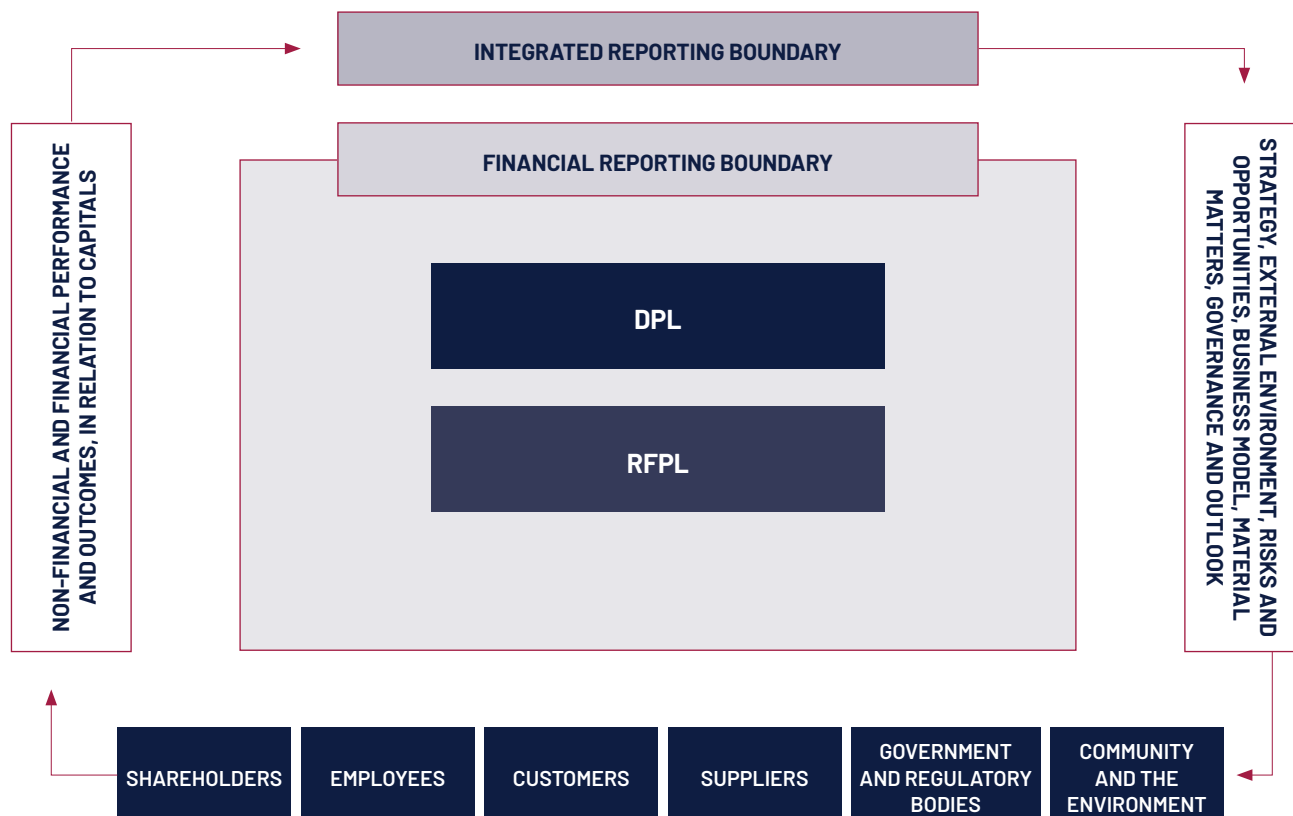


WE WELCOME YOU TO OUR INTEGRATED ANNUAL REPORT OF 2022/23, PREPARED TO PROVIDE BALANCED AND ACCURATE INFORMATION ON DANKOTUWA PORCELAIN PLC (DPL) AND ITS SUBSIDIARY ROYAL FERNWOOD PORCELAIN LIMITED (RFPL).

(UNLESS SPECIFIED, THE INFORMATION GIVEN IN THIS REPORT ALWAYS REFERS TO THE GROUP.)

REPORTING BOUNDARY

The report narrates and discloses operational and financial information about Dankotuwa Porcelain PLC and its subsidiary Royal Fernwood Porcelain Limited in consolidated (referred to as the Group) and segregated forms. The information provided includes our financial performance and operational activities in line with integrated reporting. As a result, reporting draws on the capitals we use, activities and outcomes and the importance of interdependencies and trade-offs surrounding them. We also provide our response to stakeholder needs and interests. Moreover, the reporting boundary covers how we respond to the external environment and risks and opportunities.



GUIDING FRAMEWORKS

In the preparation of the report’s content and throughout the reporting process, we have followed the guiding frameworks, mentioned below.

Corporate Governance

- Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka
- Listing Requirements of the Colombo Stock Exchange

Financial Reporting

- Sri Lanka Financial Reporting Standards | Sri Lanka Accounting Standards
- Companies Act No. 7 of 2007

Sustainability

- UN Sustainability Development Goals (UN SDGs)
- The International Integrated Reporting Council’s (IIRC) International Framework (January 2021)

NAVIGATION ICONS

CAPITALS AS DEFINED IN THE <IR> FRAMEWORK

Financial Capital	Manufactured Capital	Intellectual Capital
		
(Pages 60 to 63)	(Pages 64 to 71)	(Pages 72 to 78)
Human Capital	Social and Relationship Capital	Natural Capital
		
(Pages 80 to 90)	(Pages 92 to 100)	(Pages 102 to 107)



REPORTING PRINCIPLES

We follow several principles as below to ensure the quality, credibility and integrity of this report, while ensuring transparency and a balanced presentation of information.

Connectivity	Materiality	Comparability	Conciseness
• We have used icons for easy navigation wherever applicable. • We have made efforts to demonstrate the interrelatedness and connections between capitals, which contribute towards value creation.	• Materiality plays a central role in the information presented within this Integrated Annual Report. A summarised account of how we determine material topics has been included in our Annual Report on pages 53-55. • Material matters are factors that substantially affect our ability to create value. During the year, navigating the economic crisis and having a stellar balance sheet became our primary focus.	• The 2022/23 report provides comparative information between the year under review and previous financial years, wherever applicable and relevant. Such information is presented through report’s narration and graphical presentations of quantitative information.	• Across the report, we have strived to present information and narration, concisely.

REPORTING PERIOD

The reporting period extends from the 1st of April 2022 to 31st of March 2023, in accordance with the Group’s financial year and annual reporting cycle.

ABOUT THIS REPORT



FORWARD-LOOKING STATEMENTS

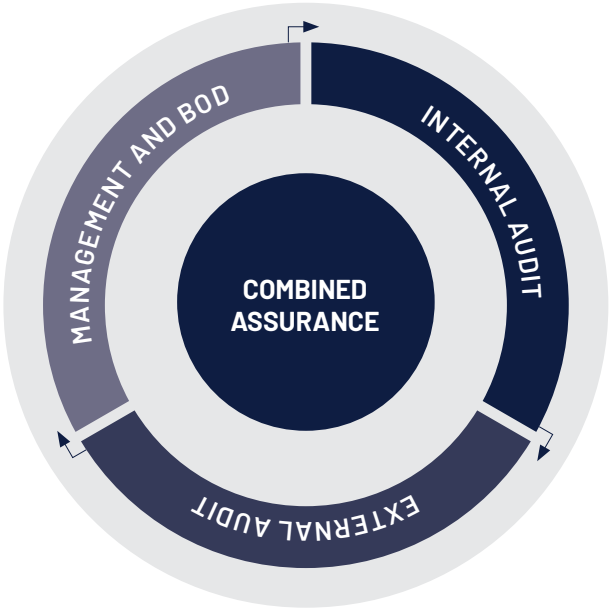
The Annual Report 2022/23 includes forward-looking statements with respect to Dankotuwa Porcelain PLC and Royal Fernwood Porcelain Limited. Such statements entail a level of risk and uncertainty as they are based on future eventualities and circumstances. Various variables could affect actual outcomes and results, which may differ from those stated through such forward-looking statements. Therefore, we request users of this report to consider such future eventualities when comparing and contrasting our performance against such forward-looking statements. We also do not revise such forward-looking statements to reflect any new information or impacts from future events.



COMBINED ASSURANCE

For the Annual Report 2022/23, we have used internal and external assurances, taking a strong approach to ensure the credibility of information and statements. The reporting process and/or the content have been reviewed internally, vetted by the Senior Management, Internal Audit and the Board of Directors (BOD).

The Audit Committee ensures compliance of financial statements and financial reporting with Sri Lanka Accounting Standard and Sri Lanka Financial Reporting Standards.



In addition, it monitors the reporting process and evaluates the Group's adherence to internal controls with respect to the financial year.

Financial statements included in this report alongside related financial notes have been assured by external and independent auditors, Messrs. Ernst and Young, Chartered Accountants.

Internal audit	External audit	Management and the Board
- Oversees the reporting process - Compliance of financial statements to accounting standards and statutory requirements - Performance against controls	Auditing of financial statements and related notes	- Monitored the reporting process - Evaluated and verified report narrative and information

FEEDBACK AND INQUIRIES

Feedback and constructive criticism of the Report will be greatly appreciated as it will enable us to improve subsequent reports. We request our readers and stakeholders to forward their feedback and any inquiries to:

The Chief Financial Officer,
Dankotuwa Porcelain PLC
Kurunegala Road, Dankotuwa
Tel - 94 31 5500500
Email - info@dankotuwa.com

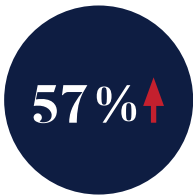


YEAR AT A GLANCE



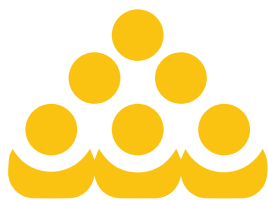
5,913

TURNOVER (LKR MN)



869

PROFIT BEFORE TAX (LKR MN)



HEAD
COUNT

258 17%

EXECUTIVES & STAFF

1,242 83%

ASSOCIATES



6,134

TOTAL ASSETS (LKR MN)



137

CAPEX (LKR MN)



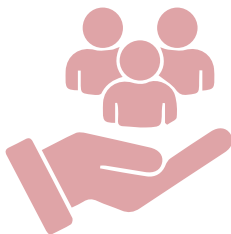
2,211

VALUE CREATION (LKR MN)



207

NEW PRODUCT
DEVELOPMENTS
(NO. OF PRODUCTS)



128,727

EMPLOYEE TRAINING
(IN HOURS)



161,264

SEMI-FINISHED
RECYCLED GOODS (IN KG)



815

TREES PLANTED

Introduction

Our Strategy

Business Context

Performance Review

Leadership and Accountability

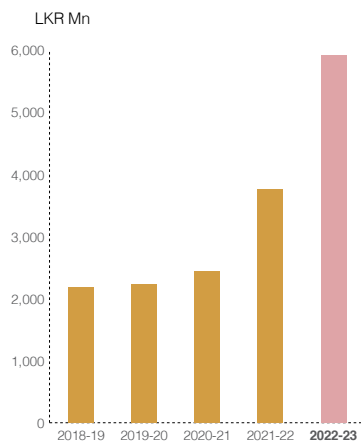
Financial Information

PERFORMANCE OVERVIEW

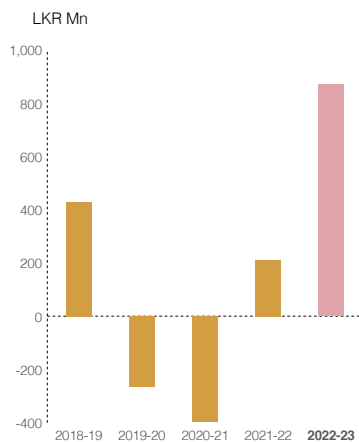
31st March		GROUP		COMPANY	
		2023	2022	2023	2022
Result for the period - LKR '000					
Revenue - Export		3,172,015	2,123,445	1,609,639	1,232,008
- Local		2,741,117	1,638,662	1,752,834	1,124,365
Total Revenue		5,913,133	3,762,107	3,362,472	2,356,373
Gross Profit		2,057,132	1,204,716	1,445,551	926,831
Change in Fair Value Gain of Investment Property		67,202	-	49,672	-
Operating Profit		1,167,997	303,633	777,349	453,790
Change in Fair Value Gain of Investment in Subsidiary		-	-	221,101	82,688
Profit Before Interest & Tax		1,208,401	323,624	1,041,249	556,005
Net Profit /(Loss) Before Taxation		869,250	210,692	896,909	491,260
Net Profit /(Loss) After Taxation		679,332	189,482	622,067	422,192
Net Current Assets / (Liabilities)		1,253,420	364,364	1,005,871	495,560
FINANCIAL PERFORMANCE - %					
Gross Profit Ratio		34.79	32.02	42.99	39.33
Operating Profit Margin		19.75	8.07	23.12	19.26
Net Profit /(Loss) Before Taxation		14.70	5.60	26.67	20.85
Net Profit /(Loss) After Taxation		11.49	5.04	18.50	17.92
Return on Equity		29.51	8.60	27.24	17.87
Return on Capital Employed		37.00	12.31	30.59	19.84
Debt to Equity Ratio		38.16	53.12	12.58	22.34
WORKING CAPITAL RATIOS - Days					
Inventory Days		112	140	114	126
Debtor Days (for total sales)		48	53	53	48
Payable Days		31	20	25	26
Cash Conversion Cycle		129	173	142	148
LIQUIDITY RATIOS - Times					
Current Asset Ratio		1.75:1	1.21:1	2.13:1	1.55:1
Quick Asset Ratio		0.88:1	0.69:1	1.36:1	0.98:1
Interest Cover		3.91	3.27	7.66	10.04
FINANCIAL STABILITY					
Total Assets	LKR '000	6,133,824	5,024,297	5,299,966	4,402,050
Return on Assets	%	19.04	6.04	14.67	10.31
Total Liabilities	LKR '000	2,878,268	2,387,795	1,726,283	1,390,449
Shareholders' Funds	LKR '000	3,238,109	2,627,700	3,573,683	3,011,601
Non Controlling Interest	LKR '000	17,447	8,802	-	-
Total Debt	LKR '000	1,235,524	1,395,898	449,406	672,873
Equity/Assets	%	52.79	52.30	67.43	68.41
Net Debt (Cash)/Equity	%	23.99	36.98	0.24	9.68
Debt/Total Assets	%	20.14	27.78	8.48	15.29
SHAREHOLDER INFORMATION					
Shares in Issue	Number '000	162,553	162,553	162,553	162,553
Earnings per Share	LKR	4.13	1.21	3.83	2.60
Net Asset Value per Share	LKR	19.92	16.17	21.98	18.53
Closing Market Price	LKR	20.50	9.90	20.50	9.90
Market Capitalization	LKR '000	3,332,335	1,609,274	3,332,335	1,609,274
Price Earnings Ratio	Times	4.97	8.20	5.36	3.81

GROUP PERFORMANCE AT A GLANCE

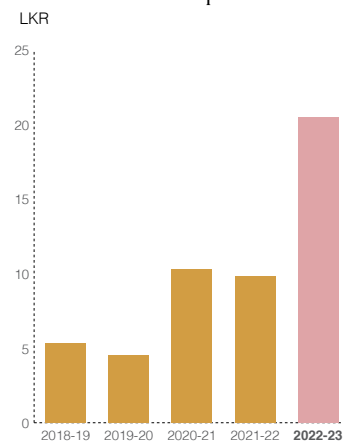
Revenue



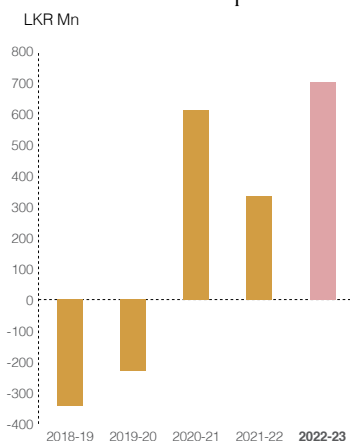
Profit Before Tax



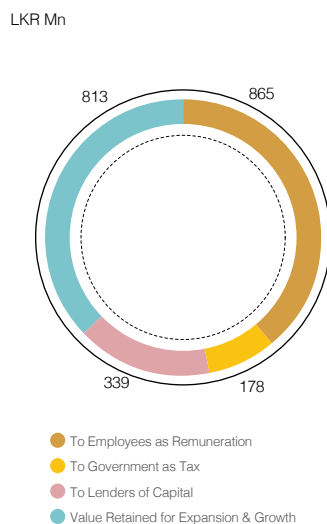
Market Value per Share



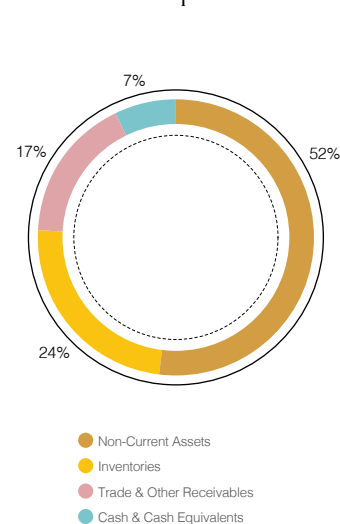
Cash Flow From Operations



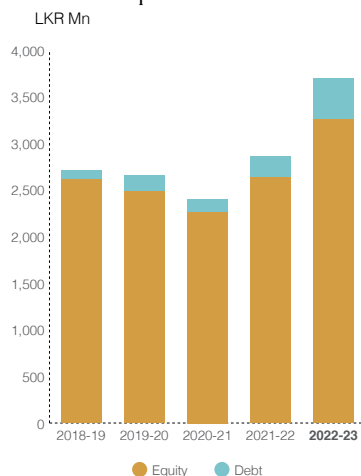
Value Distribution



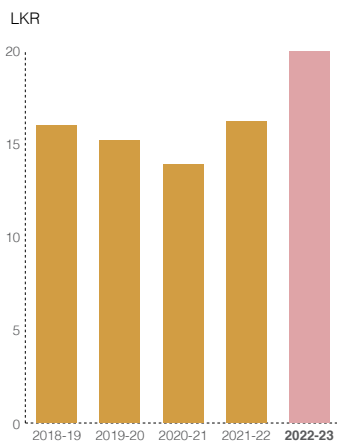
Asset Composition



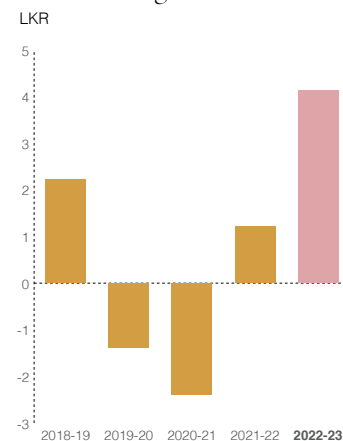
Capital Structure



Net Asset Per Share



Earning Per Share



ABOUT US



In the early 1980s, during the implementation of the Sri Lankan government's Open Economic Policy, industries experienced rapid growth and businesses flourished.

As the years progressed, the company's dedication bore fruit. By 1988, the infusion of Japanese technology, specialised employee training, and the integration of

company on the Colombo Stock Exchange. This marked a significant milestone, further solidifying its presence in the industry. Around the same time, Royal Fernwood Porcelain Limited, was established, adding to the manufacturing process of world-class porcelain ware. Later in 2014, Royal Fernwood Porcelain was acquired by Dankotuwa Porcelain PLC to expand its operation to other territories and to expand its product portfolio to more colourful and modern porcelain tableware.



Today, Dankotuwa Porcelain has evolved into a premium luxury brand celebrated by customers worldwide. Its manufacturing capabilities extend to crafting products for esteemed international tableware brands and retailers. At the core of Dankotuwa Porcelain's vision is the enhancement of people's lifestyles through exquisitely crafted porcelain products. This vision drives us to aspire to be Asia's premier manufacturer and marketer of porcelain tableware, underpinned by integrity, trust, perseverance, and innovation.

This era was characterised by abundant opportunities, prompting Sri Lankan companies to venture into regional and global markets. Against this backdrop, Dankotuwa Porcelain set sail on a journey to establish itself as a synonymous brand with upscale dining culture, eventually becoming a household name in Sri Lanka.

globally recognised Japanese management techniques marked a new chapter. This move propelled the company into the global market, gaining recognition for its timeless and contemporary collections of tableware that offered an exclusive dining experience.

In 1994, Dankotuwa Porcelain underwent a transformation by becoming a publicly listed

We are proud to be that Dankotuwa Porcelain, which has become a true global Sri Lankan brand that takes the Sri Lankan name to the world as our products are exported to many countries. For our contribution to the national economy by bringing in export revenue to the country, we have been awarded the Best Exporter Gold Award by National Chamber of Exports

in the category of Ceramic, Porcelain and Other Clay Products many times over the past years.

Further Dankotuwa Porcelain products are widely made available to local customers through our 5 exclusive showrooms strategically located in Colombo and suburbs and 200+ dealer network across the country.

The manufacturing process begins with meticulous selection and testing of raw materials, such as quartz, feldspar, kaolin, pottery stone, talc, and dolomite. These materials undergo thorough quality assurance procedures before being processed. The journey continues with the transformation of raw materials into product shapes and then glazing and firing, artistic design integration, and meticulous quality checks at each stage.

Dankotuwa Porcelain's dedication to quality and innovation has led to a diverse product range that includes more than just tableware. Dankotuwa Porcelain products are widely recognised for its pristine whiteness and exquisite designs with

precise materials such as gold and platinum. This expansion involves lifestyle products designed to cater to various needs, such as steam inhalers, porcelain water bottles, self-watering planter pots, and bathroom accessories.

The company's commitment to excellence is underscored by its pursuit of various international certifications and accreditations, ensuring the safety and quality of its products. Furthermore, Dankotuwa Porcelain takes its responsibility to the environment seriously, adopting sustainable practices and exploring renewable energy sources.

Over the years, Dankotuwa Porcelain has achieved numerous recognitions and awards, both nationally and internationally, for its outstanding contributions to the industry. As it continues to grow, the company remains dedicated to crafting perfection, enriching dining experiences, and embodying elegance through its exceptional porcelain products, all while staying attuned to evolving customer preferences and global trends.

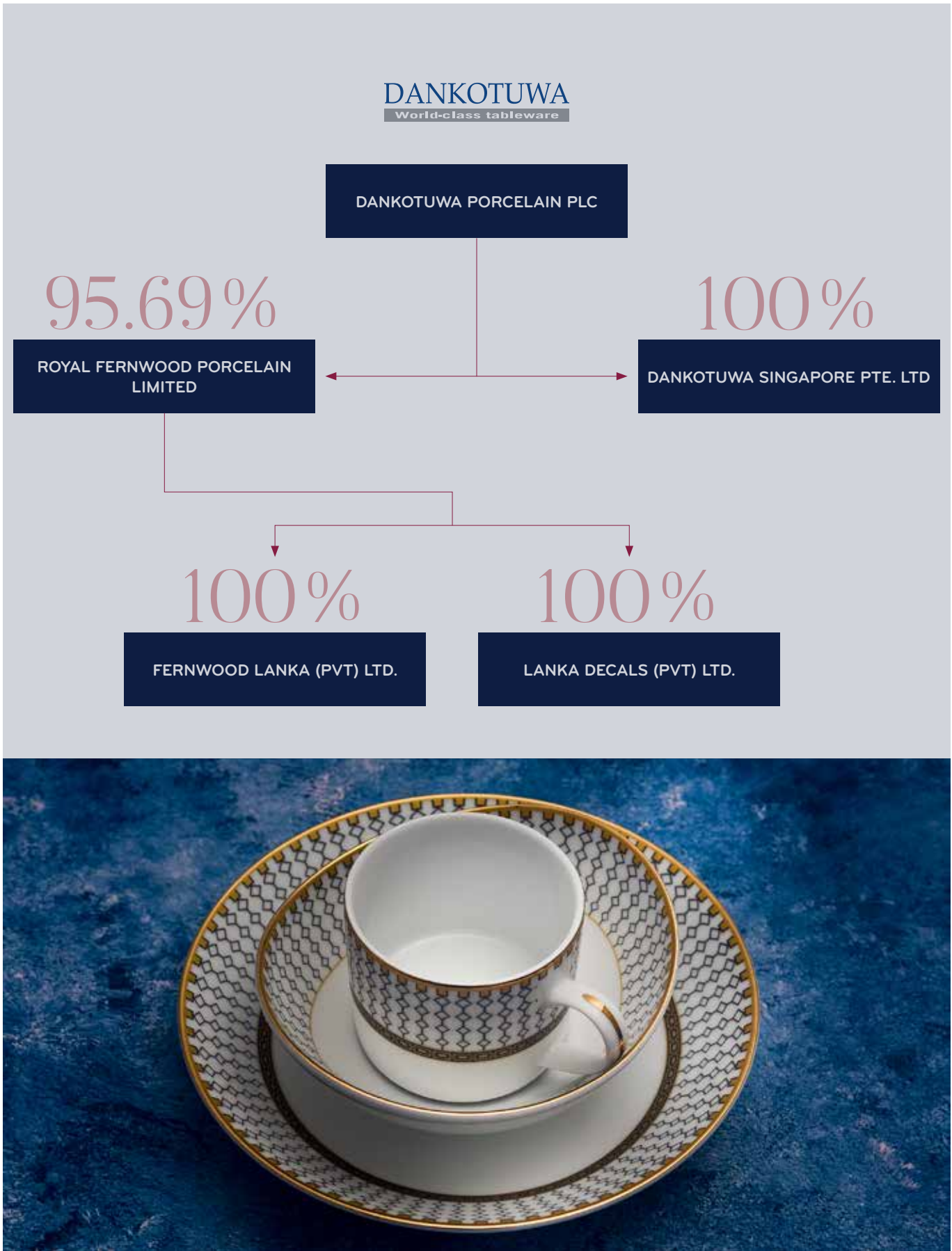


AWARDS AND ACCOLADES



1. GREAT PLACE TO WORK – ASIA'S BEST 20 LARGE WORKPLACES – 2022
2. LEADERSHIP EXCELLENCE – HALL OF FAME BY COLOMBO LEADERSHIP ACADEMY
3. MANUFACTURING CEO OF THE YEAR 2022 – CEO MAGAZINE SRI LANKA
4. NCE EXPORT AWARDS 2022 – GOLD AWARD – CERAMIC, PORCELAIN & OTHER CLAY PRODUCTS
5. BEST EXPORTER – CERAMIC, PORCELAIN & PORCELAIN BASED PRODUCTS 2021
6. GREAT PLACE TO WORK – 50 BEST WORKPLACES IN SRI LANKA 2022
7. GREAT PLACE TO WORK – BEST 10 WORKPLACES FOR MANUFACTURING IN SRI LANKA 2022
8. GREAT PLACE TO WORK – BEST WORKPLACE FOR WOMEN 2022
9. NCE EXPORT AWARD 2021 – GOLD AWARD – CERAMIC, PORCELAIN & OTHER CLAY PRODUCTS
10. GREAT PLACE TO WORK – 15 BEST WORKPLACE IN MANUFACTURING INDUSTRY 2023
11. COMPLIANCE AWARD – MANUFACTURING SECTOR BY CA SRI LANKA – TAGS AWARDS 2022

GROUP STRUCTURE





CHAIRMAN'S MESSAGE

NAVIGATING THROUGH A TURBULENT ENVIRONMENT

Dear Shareholders,

In a year that was plagued with challenges, Dankotuwa Porcelain PLC, and its subsidiary, continued to prove its tenacity and resilience by proactively responding to challenges whilst seizing opportunities to create value for stakeholders to drive profitable top-line and bottom-line growth. It is against this backdrop that I am pleased to present to you the Annual Report and the Audited Financial Statements of Dankotuwa Porcelain PLC for the year ended on 31st March 2023.

BUSINESS CLIMATE

The Sri Lankan economy plunged into a crisis in 2022 amidst a progressively worsening external financing position, a rapidly increasing sovereign debt crisis, and domestic macroeconomic pressures, including political uncertainty and social unrest. The country witnessed a rapid depreciation of the Rupee since March 2022, unprecedented inflation, a scarcity of essential commodities and disruptions to

power supply, all of which continue to have far-reaching socio-economic implications. As the crisis deepened, Sri Lanka sought support from the International Monetary Fund (IMF) for an Extended Fund Facility (EFF) arrangement in September 2022. On 20th March 2023, the IMF approved a facility of USD 2.9 Bn to be disbursed bi-annually over a period of two years.

Along with the EFF, the Government set about restoring macroeconomic stability through a series of unavoidable but painful measures. This included cost-reflective pricing in fuel and power, extremely high-interest rates to curb inflation, import restrictions and sharp currency depreciation to bring the balance of payments under control and a significant increase in taxes to correct an unsustainable fiscal position. These measures have affected all citizens, the private sector thus both the Company and its subsidiary. Yet, they were essential given the country's unprecedented economic crisis and, indeed, the economy now appears to have stabilised.

The Group's operations were impacted by these developments. Inflationary pressures lowered the disposable income of consumers, impacting demand, and had implications on manufacturing costs and margins. The combined effect of increases in Value Added Tax (VAT) and the introduction of the Social Security Contribution Levy (SSCL) resulted in the Group being compelled to increase the prices of its products sold in the domestic market.

PERFORMANCE DURING THE YEAR

Despite the significant challenges faced, the Company, and its subsidiary, emerged stronger during the year, recording revenue growth of 43% and 80%, respectively. Overall margins improved while EBITDA too increased by 73% in Dankotuwa Porcelain whereas in respect to Royal Fernwood it has exceptionally improved from negative LKR 105 Mn to positive EBITDA of LKR 464 Mn. Pre - Tax profit of the Company and its

CHAIRMAN'S MESSAGE

"DANKOTUWA PORCELAIN PLC AND SUBSIDIARY: DEMONSTRATING RESILIENCE, SEIZING OPPORTUNITIES, AND DRIVING PROFITABLE GROWTH AMID CHALLENGES"

subsidiary also increased to LKR 897 Mn and LKR 201 Mn, compared to 2021/22 PBT of LKR 491 Mn and negative PBT of LKR 198 Mn respectively.

Group revenues increased to LKR 5.9 Bn, representing an 57% increase over the previous year. The rise in revenue resulted in a higher EBITDA and a Pre – Tax profit – both of which grew from LKR 435 Mn to LKR 1,305 Mn and LKR 211 Mn to LKR 869 Mn, respectively. Furthermore, earnings per share increased to LKR 4.13. The Company's share price closed the year at LKR 20.50. This commendable performance amidst an unprecedented operating environment is a true testament to the robustness of the articulated strategy and the agility of the structures set to effectively respond to and drive change while maintaining flexibility and focus. The performance also reflects the tenacity and resilience of our people and an unrelenting focus on a win-win model, driven through value creation, centred on building partnerships with external stakeholders, including suppliers and customers and internal stakeholders.

During the year, we also shifted to local suppliers for many of our imported raw materials, effectively supporting the Government's efforts to save much-needed foreign currency. Meanwhile, by continuously improving our employee value proposition and responding to the evolving needs of the labour market, we also continue to take tangible action to address the concerning trend of labour migration from the country and labour turnover.

GOVERNANCE

The Company and its subsidiary's governance structures, policies and processes are aligned with the best practices dictated by its ultimate parent

company, Ambeon Capital PLC. The framework, which encompasses these best practices, 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 identified risks faced by the Company and its subsidiary and implemented mitigating controls.

Across the year, the Internal Audit continued to assess the process followed and checked the effectiveness of the mitigating controls instituted by the Management. The External Auditors continued to evaluate the integrity of financial reporting and related Internal Controls. The Board considers the governance procedures in place to be appropriate but is nevertheless open to improvements and welcomes shareholder feedback.

OUTLOOK

The operating environment is expected to remain challenging in the short to medium term amidst the ongoing impact of the economic crisis in Sri Lanka. Recent upward revisions to income tax rates and inflationary pressures are likely to continue to impact disposable income levels and by extension, demand for products while increasing pressure on margins. Nevertheless, remain optimistic about the economy's prospects in the medium term given the ongoing reforms initiated by the Government.

On the export side, whilst volumes did drop in the current financial year, we are confident of increasing our volumes given that the porcelain tableware industry will likely grow at 6.3% annually. The spending on research and development continues to increase in developing environmentally-

friendly products, while the Group continues to expand its offerings to meet the needs of household and social dining without losing sight of the demand for casual dinnerware among young consumers. Moreover, the partnerships forged, and the alliances would certainly help to grow our export market.

The Group remains equipped to navigate the path ahead. The last two financial years have provided invaluable lessons in responding to disruptions in an agile and proactive manner, as amply demonstrated by the commendable performance achieved during the current year. Meanwhile, by enhancing our employee value proposition, we will continue to develop a workforce geared to steer the Group towards a progressive tomorrow.

ACKNOWLEDGMENTS

On behalf of the Board, I place on record my deep appreciation to the management team and staff for their untiring efforts, commitment, and drive. The foresight and dedication they demonstrated during an extremely challenging year were exemplary.

The Board also joins me in extending our appreciation to our valuable shareholders and stakeholders who continue to support and encourage us to reach greater heights as an organization. Finally, my appreciation goes to my colleagues on the Board, whose advice and guidance were invaluable during a most challenging year.

(Sgd.)
Yudy Kanagasabai
Chairman

28 August 2023



CHIEF EXECUTIVE OFFICER'S REVIEW

THROUGH THE CONCEPT OF COLLECTIVE LEADERSHIP, WE RECORDED AN EXCEPTIONAL PERFORMANCE WITH THE REVENUE OF LKR 5.9 BN (57% GROWTH) AND A PROFIT AFTER TAX OF LKR 679 MN (259% GROWTH) WHICH IS THE HIGHEST IN THE HISTORY.

Dear Stakeholders,

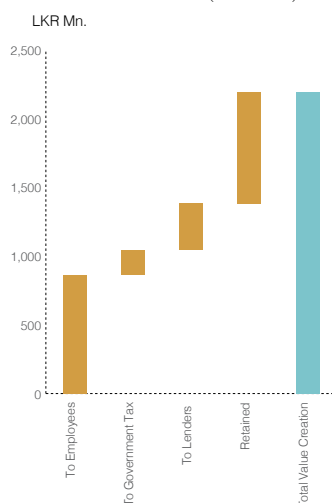
It's my pleasure to present, the Annual Report and Audited Financial Statements of Dankotuwa Porcelain PLC, for the financial year 2022/23.

As a Group, Dankotuwa Porcelain PLC achieved a turnover of LKR 5.91 Bn, surpassing the revenue of LKR 3.76 Bn reported in the previous financial year. Supported by the 57% increase in turnover, the Group marked a 71% increase in Gross Profit achieving LKR 2.06 Bn. The Group achieved a Profit Before Tax (PBT) increase of 313% to LKR 869 Mn including LKR 67 Mn fair value gain from investment properties, while Profit After Tax (PAT) increased by 259% to reach LKR 679 Mn against LKR 189 Mn reached in the previous financial year.

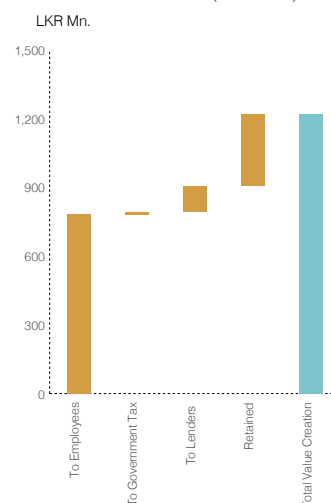
CULTURE OF COLLECTIVE LEADERSHIP

We believe great results achieved by any organisation reflect the collective efforts of all employees. Therefore, we have taken this premise a step further with our own approaches to a "Culture of Collective Leadership". As a result, six team members from cross functional teams are given the responsibility of managing the Company for a period of 2 months, each year. There were 36 team members within the overall Collective Leadership team, selected through a bidding process, due to higher demand; hence members who are known to be better value creators had a higher opportunity of being appointed to the team of Collective Leadership. The team was given the authority to strategise, plan and ensure the implementation of all activities within the allocated time period. This

Value Distribution
LKR 2,195 Mn (2022/23)



Value Distribution
LKR 1,218 Mn (2021/22)



created a sense of belonging and a higher commitment to achieving expected results.

Over the past year, we have witnessed the transformative power of this concept as it has fostered a culture of collaboration and inclusivity, enabling every individual within our organisation to contribute their unique, but latent talent and perspectives to drive our Company's performance. The performance achieved is a result of this culture of collective leadership, built throughout the organisation.

At its core, Collective Leadership is founded on the belief that everyone in the organisation has a vital role to play in shaping its destiny. This philosophy permeates every aspect of our operations, ensuring that decision-making is not

confined to a select few, but rather, democratised and distributed throughout the organisation. With this culture of empowerment, employees at all levels actively participated in the decision-making process; thereby, we have tapped into a vast reservoir of knowledge, insights, and innovative ideas that might have otherwise remained unused.

The benefits of the culture of Collective Leadership have been far-reaching. By bolstering the collective intelligence of our workforce, we have seen a marked increase in the quality and creativity of solutions put forth. Diverse perspectives and ideas have converged, resulting in more robust and well-informed decisions. Our employees have been more engaged, motivated, and accountable, knowing that their voices are



CHIEF EXECUTIVE OFFICER'S REVIEW

"OUR 'CULTURE OF COLLECTIVE LEADERSHIP' INITIATIVE HAS SPARKED COLLABORATION, ENGAGEMENT, AND INNOVATION AMONG EMPLOYEES, PROPELLING OUR ORGANIZATION'S SUCCESS AMIDST CHALLENGES AND DYNAMIC MARKET CONDITIONS, WHILE UPHOLDING CORE VALUES AND PRIORITISING EMPLOYEE WELL-BEING."

heard, and their contributions are valued. This heightened sense of ownership has translated into improved individual and team performance, driving the overall success of our organisation.

It is important to acknowledge that fostering Collective Leadership requires a commitment to fostering our values of being Creative & Innovative, having Integrity & Trust, Great Attitude, Perseverance, and being Committed & Accountable as well as Learning & Growing Together. By nurturing a work environment that encourages collaboration and celebrates diversity, we have cultivated a sense of unity and purpose that resonates throughout the organisation.

The culture of collective leadership was invaluable than ever in steering the organisation through the national and global socio-economic conditions that persisted across the year.

REFLECTIONS ON NATIONAL AND GLOBAL ECONOMIES

In retrospect, having pulled through a global pandemic, the nation was skewed towards its most crisis-ridden year since independence. The economic hardships of 2022 led to social discontent on a massive scale. Several factors played a hand in the economic crisis, such as free float exchange rate adjustments, substantial debt payments amidst dwindling foreign reserves and a wide fiscal account deficit. The economy was impeded by a dearth of foreign exchange liquidity, overshooting inflation amidst a defaulted debt payment announced in April 2022. The default, along with the country's unsustainable debt levels, caused the downgrading of the sovereign credit rating - blurring the prospects of foreign financing sources.

The results of these were acute shortages and rationing of essentials, such as fuel and gas, and power outages to curtail energy expenditure. Amidst the crisis, the Central Bank adopted policy measures to rein in the uncontrollable economic downturn by restraining previously accommodative monetary policies while taking strides to ensure foreign currency inflows. Consequently, substantially raised interest rates affected citizens while the market-determined exchange rate led to excessive depreciation of the local currency. Subsequently, the State successfully concluded discussions with the IMF to secure a bailout package, resulting in a staff-level agreement for an Extended Fund Facility (EFF) in March 2023. Nonetheless, the best indicator that reflects the economic downturn is the GDP contraction of 7.8% and spiralling inflation, which peaked in September of 2022, marking a headline inflation of 69.8%.

The global economy is projected to contract from 3.4% in 2022 to 2.8% in 2023. The outlook remained uncertain across the period being reviewed, as high inflation, the effects of the Russia-Ukraine war and the lagging effects of COVID-19 prevailed. Many central banks tightened monetary policies to thwart inflation from accelerating. Higher interest rates became common across the world in an effort to fight inflation.

ACCELERATED PERFORMANCE AMIDST VOLATILITIES

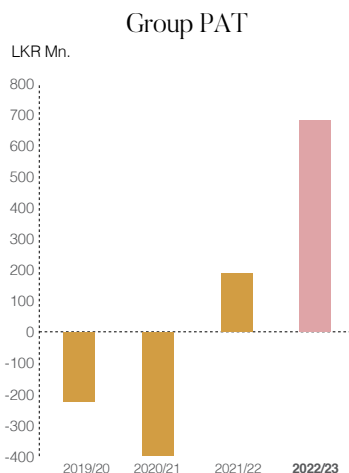
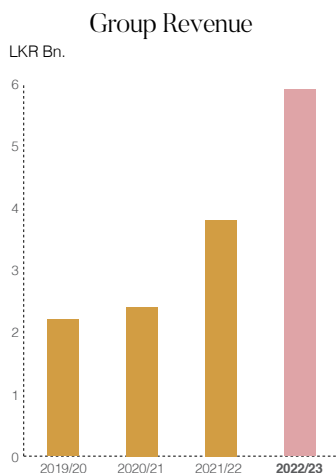
Amidst the volatilities of the year, as a Company we recorded a PBT of LKR 897 Mn, reflecting a commendable growth of 83% from the previous year's PBT of LKR 491 Mn. The Company recorded a PBT of LKR 626 Mn after excluding fair value gains and resulted in a profit margin of 19%. PAT of Dankotuwa

Porcelain as a company increased to LKR 622 Mn from the previous PAT of LKR 422 Mn creating and delivering value to our shareholder. Furthermore, Gross Profit increased by 56% to LKR 1.45 Bn in 2022/23 from LKR 927 Mn reported in 2021/22.

The growth in Gross Profit and PBT resulted from an increase in overall revenue amidst a global recession and reduced national spending in addition to an influx of domestic volatility. As a Company, total revenue marked a 43% increase, bringing the total up to LKR 3.36 Bn surpassing the previous year's revenue of LKR 2.36 Bn. National sales had a higher contribution to overall earnings, reporting a total of LKR 1.75 Bn for 2022/23, while export revenue totalled LKR 1.61 Bn recording a 15% reduction in USD terms compared to the previous year. Furthermore, contrasting our previously high borrowings, we settled LKR 223 Mn in loans between the two corresponding financial years. Dankotuwa Porcelain PLC as a Company is now debt-free, after considering the fixed deposit and the available cash balances, which is a remarkable achievement in terms of the Company's cash position.

The growth in PBT comes after a year of confronting high expenditure due to inflation and higher importation costs, especially with escalating gas, fuel and energy prices, interests and raw material costs. The gain reported from LKR depreciation was mostly set off due to the above cost increases. This worsened with the announcement of a significant corporate tax hike to 30%. However, the year-end outcome contrasted these concerns and reflected prudent financial management and better revenue.

Our subsidiary, Royal Fernwood Porcelain Ltd, achieved overall revenue of LKR 2.56 Bn, surpassing LKR 1.42 Bn from the previous



year. Export revenue reached LKR 1.56 Bn while National Sales channels recorded revenue of LKR 997 Mn. Consequently, the company marked an improvement in its PAT, recording a PAT of LKR 201 Mn from a loss of LKR 158 Mn in 2021/22.

As a Group, Dankotuwa Porcelain PLC achieved a turnover of LKR 5.91 Bn and Gross Profit of LKR 2.06 Bn. PBT & PAT of the Group amounted to LKR 869 Mn and LKR 679 Mn, respectively. The commendable profits of Dankotuwa Porcelain PLC and Royal Fernwood Porcelain Ltd contributed towards this impressive financial performance.

STRATEGIC PURSUITS OF THE YEAR

Our overall strategy for the year is defined in line with a 3-year corporate plan, of which key components are: fair treatment for all stakeholders while keeping employee satisfaction as a core, a collective decision-making process, living our values and driving to achieve our common vision.

The global economic slowdown had a considerable adverse impact on business emanating from the US and European markets, with some of our more lucrative business taking a negative impact. Consequently, we took the pragmatic decision to concentrate on countries with lesser impacts from the global recession, such as India and the UAE. Our focus was to monitor global porcelainware markets, especially countries

that bore fewer economic impacts from the global economic downturn. As such, our focus on India and UAE proved to be an effective strategy for 2022/23. Even though we witnessed a reduction in the dollar value of export revenue for 2022/23, better concentration on more profitable customers and products has contributed to the overall performance reported.

For National Sales, the year became extremely challenging, given the macroeconomic volatilities and political instability. As tourist arrivals waned in the first half of 2022, the situation impacted our business in the HoReCa segments while reducing the number of foreign tourists to our retail outlets. In compensating for this unfavourable turn of events, we focused strongly on local consumers – with more focus on attracting the right buyers. Nevertheless, in strengthening our local business volumes and values, we managed to increase our dealer network while increasing business from our corporate clientele. We also expanded our presence regionally, as envisaged in the previous financial year – especially to the Northern and Eastern parts of the island.

Due to the above local expansions, overall National Sales of Dankotuwa Porcelain PLC witnessed a 56% increase, with business from dealers growing by 83% and business from B2B clients increasing by 50%. Through increased efforts, Royal Fernwood Porcelain Ltd achieved 89% increase in its overall National Sales value, which includes a 221% increase in B2B sales and a 166%

increase in showroom sales. Moreover, business from the subsidiary's dealer network increased by 90%.

In terms of our manufacturing strategy, the major focus was on developing attractive designs, complex shapes and reactive and colourful glazes, offering more value-added and competitive products for our customers. Product innovations continued to advance our tableware and non-tableware portfolios. Our research and development team combined their expertise in design, market trends and customer preferences to bring out innovative product shapes and designs. One such design was the hexagonal-shaped matt black tableware set, which was nominated to the list of most innovative design award in the recently concluded Ambiente 2023, the World's largest tableware show held in Germany.

PEOPLE SHAPING THE NUMBERS

At a time when all odds were stacked against businesses in Sri Lanka, especially those within the manufacturing sector, our teams worked prudently to find solutions to challenges. Across the year, our staff worked around the rising cost of materials and energy, which became substantial due to the rupee devaluation that raised import prices.

Our production teams worked tirelessly and found solutions to appease time-critical productions while controlling costs proactively. Our R&D team worked towards creating innovative products to expand both tableware and non-tableware portfolios while meeting customer requirements through various designs. The management and executive staff worked prudently to ensure operational profitability with an eye on strategic objectives, especially in market expansions, product diversifications and financial management.

The accelerated performance of the year is a result of the client-partner relationships we have built and nurtured over the years. Our relationships with our clients go beyond transactional agreements, as we partner with them to create shared value. These partnerships are not solely based on sales but include product development efforts. At every possible point, we strive to work alongside our clients and channel partners to research and identify trends that work well in numbers. Further, partnerships

CHIEF EXECUTIVE OFFICER'S REVIEW

formed with international designers from the perspective of customers have enabled us to obtain their expertise in design capabilities while focusing on product development as a team.

During the year, we formed the foundation for creating strategic partnerships with our suppliers, commencing with gold and platinum suppliers, to secure the best prices, better terms of credit and products to maintain the highest standards in quality, design and durability.

In summation, we practise a win-win strategy with all stakeholders, which demonstrate a commitment to creating positive outcomes for everyone involved. We prioritise customer satisfaction by offering high-quality products and exceptional service while maintaining fair pricing. The company values its employees, providing a supportive work environment and by recognising their contributions.

Shareholders are considered with a focus on sustainable growth and transparent communication. Moreover the Company fosters strong partnerships with suppliers, ensuring mutual benefits and efficient collaborations. In addition to these, we actively engage in corporate social responsibility, benefiting communities and promoting environmental sustainability. The company complies with regulations and co-operates responsibly with government authorities. Even in a competitive landscape, the Company plays fair, avoids unethical practices, and explores collaboration opportunities with competitors when mutually beneficial. Overall, our approaches emphasize trust, cooperation, and long-term relationships, which ultimately lead to a successful and sustainable business model.

REWARDING PERFORMANCE AND NURTURING OUR PEOPLE

As a responsible employer, we maintained our commitment to employee growth and well-being. Other than providing market driven remuneration and other benefits, we invested in employee well-being. As such, health became a core area where we have spent much time and funding. During the year, we organised medical camps for staff and their families. Health checkups to detect non-communicable diseases became a priority, as we provided employees with free medical checkups and follow-ups.

In 2022/23, we established the DPL Academy, registered with the Tertiary and Vocational Education Commission, allocated entirely for the growth of our employees. Staff undergoing training will receive a TVEC-approved certification upon completion. The Academy will work to enhance employee development through general and focused training programs. This was apart from tailored training programs for production staff, administrative departments and the management.

Recognised for fairness, where each employee receives opportunities to enjoy a stable and supportive work environment, Dankotuwa Porcelain PLC secured recognition as one of the Best Workplaces to work in Sri Lanka, one of the Best Workplaces in Manufacturing and Production for 2022-23 and ranks within the first 20 on the Best Workplaces in Asia in 2022, as certified by Great Place to Work® (GPTW) Sri Lanka. Dankotuwa Porcelain PLC achieved this status for the second consecutive year, demonstrating the success of our measures towards a great employee experience. The results of the GPTW survey surpassed the score of 2022, earning an exceptional score of 99% on several dimensions of people management. Royal Fernwood Porcelain Ltd, for the first time in its history also secured a spot as one of the Best Workplaces in Manufacturing and Production for 2023, reflecting employee pride and positive engagements within the Company.

SUSTAINABILITY AND THE TRIPLE BOTTOM LINE

As a socially responsible business, we at Dankotuwa Porcelain understand the value and importance of sustainability, environmentally, socially and economically. This year we have laid the foundation for a robust journey of sustainability with the help of external expertise.

In 2022/23, Dankotuwa Porcelain sought the help of the University of Peradeniya to draft a well structure and well-phased sustainability roadmap which will span for next 3 years. In parallel Royal Fernwood Porcelain also started the sustainable journey in connection with the University of Sabaragamuwa. The aim is to inculcate a culture of sustainable practices with consideration of triple bottom line which is social, economic and environmental impacts.

As a manufacturer, we have a greater task of being accountable for our actions. Hence, resource efficiency and cleaner production (RECP) will be pursued across the manufacturing process. Supporting this quest, we have commenced monitoring and managing our energy, material and gas consumption and solid waste management. In the near term, we will further improve waste reduction as we continue to find new and improved ways of reusing waste material and optimising the use of energy while simultaneously establishing actions to minimise and eliminate points of waste. Measures to quantify our carbon footprint are also part of the agenda as we take gradual steps toward the long-term success of environmental, social and governance (ESG) efforts.

Social sustainability is etched into our sustainability roadmap as we continue to take active measures to elevate the lives of our employees and individuals within society. During the year, our main focus was on helping students in rural schools and low-income villagers who were largely vulnerable to food scarcity and other economic hardships. Alongside environmental and social sustainability, our focus on economic viability remains a top priority. Despite external complexities, we continued to create economic value through increased cohesive participation of all stakeholders both locally and internationally.

THE FUTURE

As of now, we can see positive changes in the external environmental factors, such as disinflation and the reduction in interest rates. The financial year 2023/24 commenced amidst a strengthening LKR while Sri Lanka anticipates a better external sector, including higher tourist arrivals in the coming year.

We will continue to follow our three-year strategic plan, aiming for more expansions and growth within the international and local markets. We will continue to monitor export markets to ascertain how desired countries fare economically. Once prospects turn considerably favourable, we will pursue marketing efforts and expansions in the USA, Europe, and Scandinavian markets to increase the number of countries and clients we serve.

"OUR TEAM'S PROACTIVE SOLUTIONS, COLLABORATIVE CLIENT PARTNERSHIPS, STRATEGIC SUPPLIER RELATIONSHIPS, AND ETHICAL PRACTICES DRIVE OUR SUCCESSFUL AND SUSTAINABLE BUSINESS MODEL."

Our international marketing team will play a crucial role by taking extended strides to establish our presence in lucrative markets while pursuing strategic partnerships with retail brands, trading partners and within the hospitality industry of prospective markets. In this regard, our relationships with new international designers will enable product development in line with specific regional and global consumer trends and tastes.

Our focus on the domestic market remains the same and we are committed to offer better service to our local customers through increased and rationalised dealer network. And we will also look through expanding our showroom network as well.

Bolstering production capabilities is an ongoing focus. By enhancing the efficiencies of machinery and equipment, we will continue to increase capacities and where necessary, make investments in fixed assets. Our focus will also align with integrating common functions between Dankotuwa Porcelain PLC and Royal Fernwood Porcelain Ltd.

Sustainability will be strongly pursued across the next financial year, as we have set specific targets on sustainability practices – especially in increasing the value-driven actions towards the environment and the community. The sustainability roadmap will act as a guide in achieving our targets while enabling us to adopt international best practices that will help achieve the ISO 14001 standards.

As we move forward, we continue to remain steadfast in our commitment to building a culture of Collective Leadership. We recognize that our collective strength lies in the shared expertise and passion of our entire workforce. By further amplifying the voices of our employees and embracing their diverse perspectives, we are confident that we will continue to drive innovation, deliver exceptional results, and improve our position in the industry.

Further, we will continue to prioritize our employees and invest in their success. Their passion, expertise, and unwavering dedication will remain the cornerstone of our achievements. We are committed to fostering a supportive and empowering workplace that enables our employees to thrive, ensuring that they continue to contribute to our collective success.

ACKNOWLEDGMENTS

Prudence and resilience drove the actions of our team across the year; as a result, achievements starkly contrast the bleak concerns we had for the year. Therefore, I am thankful to the Chairman and the Board of Directors for being swift with decisions and prudent in judgements; and I also convey my gratitude to the management at Ambeon Holdings PLC for their steady guidance and expertise.

I am immensely grateful to my team for driving the Group towards better financial performance through one of the toughest years in Sri Lankan history. I am thankful to the management and staff of both Dankotuwa Porcelain PLC and Royal Fernwood Porcelain Ltd for their mindfulness in matters of utmost importance and for working as one family towards the year's successful completion.

I extend a sincere note of appreciation, to all our customers, for being the inspiration behind our products and for giving them due recognition – as world-class tableware. I am grateful to all our local and foreign clients and partners, international design partners for maintaining genuine partnerships with us. Moreover, contributions from our local and foreign suppliers and financial institutions were invaluable in achieving the year's positive outcomes, hence, their support remains greatly appreciated.

I take this opportunity to admire the proactive economic measures initiated by the Government of Sri Lanka – to reach the present stable economic condition despite the challenges that prevailed across the year.

Finally, the success of Dankotuwa Porcelain PLC lies in the strength of our employees and strong win-win partnership of our strategic business partners, who have assisted the Group to face the challenges with utmost confidence. I am excited about the future of our Group, and I am confident that we will continue to achieve great things together.

(Sgd.)
Channa Gunawardana
Chief Executive Officer

28 August 2023



BOARD OF DIRECTORS



YUDHISHTRAN (YUDY) KANAGASABAI

**Chairman/Non-Independent
Non-Executive Director**

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 MainGate (Private) Limited. He is also a Non – Executive Director of Cargills Food Company Limited, Cargills Bank Limited, Ambeon Capital PLC, 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.

Yudy Kanagasabai is a Fellow of the CA Sri Lanka.



RANIL PATHIRANA

**Deputy Chairman/Non-Independent,
Non-Executive Director**

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.

Ranil 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 Jayewardenepura.

BOARD OF DIRECTORS



REVANTHA DEVASURENDRA

Non-Independent, Non-Executive Director

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 Revantha 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.



ROHAN PERIS

Independent Non-Executive Director

Rohan 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.

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



SHALIKE KARUNASENA

Independent, Non-Executive Director

Shalike 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.

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 Millennium IT ESP, Eon Tec (Pvt) Ltd, Dankotuwa Porcelain PLC., Royal Fernwood Porcelain Limited, Taprobane Capital Plus (Pvt) Ltd, Colombo City Holdings PLC and Sherwood Capital (Pvt) Ltd as a non-Executive Director.

His illustrious career includes serving Colombo City Holdings PLC as its Executive Director/Chief Executive Officer, Dankotuwa Porcelain PLC as its Chief Executive Officer, Millennium IT ESP as Executive Director, Browns Hospitals Limited (currently known as Melsta Hospitals) as Director/Chief Executive Officer and Hemas Hospitals as the Chief Operating Officer.

He has also been serving the Australian Council on Healthcare Standards International (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 a Master of Science (Finance and Management) from Keele University UK. In addition, he is a Fellow Member of the Chartered Institute of Management Accountant (CIMA) UK, a Chartered Global Management Accountant (GGMA) UK and a Certified Practicing Accountant (CPA), Australia.

SENIOR MANAGEMENT



**CHANNA
GUNAWARDANA**

Chief Executive Officer



**MIYURU
RAJAPAKSHE**

Senior General Manager - Operations



**JAGATH
RAJAMANTHRI**

General Manager - Operations
(Royal Fernwood Porcelain Limited)



**SAROJ
RANATHUNGA**

Chief Financial Officer - Porcelain Cluster



**HASITHA
KURUKULASOORIYA**

Chief Financial Officer



**VINOBA
SENAVIRATHNE**

Deputy General Manager - Operations



**HARENDRA
RANASINGHE**

General Manager - International Marketing



**SURESH
SEBASTIAN**

Asst. General Manager - Channels & Operations



**PRIYANTHA
MEDAGODA**

Senior Manager - Printing and Decoratedware Plant



**DINUKA
RASHANGA**

Senior Manager - Human Resources

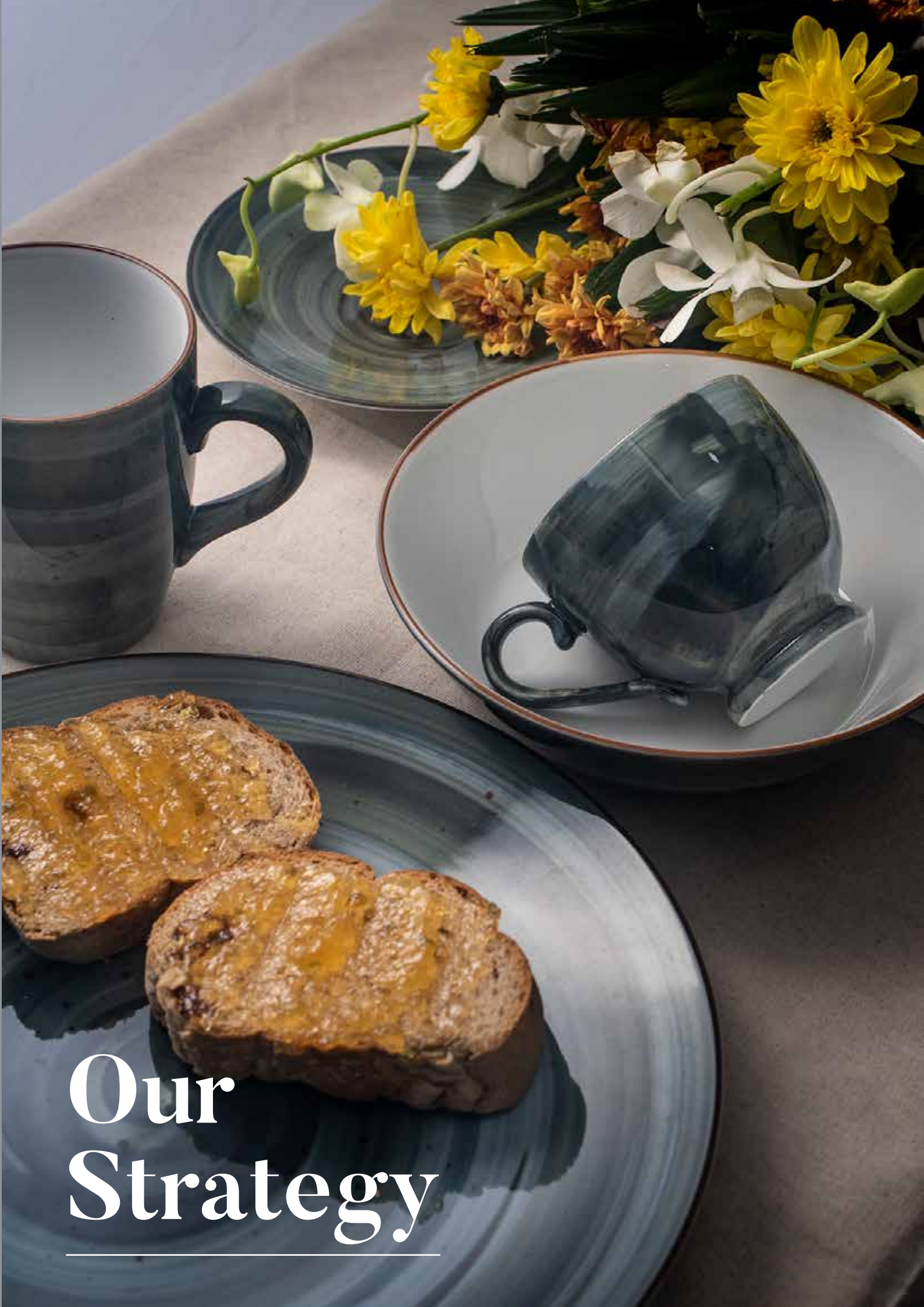


**NUWAN
ILLANGASINGHE**

Manager - IT

OUR STRATEGY KEY PAGES

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Our Strategy	Sustainability Journey	Economic Value Addition (EVA)	Value Creation Model



Our Strategy

OUR STRATEGY

STRATEGIC FOCUS

The Group is focused on achieving its core objectives while balancing commitments towards sustainability. Based on the Group's vision, mission and an analysis of its internal operating environment, a decision was taken to be a differentiator that offers premium products. The overall direction is to capitalise on internal capabilities of both companies of the Group while adapting them to meet international and local consumer needs, as well as those of other stakeholders.

The strategic focus is separated along the dimensions of national sales and international marketing. Further, we have adopted objectives to optimise manufacturing capabilities and people & sustainability.

NATIONAL SALES STRATEGY OVERVIEW

Strategic focus	Objective	Strategy	Progress during 2022/23
Market Share	Increase market share as per the corporate plan and maintain market dominance	As per the strategies derived in the sales channels, product and brand	Total national sales increased by 56% for DPL and by 89% for RFPL.
Sales Channels	- Increase sales from all local channels by focusing on key market segments. - Predominant focus will be on showroom sales growth, corporate sales along with efforts to expand dealer network. - Maximise sales from tourism-based showrooms. - Establish E-Commerce channel to grow widely	Showrooms - Investments in showroom improvements and expansions - Develop a mechanism to access the tourist touch points in the country Dealers - Carry out a dealer rationalisation process - Expand dealer network across the country Corporate - Introduction of new product range for the sector E-Commerce - Development of own E-commerce site	- Comprehensive understanding of the Sri Lankan porcelain market through an independent market survey. - Automation of the order acceptance and tracking process for dealer sales
Product	- New ranges/collections to each market segment - Product rationalisation process - Introduce products that match consumer lifestyle	- Carry out a market survey to identify customer preference on products - Collaborations with recognised local designers - Pricing strategy based on each channel segment - Strengthen the R&D facility	- New product ranges were introduced to the market - Innovative products launched in the non-tableware category - Commenced the product rationalisation process
Brand	- Achieve brand equity of Dankotuwa, Royal Fernwood and Laklain brands - Achieve ideal brand positioning	- Design a new brand architecture based on the brand survey. - Continuous concentration on brand enhancement activities	Completed the brand survey

INTERNATIONAL MARKETING STRATEGY OVERVIEW

Strategic focus	Objective	Strategy	Progress during 2022/23
Market Share	Increase USD sales to achieve the corporate plan	As per the strategies derived under market trends, concentration and brand	RFPL maintained the USD revenue compared to last year whereas there is a drop in DPL USD revenue
Market Trends	Identify global market trends	- Conduct a market survey to identify the trends - Be in continuous touch with key retail customers to identify the movements in trends - Strengthen R&D capabilities in colours, shapes, designs and material used in products - Partnership with international designers	- Obtained market survey results - Collaboration agreement with world renowned designers - More customised products introduced during the year
Market Concentration	Concentrated trends on 10 key markets	- Market growth strategies to existing markets - Market penetration strategies for new markets - Restructuring international marketing team for better focus	- Agents appointed for several key countries - Dedicated resource allocation by the international marketing team
Brand	- Increase global brand presence - Re-positioning of the Dankotuwa brand in the global market	- Launch of a global high-end brand - Participate in key fairs and exhibitions - Establish international collaborations - International-level branding campaign	- Participated in key fairs and exhibitions - Established collaborations with international designers

MANUFACTURING STRATEGY OVERVIEW

Strategic focus	Objective	Strategy	Progress during 2022/23
Capacity	Increase production volume	- Optimise existing resource utilisation - Invest in new machineries	Overall increase of 12% production capacity across the Group
Product	Periodic and frequent introduction of ranges with high value additions	- Strengthen new product development capabilities - Invest in required technology	- Introduce many innovative products including hexagonal porcelainware set - Introduction of various non-tableware products
Production Cost	Achieve competitive production cost	- Investment into energy efficient gloss kiln - Investment into productive forming machinery - Factory mechanisations and process automations - Obtain competitive prices for materials	- Commence the evaluation of options for kilns and machinery - R&D trials are being conducted to increase the utilisation of local raw materials

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Our Strategy

Business Context

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Leadership and Accountability

Financial Information

OUR STRATEGY

MANUFACTURING STRATEGY OVERVIEW

Strategic focus	Objective	Strategy	Progress during 2022/23
Quality	• Increase products quality to reduce second grade	• Continuous process improvement • Investment in new technology and machinery • Multi skilling of staff	• Notable reductions in damaged units and rejected products
Lead Time	• Better lead time for new product development and commercial orders	• Carry out value stream mapping to improve the process efficiency • Move into 3D printing technology for new product development	• Commenced value stream mapping process

PEOPLE AND SUSTAINABILITY STRATEGY OVERVIEW

Strategic focus	Objective	Strategy	Progress during 2022/23
Team	• Attract and sustain a high performing team	• Continuous training • Better reward and recognition • Consistently maintain recognition as a Great Place to Work	• The launch of the DPL Academy • Commenced the concept of Collective Leadership for team improvement • Achieved Great Place to Work certification
Sustainability	• Drive a sustainable culture	• Work with external expertise to develop sustainable strategy • Achieve ISO 14001	• Sustainability journey commenced in 2022



SUSTAINABILITY JOURNEY

Sustainability underscores the fulfilment of present needs without compromising the needs of future generations. Ensuring this has become immensely challenging due to accelerated climate change effects and widespread resource depletion. However, more than any other factor, sustainable development needs to be pursued; this underlines the need for an integrated approach when considering the economic, social and environmental implications of our actions. Therefore, inclusive and holistic efforts are needed to ensure that our actions make positive contributions to these three aspects.

As a large-scale manufacturer with substantive use of natural resources and energy consumption, we believe that growth and profitability must not come at the expense of the environment and our communities. Therefore, we strive to take proper and viable measures with maximum impact to ensure positive ramifications on society, the environment, and the economy.

Therefore, adopting clear approaches to sustainable development will ensure positive outcomes – contributing towards a better future for all.

OUR SUSTAINABILITY APPROACHES SEEK TO FULFIL:

- **Social sustainability** – Managing the impacts of our business (positive and negative) on people and society as a whole; we seek to create value for all our stakeholders and a better future for all. *(Please refer social and relationship capital report on pages 92 to 100 for more details)*
- **Environmental sustainability** – Monitoring and managing the impact of our activities on the natural environment, with a view to reducing or eliminating negative impacts *(Please refer the natural capital on pages 102 to 107 report for additional details)*
- **Economic sustainability** – Generating economic value to benefit all stakeholders – maintaining balance and stability of organisational growth and stakeholders' expectations.

KEY APPROACHES TO SUSTAINABILITY

In the year under review, the Group initiated its sustainability journey by initiating diligently detailed plans. The journey

commenced by interlocking the knowledge of the University of Peradeniya academics and the DPL team. Royal Fernwood followed a similar process by collaborating with the experts of the University of Sabaragamuwa and discussions are underway to finalise a roadmap.



In 2022, Dankotuwa Porcelain adopted its sustainability agenda with the objectives of strengthening responsible production practices and effectuating positive impacts on the people and the environment. This agenda was developed in collaboration with academics of the University of Peradeniya.

Based on a three-phase sustainability framework, the Sustainability Roadmap developed with the University of Peradeniya entails targets which are to be achieved during a three-year period (June 2022 – June 2025).

Following approaches outline our efforts at accelerating Sustainable Development.



Phase	Targets
PHASE 1	Awareness among relevant internal and external stakeholders; Actions include: • Tree planting/plant distributions • Clean-up project • Poster campaigns • Distribution of communication material on sustainable manufacturing Develop sustainability policy Promote resource efficiency • Resource efficiency and cleaner production mechanism was introduced by the team of the University of Peradeniya • Measuring the existing status was initiated (water, electricity and gas consumption monitoring) • Data collection formats completed and initiated in the whiteware plant, followed by the decoration plant Develop supply chain and manufacturing-related inventory database on activity data Resource efficiency KPIs

Phase	Targets
	Quantify carbon footprint (initial version) Audit on manufacturing plant social sustainability • Develop a policy on gender equity • Ergonomic audit • Health and safety audit • Awareness programmes on health and safety • Programmes to promote employees' work-life balance
PHASE 2	Extend DPL Sustainable Practices towards acquiring ISO:14001 standards on EMS Enhance the SHE Practices matching international standards Conduct an Ergonomics Audit of the Manufacturing Process Extend Resource Efficiency Practices towards the Supply chain Inculcate Life Cycle Thinking among the DPL family Promote Social and Environmental sustainability-oriented CSR activities Conduct Environmental Life Cycle Assessment for DPL products or O-LCA Apply for local sustainability award schemes
PHASE 3	Develop Environmental Product Declaration for DPL Export oriented products Introduce Eco Design and Eco Innovation concepts towards DPL products and processes Extend Greener practices towards the Supply chain Conduct Social Life Cycle Assessment towards DPL Initiate Green reporting targeting international competitions & Awards Apply for Internationally accepted Green /Eco Labels for DPL Products Acquire ISO 14001:2015 standards for EMS of DPL

Most of the Phase 1 activities have been initiated in 2022/23. The remaining activities/strategies will commence based on our Sustainability Action Plan, under the second and third phases. Progress of activities will be evaluated at follow-up meetings, which include internal meetings and meetings with the teams from the respective universities.

Several discussions were initiated with the University of Sabaragamuwa and a roadmap was drafted for Royal Fernwood during the year 2022/23. Plans are underway to finalise the roadmap and to carryout preliminary work during the second quarter of 2023/24.

SAVI BALA (CSR) INITIATIVE

The Group has established a clearly defined agenda for corporate social responsibility. Titled 'Savi Bala' its mission is to leverage resources, expertise, and influence towards meaningful impacts. The broader focus of the initiative underscores several objectives.



The initiative takes a 360-degree approach to corporate social responsibility. Aligned with the above objectives which uphold social sustainability.



SUSTAINABILITY JOURNEY

SDGS AND SUSTAINABLE DEVELOPMENT

The integration of sustainable development into Group activities has become an ongoing process. The key objective is to create impactful outcomes for society, the environment, and the economy. This premise aligns with the United Nation's Sustainable Development Goals (SDG), which are based on harmonising economic growth, social inclusion, and environmental protection for the well-being of all.

The following demonstrates how our actions have aligned with the specific goals of the UN SDG in the year 2022/23.



SDGs	Actions
	• Employment for 222 individuals – 17% more than the previous year • Dry rations to low-income persons, to lessen financial burdens
	• Food pack donations to employees and community • Meal arrangement for differently-abled children in Dankotuwa • Donation for school meal arrangements for children at 2 different schools • Ration packs to two children's homes • Poster campaign to minimise food wastage • Distribution of internally cultivated vegetables • Supporting self-sustenance – the distribution of vegetable seeds free of charge
	• NCD prevention – program to detect and treat non-communicable diseases amongst employees, continued for the second year (provided freely) • Program for parents' health check-up and follow-up (provided freely) • Medical donations to Dankotuwa Hospital • Support to renovate the hospital in Kosgama • Programs for employee work-life balance and to ensure a positive mindset • Support to employee/s with critical illnesses • Conducted program to improve staff interest in music

SDGs	Actions
 4 QUALITY EDUCATION	• DPL Academy launched for employee training • Production related training to improve employees' technical and vocational skills • General training and development programs • Book donation for a selected employee for higher studies • Scholarship examination seminar – preparing students of employees • Financial support for children of employees those who pursue university education
 5 GENDER EQUALITY	• Gender equity policy development initiated in January 2023 • Equal access to opportunities for career growth for men and women • Conscious avoidance of gender stereotypes • Actions taken against harassment
 6 CLEAN WATER AND SANITATION	• We ensure that underground water is not contaminated from any production activity • Consumption of groundwater to avoid disruptions in community pipe water distribution to avoid disruptions in pipe water distribution • Water is treated to remove impurities and chemical waste before being released • Sensory taps to avoid excess use
 7 AFFORDABLE AND CLEAN ENERGY	• Planned solar implementation projects at both production facilities • Speeding up kiln process to ensure energy efficiency • Measures such as, power factor correction and verifiable frequency drive to optimise/minimise energy consumption (at RFPL)
 8 DECENT WORK AND ECONOMIC GROWTH	• Improved productivity through technological implementations and process improvements • Routine facilities for a conducive and decent work environment • Equal pay for staff in the same job category • Higher segment of youth employed and trained for skill development • No employees under the age of 18 • Fire and first-aid training, and machine related safety for all factory staff • 6% of staff promoted • Leftover clay distributed to local small scale manufacturers at a nominal price • Approaches to optimise material efficiency and reduce wastage
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Improvements to existing infrastructure, including road infrastructure and plant and machinery • Diversifications and innovations through research and technological advancements • Measures to improve production efficiencies/reduce waste and defects
 10 REDUCED INEQUALITIES	• The needs of underprivileged employees and those from the community were considered when providing financial and non-financial support • Job opportunities for youth from surrounding rural communities • Working together with suppliers to reduce their shortcomings
 11 SUSTAINABLE CITIES AND COMMUNITIES	• Investment in improving road infrastructure, which contributes to sustainable transport around the Dankotuwa facility • No harmful air pollutants released from factories • An area was dedicated for planting saplings – creating a green space • Transport given to long-distance staffers • Helping differently abled children among the community with food, education supplies and support for renovation of public infrastructure

SUSTAINABILITY JOURNEY

SDGs	Actions
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Initiation of a three-year sustainability action plan/roadmap (the plan commenced by creating awareness among employees, 1st tier suppliers and 1st tier service providers of DPL) • Resource efficiency and cleaner production introduced under the above plan – for sustainable management and use of natural resources • Efforts taken to reuse materials mid-process and for by-products • Efforts undertaken to maximise production capacities while optimising existing resources, thereby stopping excessive use of materials. • We initiated action to increase the reuse of the same polythene as maximum times as possible • We are in discussion with polythene manufacturers to convert our damaged polythene and to supply packaging polythene from the same material
 13 CLIMATE ACTION	• Stack emission measurement and controls • Stack height and fuel quality adjusted to control generator emissions • We endorse climate-conscious behaviour amongst employees through awareness sessions on sustainable manufacturing
 14 LIFE BELOW WATER	• Beach cleanup project, which contributes to reducing the amount of waste that washes to the ocean
 15 LIFE ON LAND	• Tree planting (cultivation) in factory premises • Plant distribution – mango plant distribution amongst employees. • Proper waste disposal and reprocessing of certain waste material mid-process to minimise solid waste disposal
 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	• Build an ethical organization in all external dealings • Working closely with religious institutions in the village to inculcate peace in the community
 17 PARTNERSHIPS FOR THE GOALS	• Responsible tax payments, inclusive of income tax, SSCL and other related taxes to support domestic revenue mobilisation • Active participation in various industrial associations

ECONOMIC VALUE ADDITION (EVA)

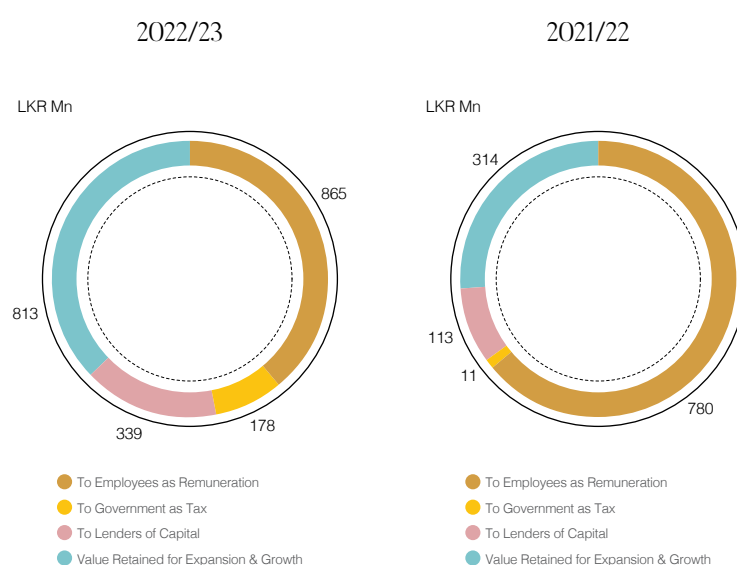
Infrastructure Investment

	Net Investment to Date LKR '000	Annual Capacity Pieces
Dankotuwa Porcelain PLC	1,583,503	475,000
Royal Fernwood Porcelain Ltd	855,626	475,000
	2,439,128	950,000

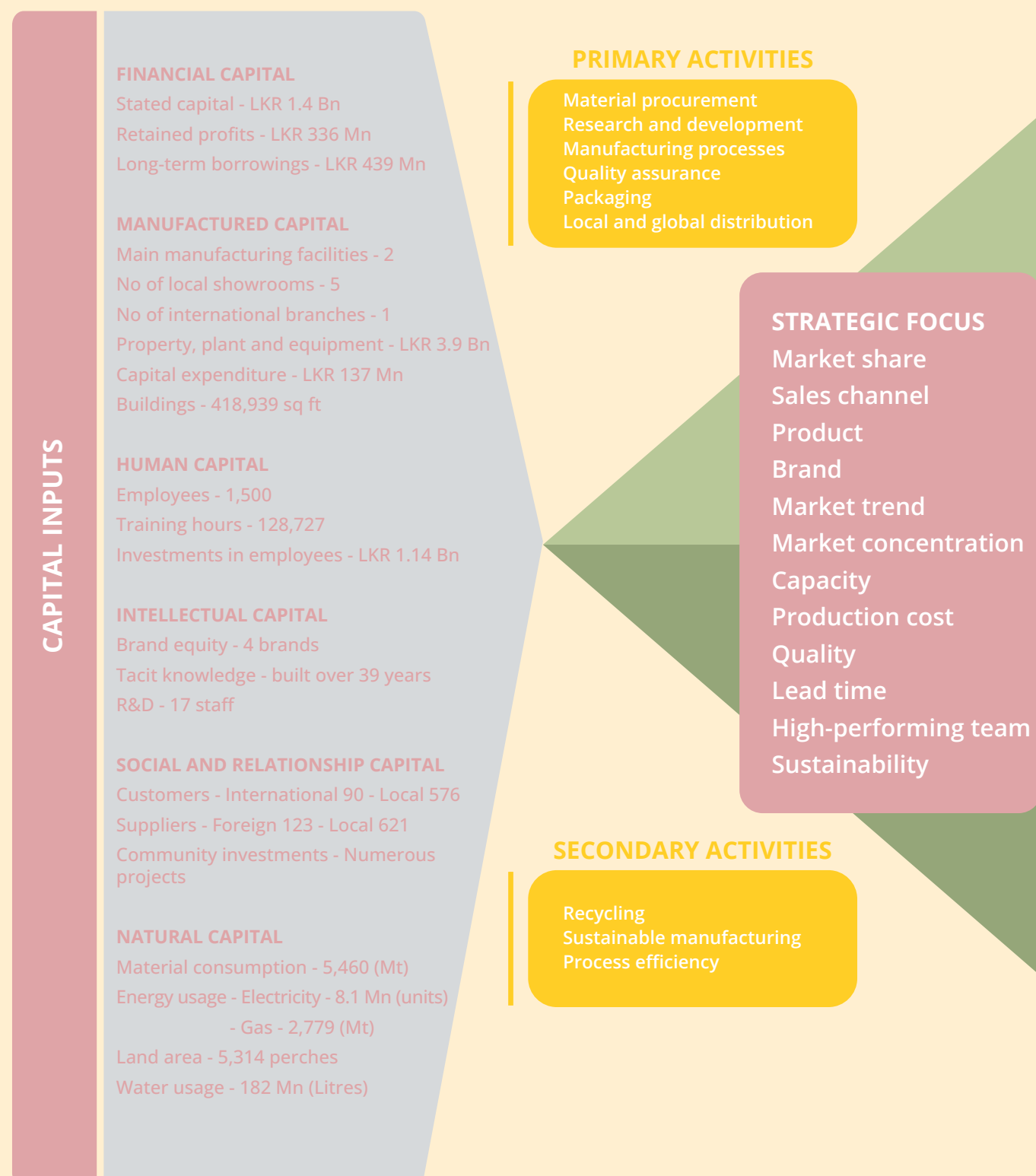
Value Created

	2023 LKR '000	2022 LKR '000
Revenue	5,913,133	3,762,106
Other Income	21,215	14,756
Finance Income	40,403	19,991
Cost of Materials and Services Bought in	(3,780,168)	(2,578,411)
	2,194,582	1,218,442

	2023		2022	
Value Distributed	%	LKR '000	%	LKR '000
To Employees as Remuneration	39	865,473	64	780,559
To Government as Tax	8	177,710	1	11,345
To Lenders of Capital	16	339,151	9	112,932
Value Retained for Expansion & Growth				
Depreciation	6	132,916	10	124,124
Profit Retained	31	679,332	16	189,482
	100	2,194,582	100	1,218,442



VALUE CREATION MODEL



OUTCOMES OF VALUE CREATION

950,000 MONTHLY PIECES PRODUCED FOR LOCAL AND OVERSEAS CLIENTS AND MARKETS
4 NON-TABLEWARE PORCELAIN INNOVATIONS

OUTPUTS

Corporate Governance

Risk Management

Operating Environment and Outlook

Performance

FINANCIAL CAPITAL

Group revenue LKR 5.9 Bn
Net profit LKR 679 Mn
Return on equity 29.51%

MANUFACTURED CAPITAL

Reduced inefficiencies and lower imperfect outputs
Increase in capacity and production
Higher capital expenditure: LKR 137 Mn (96% increase)
Infrastructure improvements
86% utilised capacity

HUMAN CAPITAL

Internal promotions - 92 employees
6% new recruitments - DPL
31% new recruitments - RFPL
Great Place to Work - 99% employee satisfaction

INTELLECTUAL CAPITAL

New product developments - 950
Collaborations with international designers - 7

SOCIAL AND RELATIONSHIP CAPITAL

136 new customers
New suppliers based on supplier rationalisation

NATURAL CAPITAL

Nurturing mother nature with over 800 new plants
Lesser secondary material consumption
Reduction in solid waste due to repurposing and recycling
Waste generated 590,929 (Kg)
Semi finish goods recycling - 161,264 kg

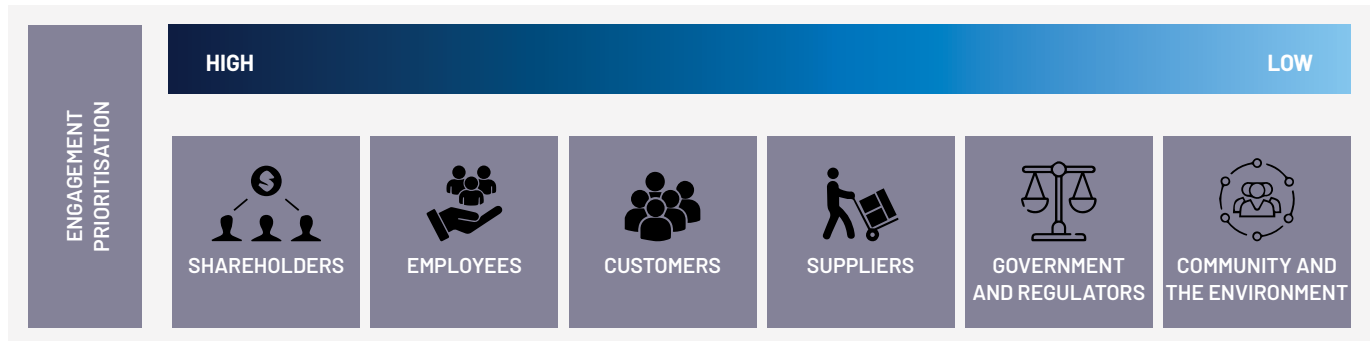


Business Context

STAKEHOLDER ENGAGEMENT

CONNECTING WITH STAKEHOLDERS

Stakeholder engagement across the Group focuses on meaningful interactions. Responsive and inclusive communication with our stakeholders became imperative as we remained cognizant of their concerns and expectations. Across the year, stakeholder interactions took place through appropriate channels to exchange information and perspectives while communicating value generated and distributed. The following showcases the nature of stakeholder relations in the year under review.



	Mode of Engagement	Frequency	Stakeholder Issues and Expectations	Strategic Response
SHAREHOLDERS	HIGH PRIORITY FOCUSED ENGAGEMENT			
	• Interim Financial Reports	• Quarterly	• Sustainable growth in earnings	• Deliver a smart growth strategy with profitability and returns
	• Annual Report	• Annually	• Responsible corporate management	• Provide timely disclosures on corporate performance, plans and goals
	• Company website	• As and when required	• Growth opportunities	• Comply with laws, rules, and regulations
	• CSE announcements	• As and when required	• Future plans	• Diligent financial management
	• Press conferences and releases	• As and when required	• Transparency and timely disclosures	• Strong focus on wealth creation
	• Annual general meeting	• Annually		• Pragmatic governance and risk management
EMPLOYEES	HIGH PRIORITY FOCUSED ENGAGEMENT			
	• Management meetings	• Quarterly	• Organisational developments	• Equal opportunity environment
	• Progress review meeting	• Daily/weekly	• Workplace improvements	• Fair remuneration and benefits
	• Dialogue with trade unions	• Monthly	• Review of remuneration policies and practices	• Skill training
	• Communications via memos and e-mails	• As and when required	• Feedback for employee improvements	• Career development
	• Employee networking events	• Quarterly	• Training and development	• Rewarding for performance
	• Performance appraisals	• Quarterly	• Health and safety	• Ensuring a healthy and safe workplace
	• Planning Meeting	• Daily/weekly	• Financial support and growth	• Timely contributions to regulatory payments (EPF & ETF)
	• Satisfaction surveys	• Annually	• Due recognition	
	• Recreational events and work-life balance	• As per the event calendar	• Compliance with labour regulations	

	Mode of Engagement	Frequency	Stakeholder Issues and Expectations	Strategic Response
CUSTOMERS	HIGH PRIORITY FOCUSED ENGAGEMENT			
	- Dealer awards - Social media - Customer visits - Exhibitions and trade shows - Training programs	- Annual - As and when required - As and when required - As and when required - As and when required	- Product quality and value-addition - Product innovations - Ease of transactions - Price and availability - Timely delivery services - Sustainable production processes - Ethical conduct - Product safety	- New product development - Establish new dealerships and increase retail showroom presence - Cost optimizations and process improvements to maintain price competitiveness - Use of quality material - Stringent quality control process at each stage and final QC process - Production improvements to reduce lead times and improve delivery times - Food-safe raw materials - Increased R&D efforts and international design collaborations - Sustainability agenda developed and initiations
SUPPLIERS	MODERATE PRIORITY MODERATE ENGAGEMENT			
	- Supplier evaluation - On-site visits - Meetings with suppliers - Dialogue and interaction	- Bi-annually - As and when required - Quarterly - As and when required	- Discussions on ease of transactions, prompt payments and procurement policies - Agreements of long-term partnerships - Better products and service quality - Increasing business prospects	- Building long-term relationships - Upholding contractual obligations - Giving fair referrals - Advocating best business practices - Transparency on supplier selection process - Supplier rating to help resolve shortcomings
GOVERNMENT AND REGULATORS	MODERATE PRIORITY KEEP INFORMED			
	- Annual Report - Tax returns - Submission of special reports - Submission of disclosures - Meetings and workshops	- Annually - Monthly, Quarterly and Annually - Based on specified requirements - Based on specified requirements - Based on requirements	- Compliance with statutory and regulatory requirements - Corporate governance - Payment of statutory dues - Contribution to economic growth of the country	- Best business practices - Complying with relevant laws, rules, and regulations - Timely tax payments - Submission of statutory reports and disclosures
COMMUNITY AND THE ENVIRONMENT	LOW PRIORITY ENGAGE IF NECESSARY			
	- Job opportunities - Focus group discussions - Training for undergraduates - Community development projects - Written and oral communications - Company website - Social media - Employee volunteerism - Providing factory visits for school children and undergraduates - Environment protection activities	- As required - As and when required - As required - As and on request - As and when required - As and when required - On going basis - As required - On request - As required	- Sustainable production practices - Discussions on sponsorships and donations - Direct and indirect job opportunities - Knowledge sharing on manufacturing processes - Corporate stewardship and community investments	- Carrying out community development projects and environmental campaigns - Community recruitments - Employee volunteering for community projects - Compliance with regulatory requirements - Initiation of environmental sustainability practices

OPERATING ENVIRONMENT

FROM A SOCIOECONOMIC STANDPOINT, THE OPERATING ENVIRONMENT WAS PERFORATED BY MANY HIGH-LEVEL INCIDENTS. THE NATIONAL ECONOMIC CRISIS BEING ONE SUCH PHENOMENON LED TO SOCIAL AND POLITICAL INSTABILITY, BECOMING THE IDEAL REFLECTION OF UNDERLYING STRUCTURAL IMPEDIMENTS. GLOBALLY, THE ECONOMIC SITUATION WAS REFLECTED BY RISING COST OF LIVING AND A DOWNTURN IN ECONOMIC ACTIVITY. RUSSIA'S INVASION OF UKRAINE HAD A MASSIVE IMPACT ON COMMODITY PRICES AND SUPPLIES OF OIL AND GAS. FOOD AND ENERGY PRICES BECAME THE HIGHLIGHTS OF RISING INFLATION.

Despite severe headwinds within the local macroeconomic climate, the resilience of local businesses was commendable. Power outages, fuel shortages and long waits, import restrictions and the foreign exchange crisis required breaking the modus operandi and pushed business leaders to take decisive actions. As a manufacturer, the operating environment posed heavy challenges, which necessitated swift actions based on socioeconomic assessments, forecasts and in-depth discussions.

The following outlines the eventualities which arose across the financial year under review.

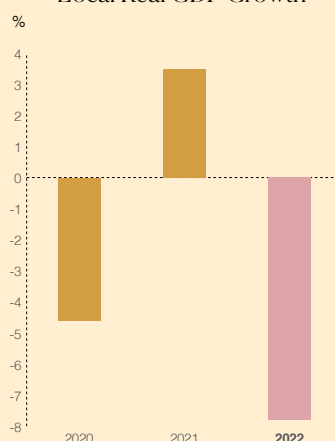
OVERALL ECONOMIC ACTIVITY

Local economic growth contracted, recording the worst in seven decades while the economic crisis regressed socioeconomic advancements made in previous years – including the post-pandemic rebounds of 2021.

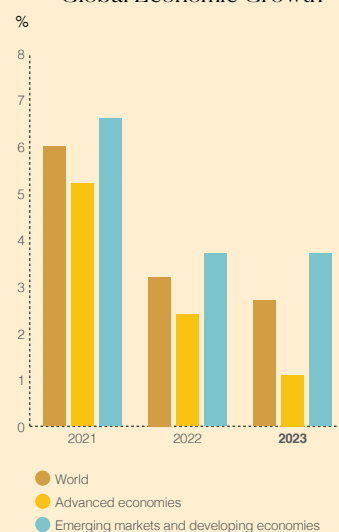
Local economic activity shows contractions with agriculture, forestry and fishing, industries and services sectors showing contraction of 4.6%, 16% and 2%, respectively.

Globally, economic growth experienced a sharp slowdown amidst tightened financial conditions and a cost-of-living crisis. The war in Ukraine aggravated conditions, especially in the supply of oil and gas, while the long-term economic effects of COVID-19 also played a part in mounting challenges.

*Local Real GDP Growth



**Global Economic Growth

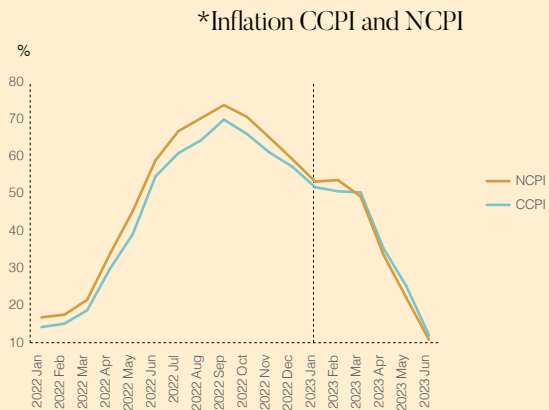


*(based on CBSL Annual Report of 2022)

**(based on IMF projections)

UNPRECEDENTED INFLATION

Headline inflation peaked at 69.8% in September 2022, thereafter, plummeting to 50.3% by March 2023. The unprecedented rise in prices was a result of a depreciated rupee, supply side disruptions and a dearth in domestic market foreign currency; moreover, rising global energy prices and fuel shortages also had an impact on the overall condition. At the time of report compilation, headline inflation based on CCPI dropped to single digits to 6.3% aligning with the predicted disinflation trend; this was partly due to tight monetary conditions and import restrictions amongst other contributing factors.

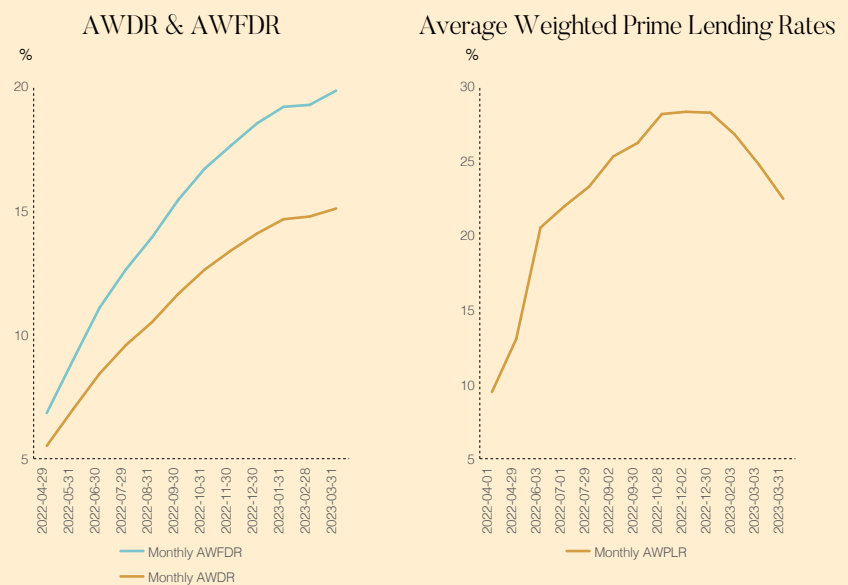


*(based on CBSL)

POLICY AND INTEREST RATE

CBSL tightened its monetary policy, partly as an approach to curb hyperinflation and demand, especially for borrowings. Accordingly, CBSL made a historic increase in policy interest rates by 700 basis points, in April 2022; this is in addition to several other occasions on which policy rates were raised throughout the period under review.

Partly due to the policy rate increase, the average weighted prime lending rate (AWPLR) continued to increase with the monthly rate rising from 9.47 in April 2022 to 22.42 by end March 2023. Similarly, the Average Weighted Deposit Rate (AWDR) had significantly positive impact on increasing interest income on deposits, especially on fixed deposits due to the similar rise in the Average Weighted Fixed Deposit Rate (AWFDR).

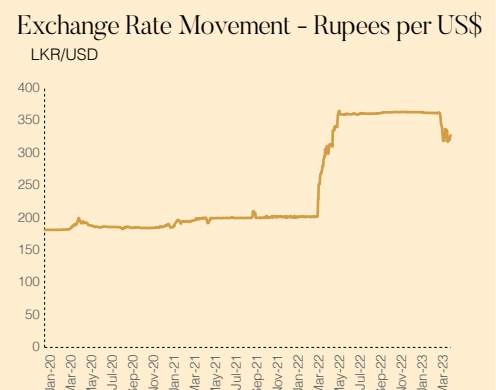


(Graphs based on CBSL data)

EXCHANGE RATE FLUCTUATIONS

The foreign exchange liquidity shortage within the domestic market warranted a market-determined exchange rate; this led to a historically-high depreciation of the rupee against the USD by 41.4%, by end-April 2022. In May 2022, CBSL introduced market guidance to bring in foreign exchange stabilisation.

In March-April 2023, the rupee appreciated temporarily, due to improvements in the domestic forex market and relaxed conditions by CBSL – amidst an improving external sector. In May and June of 2023, the rupee appreciated further against the USD, but, depreciated in subsequent months.



(Graphs based on CBSL data)

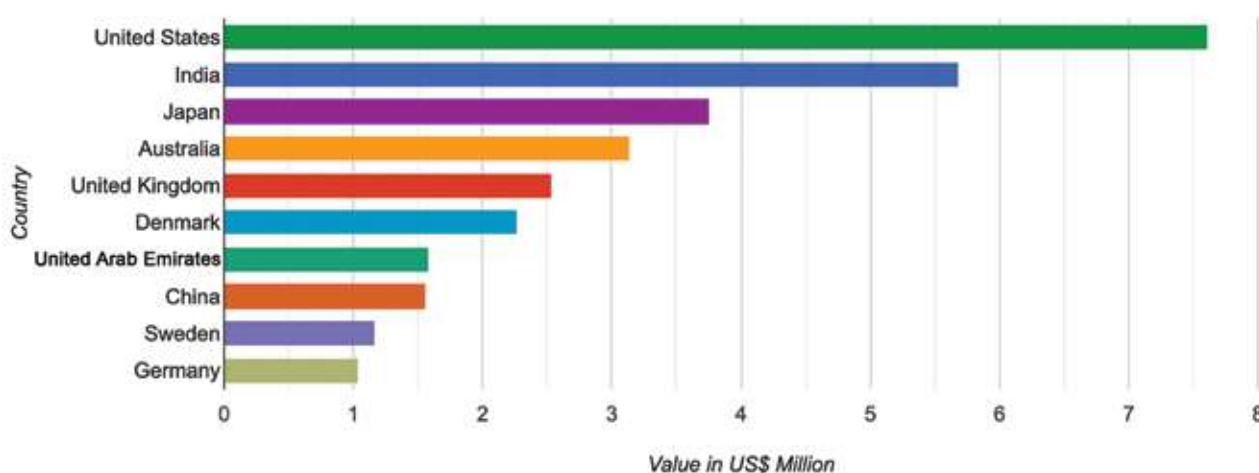
OPERATING ENVIRONMENT

INDUSTRY PERFORMANCE

The notable contraction in the overall 'Industry' economic sector reflects the subdued performances recorded in the construction and manufacturing sub-sectors. The Manufacturing sector shows a 12.6% contraction in activity compared to the 7.4% growth in 2021.

According to Export Development Board (EDB) statistics, export performance of the Ceramic & Porcelain Products sector recorded a value of USD 38 Mn for the full year 2022, and USD 16 Mn for the first half of 2023. The United States took the market lead as it brought the highest value for industry products in 2022, followed by India and Japan. The sector's contribution to total exports amounted to 0.3% in 2022.

MAJOR MARKETS FOR SRI LANKAN CERAMIC & PORCELAIN PRODUCTS SECTOR - 2022



Source: Ceramic & porcelain products export performance. Sri Lanka Export Development Board

ECONOMIC OUTLOOK

Global trade will likely slowdown in 2023 due to worsening geopolitical build-ups and tightening financial conditions, according to United Nations Conference on Trade and Development (UNCTAD). The projected slowdown in 2023 emanates from escalating energy prices, accelerating interest rates and inflation flanked by the domino effects of the Russia-Ukraine war.

With pursuits of a much greener world economy, the demand for eco-friendly, green products will likely rise in the near future. Moreover, shifts in supply chain trends are expected to impact global trade, with onshoring and supplier diversifications becoming responses to uncertainties in supply chain operations.

Locally, the flexibility provided for the movement of the exchange rate shows the volatility in the rupee since March 2023. However, positive sentiments returned with the rupee appreciation seen by the end of our fiscal year. Disinflation also bodes well, as it brings optimism over decreasing commodity prices, especially in fuel and gas, which will relieve the pressure on operational expenditure. The contraction in policy interest rates is a respite for the business community, as it will lower market lending rates and cause reduced financial pressure. Lower lending rates will also support economic activity to rebound in the near term while supporting disinflation.

MATERIALITY FOR REPORTING

MATERIALITY

As a Group, we have continuously worked with a set of material topics that impact our ability to create value over time. These are based on their impact on organisational growth and stakeholder value creation, but such topics have evolved and expanded due to the recent pandemic, the economic

crisis and the accelerated industry focus on sustainability (ESG). In determining and presenting such material topics, we have utilised the IR reporting framework's materiality determination guidelines; such topics have been identified based on their level of impact on the Group and stakeholders.

As Dankotuwa Porcelain and Royal Fernwood operate within the same industry sector with similar operational activities, both companies share a common set of topics.

MATERIALITY DETERMINATION PROCESS

The following process correlates with guidance provided by the IR framework in determining materiality; this enables us to think beyond conventional boundaries and obtain direction in recognising factors that affect our ability to create value.



PROCESS PARAMETERS

Establishing parameters has enabled us to identify the activities, performances and outcomes needed to create value over time. By applying the integrated capitals framework to reporting, we have been able to ascertain parameters around the following.

- The six capital approach and reporting guidelines of the IR framework
- Corporate strategy
- Stakeholder priority

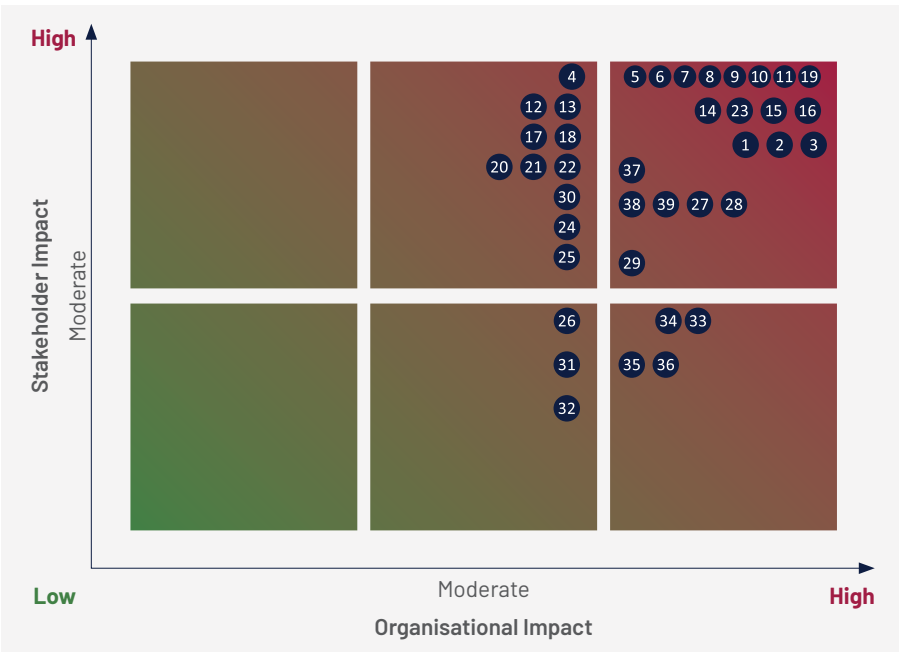
IDENTIFYING MATTERS

Material topics that impact operations and value creation are gathered through various sources, of which, leadership meetings and discussions take precedence. Key stakeholder perspectives and their expectations are also considered when identifying relevant topics. We identify material topic identification, based on:

- Board meetings and leadership discussions
- Subcommittee work
- Stakeholder expectations
- Operating environment
- Risks and opportunities
- Strengths and weaknesses
- ESG

EVALUATION AND PRIORITISATION

We have deployed a rating model that considers each topic based on a rating of high to low, along the axis of organisational impact and stakeholder impact.



DISCLOSURES

The filtered material topics are disclosed in relevant sections of the Annual Report, based on the IR framework and based on good reporting principles.

MATERIALITY FOR REPORTING

	Material topics	Approach	Disclosure (relevant segments)
ECONOMIC VALUE CREATION	1. Financial stability 2. Profitability 3. Shareholder returns/ EVA	• Achieving revenue growth and higher net profit – group-wide	• Group financial performance • Business Performance • Financial capital report • Financial information section • Economic value addition
HOLISTIC EMPLOYEE VALUE PROPOSITION	4. Job opportunities 5. Employee engagement 6. Training & development 7. Employee health & safety 8. Employee relations 9. Employee well-being 10. Employee productivity 11. Recognition	• Investments in recruitment, training programs and importantly employee well being. • Group invested in rewarding employees and in ensuring work-life balance.	• Human capital report
INTELLECTUAL CAPABILITIES	12. Research & development 13. Continuous improvements 14. Brand equity	• Internal R&D team with strong capabilities in identifying global industry trends and changing social attitudes. • Continuous process and product improvements by the Operations & Production teams.	• Intellectual capital report
MEETING CUSTOMER EXPECTATIONS	15. Customer reach and accessibility 16. Product health and safety 17. Innovations and diversifications 18. Product communications 19. Product Quality	• Marketing teams work together with production and operations departments to deliver products on time. • Group follows stringent quality protocols and diligent raw material and finished product inspections. • Materials used are of the highest grade and free from hazardous substances.	• Social and relationship capital report
SUPPLIER RELATIONS	20. Screening practices 21. Supplier rationalisation 22. Material sourcing practices 23. High quality material 24. Support for improvement	• Group follows a clear process when selecting suppliers – based on cost and quality.	• Social and relationship capital report
SOCIAL SUSTAINABILITY	25. Job creation /livelihood 26. Community development and support	• Group invests in supporting and uplifting surrounding communities.	• Social and relationship capital report
MANUFACTURING POTENTIALS	27. Capacity and infrastructure development 28. Process efficiencies 29. Focus on sustainable manufacturing 30. Technological infrastructure and digital advancements	• Staff and the management of the production unit take measures to improve productivity and reduce wastage. • Group has adopted sustainable practices based on a clear agenda.	• Manufacturing capital report

	Material topics	Approach	Disclosure (relevant segments)
MACROECONOMIC IMPACTS	31. Monetary policy changes & interest rates	Watchful approach maintained by the Group's leadership and department heads.	- Operating environment - Financial capital report
	32. Trade conditions		
	33. Foreign currency and exchange rate movements		
	34. Corporate tax increase		
GOVERNANCE AND COMPLIANCE	35. Governance regulations and best practices	Group leadership ensures proper governance, transparent and ethical conduct, as well as compliance to regulatory frameworks and internal protocols.	- Corporate governance report - Risk management review
	36. Financial and audit compliances		
ENVIRONMENTAL PRIORITIES	37. Resource efficiency	- The adoption of a comprehensive sustainability roadmap, which addresses the relevant material topics. - Group maintains compliances with regulatory requirements.	- Sustainability journey - Natural capital report
	38. Sustainable/green initiatives (nurturing nature)		
	39. Environmental compliances		



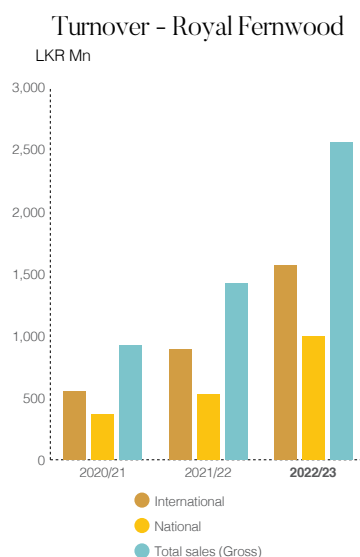
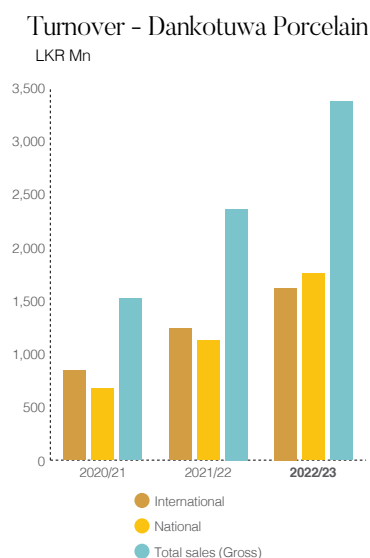
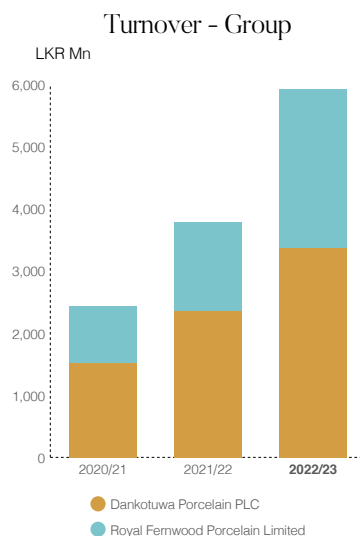
Performance Review

BUSINESS SEGMENT REVIEW

BUSINESS PERFORMANCE

Dankotuwa Porcelain Group recorded a profit after tax of LKR 679 Mn for the year ended 31st March 2023, this represents 11% net profit margin for the Group. Dankotuwa Porcelain as a company recorded a profit after tax of LKR 622 Mn which is a net profit margin of 19%. As far as the Group is concerned, this is an exceptional performance compared to the last year where net profit after tax was LKR 189 Mn which was a 5% net profit margin. The performance of Royal Fernwood has shown a remarkable increase from the loss after tax of LKR 158 Mn for the year ended 31st March 2022 to a profit of LKR 201 Mn for the current year. Above performance was directly linked to the different business segments that we operate in, as different segments have different profit profiles.

Group has recorded a sale of LKR 5.9 Bn for the year ended 31st March 2023 which is a 57% increase from the sales of the corresponding year. Both the company and subsidiary have achieved substantial increase in sales; where the company has recorded an increase in sales of 43% whereas the subsidiary has recorded astonishing 80% increase. The sales recorded for the Group of LKR 5.9 Bn is with a 54% contribution from export business segment and national sales segment recorded LKR 2.7 Bn which is an increase of 67% compared to the corresponding year. Given the global economic challenges, the Group has shifted its businesses to Middle East and Indian market to mitigate the likely negative impact. Nevertheless, there was a 15% reduction in export sales in USD terms, however LKR depreciation has helped the Group to record an increase in export sales in LKR terms. The actions taken during the year to divert export sales into Middle East and India has given positive results for the year and much bigger positive impact is expected in the next two financial years. Performance showed the criticalness of right business segment decisions made in the international market.

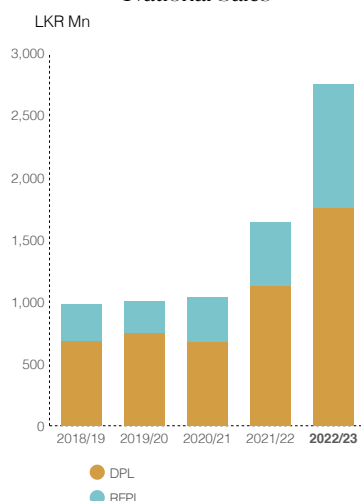


In addition to the increase in sales reported, next remarkable achievement was increase in gross profit margins from the various business segments. Group recorded a gross profit of LKR 2 Bn which is 35% of GP margin, an increase compared to 32% GP margin reported for the year ended 31st March 2022. As far as Royal Fernwood is concerned, GP margins have been lower and we expect improvements in GP margins in the near future.

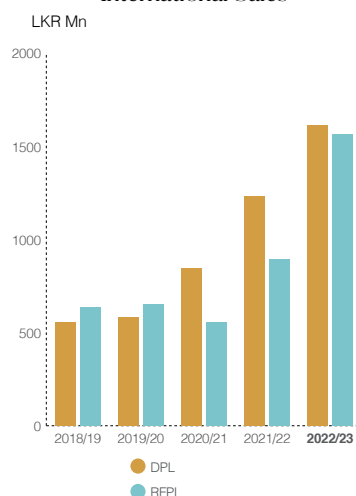
Increase in sales and GP margins were due to the concentrated effort in selecting the right business segments for the Group. As far as Dankotuwa Porcelain is concerned, it recorded LKR 1.7 Bn from the national sales segment and the highest contribution of 43% came from the dealer sales segment. This is a channel that is critical for the organization with over 200 dealers spreading across the country carrying the brand to each and every households in the country with great accessibility. With the reduction in export sales segment, it was strategically required to concentrate on B2B business segments within the country, which reported a sale of LKR 407 Mn for the year compared to LKR 270 Mn reported in the corresponding year. The showrooms of the Company which cater mostly to the premium segment of Sri Lankans, reported 61% growth and reassured the brand name of Dankotuwa in the household market in Sri Lanka. Business segments such as showrooms carry a higher GP margin; however, there is a substantial fixed cost attached to running the segment. Business segments like dealer sales doesn't contribute heavily to fixed costs although lower GP margins are recorded.

Royal Fernwood strategically decided to concentrate more on national sale business segment and accordingly reported a 89% growth in national sales, which helped to report the turnaround and establish its brand name in Sri Lanka. Showroom sales and B2B sales recorded an increase of 166% and 221%, respectively having the most significant impact for the national sales segment of Royal Fernwood.

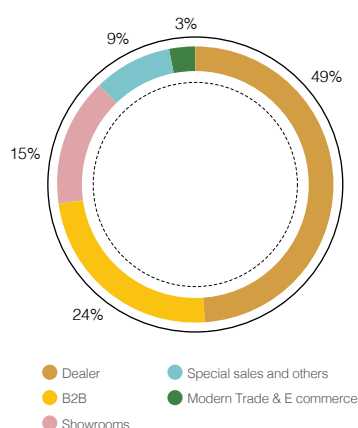
National Sales



International Sales



National Sales Channel Composition (2022/23) - Group wide



As far as international sales segment is concerned, the strategy was to concentrate on more profitable customers through new product development and customer attraction activities. Building the brands of Dankotuwa and Royal Fernwood globally is a priority for the Group and new initiatives were started during the year and this process is to continue stronger in the coming years. We expect increased contribution from international sales segment in the future for both brands.

Managing expenses is a decision directly linked to the business segments that we operate in. Selling and distribution and administration cost were carefully analysed based on the individual business segments to bring in efficiencies and positive impact to the bottom line of the Group.

Selling and distribution expenses which was reported as LKR 665 Mn shows an increase of 53% compared to the last year, however this is given an increase of 57% of sales hence, as a percentage of sales recorded, a positive trend can be seen. Increase in selling and distribution expenses was a result of LKR depreciation and increase in fuel prices. Admin expenses has shown a decrease of 35% to LKR 311 Mn, this was due to inventory provision reversal recorded for the year compared to the provision made in the corresponding year. In addition, admin expenses included a negative impact of LKR 28 Mn from the lower exchange gain reported compared to the corresponding year. Market cost escalations and implementation of new tax resulted in an increase in admin expenses as well. Business segments such as showroom sales carry a higher impact for selling, distribution and administration expenses hence, careful consideration was made and business segment decisions were reviewed accordingly. Most of the cost element included to the selling and distribution and administrative expenses were common irrespective of business segments, however, specifically identifiable cost elements were linked and analysed as required.

Net finance cost recorded a substantial increase of 221% due to the market interest rate increase. This impact was more significant at the subsidiary where it recorded an increase of 287% due to the higher gearing, which prevailed. Finance cost is more applicable for selected business segments such as export sales and dealer sales.

Macro-economic factors had an impact on the financials of the Group in various different dimensions, whilst LKR devaluation has impacted positively for the export sales segment and there was equally substantial negative impacts from increase in the finance cost and many other cost elements, such as cost of power and imported raw material during the year, and they were equally impacting all business segments.

With the above performance drive based on the business segments, financial position of the organization improved drastically which is explained under Financial Capital (page 60).

FINANCIAL CAPITAL



At Dankotuwa Porcelain PLC (Group), our financial capital ensures the resilience and stability of operations and enables strategic investments for business growth.

RELEVANT MATERIAL TOPICS



Financial stability



Profitability



Shareholder returns

OVERALL APPROACH

Enhanced and strong value creation through financial capital begins with the diligent management of financial sources such as equity capital, retained profits and borrowings; they enable operational resilience and growth.

CAPITAL INPUTS

STATED CAPITAL

LKR 1.4 Bn

RETAINED PROFITS

LKR 336 Mn

NON-CURRENT BORROWINGS

LKR 439 Mn

VALUE CREATING ACTIVITIES

- Focus on revenue growth
- Disciplined cost controls
- Productive allocation of funds
- Diminished debt position
- Diligent financial management



VALUE DELIVERED (OUTCOMES)	
DANKOTUWA PORCELAIN PLC	ROYAL FERNWOOD PORCELAIN LIMITED
Revenue growth 57%	
Operating profit growth 285%	
PAT growth 259%	
Earnings per share LKR 4.13	
Total asset expansion (Financial stability) 23%	
Debt reduction 11%	

CAPITAL TRANSFORMATIONS AND TRADE-OFF

	Diligent financial management leads to better profitability, creating adequate buffers to allocate funds for improving other resources; and exponentially growing retained profits provides stability and independence to sustain operations, while contributing towards growth. However, investments on capital transformations correlated with financial trade-offs, which will cause a periodic dip in financial capital.
	With increased revenue and profitability comes the ability to create an augmented employee value proposition – replete with advanced training facilities, welfare services and engagement activities, while creating an attractive work environment.
	- Higher investment potential to improve R&D, apart from facilitating greater employee skill development, with a focus on multi-skilling. - Improved financials encourage us to implement employee development programs from a work-life perspective – which enhances reasoning abilities and knowledge for practical applications.
	Retained profits provide prospects for infrastructure development, technological advancements and encourages timely moves to capitalise on asset investments.

Financial Stability 2022-2023

Criteria	Performance Indicator	2023	2022
Capital Structure	Debt: Equity (%)	38.16	53.12
	Cash flows from operations (LKR Mn)	701	334
	Dividend payout ratio (%)	-	-
Liquidity	Current assets ratio (Times)	1.75	1.21
	Quick assets ratio (Times)	0.88	0.69
Solvency and reserves	Interest cover (Times)	3.91	3.27
	Net reserve position (LKR Mn)	3,238	2,628
	No. of financial institutions providing funds	6	7

GROSS PROFIT

Group GP increased to LKR 2.06 Bn from LKR 1.20 Bn against the previous financial year, marking a 71% increase over 2021/22. It is notable to highlight GP margin of the Group increased to 35% from the 32% reported in 2021/22. These results were achieved due to the revenue increase of 57% and limiting the cost of sales increase to 51%.

COMPANY AND SUBSIDIARY PERFORMANCE

Dankotuwa Porcelain as a company recorded a gross profit of LKR 1.45 Bn, which increased by 56% in the year under review. Royal Fernwood's gross profit stood at LKR 608 Mn for the year under review. Both the Company and the subsidiary were able to increase the GP margin compared to 2021/22.

REVENUE GENERATED

For the year under review, Group revenue increased by 57% to LKR 5.91 Bn from the previous year's earnings of LKR 3.76 Bn. The acceleration of consolidated revenue is a result of a notable increase in the revenue of Dankotuwa Porcelain and its subsidiary Royal Fernwood.

COMPANY AND SUBSIDIARY PERFORMANCE

As a company, we achieved revenue growth of 43% to LKR 3.36 Bn, surpassing the revenue of LKR 2.36 Bn from 2021/22. Our subsidiary Royal Fernwood posted revenue of LKR 2.56 Bn, an increase of 80% compared to 2021/22. Revenue growth was driven mainly through augmented earnings from national sales and from foreign exchange gains of international sales due to a high appreciation in the USD during the financial year 2022/23.

PBT AND PAT

The Group recorded a profit before tax of LKR 869 Mn, including a fair value gain of LKR 67 Mn, surpassing the previous year's PBT by 313%. Profit after taxation amounted to LKR 679 Mn compared to LKR 189 Mn reported in 2021/22. The increase in Group's PAT by 259%, represented a commendable financial year amidst considerable financial constraints. A timely pricing strategy, attraction of new customers, new product developments, cost-optimised purchases and continued discipline in consumption had a positive impact on the bottom line.

FINANCIAL CAPITAL

COMPANY AND SUBSIDIARY PERFORMANCE

As an individual entity, Dankotuwa Porcelain marked a profit before tax of LKR 897 Mn, including fair value gain of LKR 271 Mn, which is an increase of 83% from the previous financial year. This was followed by a PAT of LKR 622 Mn for the year 2022/23, which marks a 47% increase over the PAT of 2021/22.

Royal Fernwood reported a profit before tax of LKR 201 Mn, including a fair value gain of LKR 18 Mn, surpassing a loss of LKR 158 Mn from the previous year.

An in-depth review of performance of two companies are provided under 'Business Segment Review' on pages 58-59.

DIVIDENDS

No dividends were declared in the year under review by Dankotuwa Porcelain as a Group to its shareholders. Cash generated from the business were used to settle the loans and further resulted in an increase of retained earnings.

SHAREHOLDER VALUE

Total market capitalization stood at LKR 3.3 Bn by the end of financial year and has increased by 107% over the previous year.

INDICATORS OF SHAREHOLDER VALUE

For the year under review, Earnings per Share (EPS) have shown a considerable improvement as it increased by 241% to LKR 4.13 against LKR 1.21 in the previous year. Net Asset per Share also rose to LKR 19.92 from the previous LKR 16.17.

OPERATIONAL EXPENDITURE

Although prudent cost controls were established, rising cost of materials, higher gas and fuel prices had a negative impact on Group's costs. Increase in finance costs, transportation and importation charges also had a heavy impact on overall expenditure. As inflation spiralled, additional efforts were adopted to optimize material consumption and energy consumption while striving

to reduce wastage across the production process.

From a Group's perspective, selling and distribution expenses surged by 53% to LKR 666 Mn. Despite this occurrence, administrative expenses declined by 35% to LKR 312 Mn, mostly due to an inventory provision of LKR 193 Mn during last financial year was a reversal of inventory provision LKR 159 Mn during the current financial year. Further, above administration expenses include LKR 73 Mn of exchange gains compared to LKR 102 Mn during the last financial year.

COMPANY AND SUBSIDIARY PERFORMANCE

Selling and administrative costs of Dankotuwa Porcelain as a company amounted to LKR 480 Mn which rose by 46%. Administrative expenses rose by 64% when compared to the previous year, resulting in a total of LKR 256 Mn. This is due to market cost escalations and implementation of new tax (SSCL - LKR 23 Mn), further this includes an inventory provision reversal of LKR 37 Mn.

Royal Fernwood incurred LKR 186 Mn and LKR 34 Mn in selling & distribution costs and administrative expenses, respectively. This administration cost is recorded after a reversal of an inventory provisioning of LKR 127 Mn against the provisions of LKR 180 Mn made in the last financial year.

FINANCE COST

Net finance cost rose drastically to LKR 299 Mn by 221% in the year under review. This increase is a result of policy interest rates raised by the country's financial regulator. Nevertheless, during the year, we settled a total of LKR 223 Mn in loans of Dankotuwa Porcelain. Dankotuwa Porcelain as a Company is now debt-free, after considering the fixed deposit and the cash balances available, which is a remarkable achievement in terms of the cash position of the company.

COMPANY AND SUBSIDIARY PERFORMANCE

Net finance costs of Dankotuwa Porcelain and Royal Fernwood amounted to LKR 102 Mn and LKR 299 Mn, respectively. Net finance costs increased for both companies as reflected by the increase in Group net finance costs.

ANALYSIS OF FINANCIAL POSITION

Overall balance sheet health has improved in the year under review with prudent measures taken to reduce liabilities. The Group demonstrated a stable financial position with adequate liquid assets to compensate short-term liabilities.

ASSETS

Group assets amounted to LKR 6.13 Bn in the year under review with property, plant and equipment amounting to LKR 2.36 Bn, which marks the highest component under total assets. Inventories increased by 58% to LKR 1.46 Bn while trade & other receivables increased to LKR 1.01 Bn in the year under review compared to LKR 787 Mn during the last financial year. LKR devaluation was one of the key reasons for increase in inventory and debtors. Total non-current and current assets stood at LKR 3.21 Bn and LKR 2.92 Bn, respectively.

COMPANY AND SUBSIDIARY PERFORMANCE

As a company, Dankotuwa Porcelain recorded an asset base of LKR 5.30 Bn for 2022/23, extending from LKR 4.40 Bn recorded in 2021/22. In addition to the increase in inventory and debtors, an increase of LKR 271 Mn due to the revaluation of investment property and the investment in subsidiary also impacted the above asset growth.

Royal Fernwood recorded an asset base of LKR 2.13 Bn with its non-current assets amounting to LKR 968 Mn and its current assets as LKR 1.16 Bn in 2022/23. Assets mark a 30% increase over the previous financial period mainly due to increase in inventories and trade receivables as a result of increase in exchange rates.

LIABILITIES

Total Group liabilities (current and non-current) amounted to LKR 2.88 Bn, surging by 21% from LKR 2.39 Bn reported in the year before. Non-current liabilities increased by 96% to LKR 1.21 Bn. During the year, current interest-bearing loans of RFPL were converted to non-current, which was one of the reasons for the above increase and further increase in deferred tax liability to LKR 572 Mn also contributed.

COMPANY AND SUBSIDIARY PERFORMANCE

Total liabilities of Dankotuwa Porcelain amounted to LKR 1.73 Bn compared to LKR 1.39 Bn reported in 2021/22. The company settled LKR 223 Mn of short-term and long-term borrowings, thereby reducing its liabilities amidst higher interest rates. This prudent action enabled the company to reduce its loan-based expenditure. Consequently, total short-term liabilities have marginally declined for 2022/23 to LKR 893 Mn. Non-current liabilities however, increased to LKR 833 Mn in 2022/23, due to a notable increase in deferred tax liability to LKR 554 Mn in the year under review.

Royal Fernwood's total liabilities amounted to LKR 1.37 Bn, which includes LKR 468 Mn in long-term liabilities and LKR 902 Mn in short-term liabilities.

EQUITY

Group equity amounted to LKR 3.26 Bn for 2022/23 and is a 23% growth compared to LKR 2.64 Bn in 2021/22. Equity of Dankotuwa Porcelain increased to LKR 3.57 Bn while Royal Fernwood's equity position improved to LKR 755 Mn during the year 2022/23. Retained earning of Dankotuwa Porcelain amounted to LKR 1,034 Mn has reduced to LKR 336 Mn in the Group performance due to the cumulative losses reported at RFPL.

SHARE MARKET PERFORMANCE

In the year under review, the share price recorded a high of LKR 37.50 and the lowest traded price was LKR 6.80. At the end of 2022/23, the market price was recorded as LKR 20.50. Share performance have had an impact from the historical highest performance of the company.

By the end of the financial year, number of shareholders increased to 5,122 from the previous year's shareholders by 3%. Number of shares traded in the stock market decreased to 68,699,899 shares, by 18%. Total market capitalization stood at LKR 3,332 Mn by the end of the financial year compared to LKR 1,609 Mn during the last financial year.

Ambeon Holdings PLC remained as the majority shareholder as of 31st March 2023 with a 72.51% stake from the total shares. Subsequently, on 13th July 2023, Ambeon Holding PLC disposed 50.1% of the total issued shares of the company.

FUTURE PLANS

In the future, the Group aspires to maintain further prudence over its financial position. We are now focused on measures to further reduce our liabilities and adopt measures to increase equity, directed at growth and expansion.

Our immediate priority is to scrutinize the cost structure, aiming to reduce overhead expenses while concurrently enhancing the efficiency of our working capital management. This approach is geared towards achieving improved profitability in the short term.

Looking ahead, our strategic emphasis shifts towards maximising the utilization of our current resources. This will involve prudent investments aimed at nurturing organic growth and enhancing overall operational efficiency over the long term.

Actions by DPL & RFPL	Short	Medium	Long
Establish the optimal capital structure	√	√	√
Scrutinize the cost structure	√	√	√
Enhancing the efficiency of working capital management	√	√	√
Maximising the utilization of current resources	√	√	√
Investment in resources at nurturing organic growth to enhancing overall operational efficiency		√	√

MANUFACTURED CAPITAL



As a manufacturer, our Property, Plant and Equipment (PPE) base allows us to sustain our production capabilities. Our plants in Dankotuwa (Dankotuwa Porcelain) and Kosgama (Royal Fernwood) represent our PPE base, which includes physical infrastructure, such as buildings, machinery and equipment. In addition, we also consider our five retail outlets in Sri Lanka and one branch in Chennai, India as part of manufactured capital, as they are a key facet of how we distribute products to our customers.

RELEVANT MATERIAL TOPICS



Capacity and infrastructure development



Process efficiencies



Focus on sustainable manufacturing



Technological infrastructure



Digital advancement

	DPL	RFPL
PPE	LKR 2,482 Mn	LKR 1,416 Mn
Facilities	Land – 3,153 perches Building – 267,801 sq ft Retail outlets – 9,770 sq ft	Land – 2,161 perches Building – 141,368 sq ft
Capacities – Whiteware	475,000 monthly pieces	475,000 monthly pieces
Capital expenditure – 2022/23	LKR 72 Mn	LKR 65 Mn

OVERALL APPROACH

Over the years, the physical assets and infrastructure of the Group has been enhanced to facilitate better and efficiently-driven output. With growing customer demands for short delivery times and higher quality, we have adopted measures to optimise performance of our plants, machinery and other resources in order to optimise workflow efficiencies. All in all, we prioritise optimisations in lieu of investments, with the objective of enhancing existing capacities and production capabilities.

VALUE CREATING ACTIVITIES

- Upkeep of existing facilities
- Improving plant efficiencies
- Capital expenditures for new infrastructure
- Technological adoptions
- Provide better customer service

VALUE DELIVERED (OUTCOMES)

DANKOTUWA PORCELAIN PLC

ROYAL FERNWOOD PORCELAIN LIMITED

Increased production
Lower rejected units and damages
Productivity improvements
Better customer experience

CAPITAL TRANSFORMATIONS AND TRADE-OFF



- Infrastructure improvements create a trade-off with financial capital in the short term. Yet, it enhances production levels and efficiencies, thereby creating economies of scale.

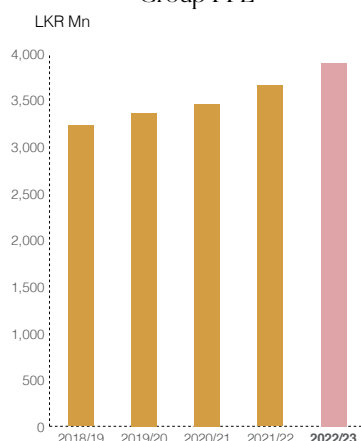


- Efficiency enhancement strategies elevate employees' intellectual capacity to think and work in a productive manner.

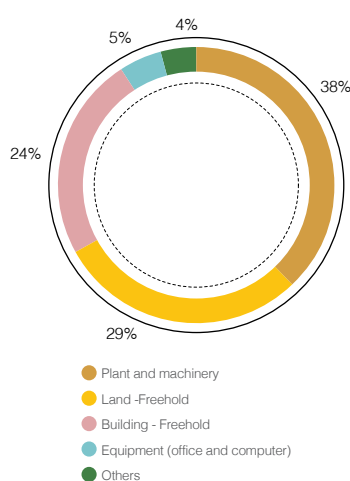


- Increased production and physical infrastructure carry an unmeasured level of environmental impact.

Group PPE



Group PPE Composition in 2022/23



PROPERTY, PLANT AND EQUIPMENT (GROUP)

Our manufactured capital is a combination of our production plants and offices located in Dankotuwa and Kosgama, and five local showrooms and one in India; manufactured capital also includes all infrastructure and physical resources within these premises. Plants and machinery take a substantial value (38%) from the total PPE which is at LKR 1.47 Bn (2021/22: LKR 1.48 Bn). Total PPE stood at LKR 3.90 Bn in comparison to LKR 3.66 Bn the year before.

Group property, plant and equipment increased by 7% in 2022/23. The largest component of PPE is plant and machinery, followed by freehold land of LKR 1.14 Bn and freehold buildings, which amounts to LKR 0.94 Bn. Although smaller in proportion, roadways and fence show an increase of 1,233% due to improvements undertaken during the year.

At cost (LKR Mn)	2018/19	2019/20	2020/21	2021/22	2022/23
Plant and machinery	1,458	1,419	1,442	1,482	1,471
Land -Freehold	860	993	1,025	1,025	1,136
Building - Freehold	665	693	727	862	940
Equipment (office and computer)	136	139	142	168	181
Building - Leasehold	52	60	57	53	53
Furniture & Fittings	35	34	40	40	42
Roadways & Fence	3	3	3	3	40
Capital WIP	2	5	11	10	20
Motor Vehicles	14	12	12	12	16
Total PPE	3,225	3,358	3,458	3,656	3,898

MANUFACTURED CAPITAL

PREPARATION



FORMING



CASTING

GREENWARE
FIRING

GLAZING



GLOSS FIRING

WHITEWARE
INSPECTION

PRINTING		
		
HAND PAINTING		
		
DECORATION & LINING		
		
DECORATION FIRING		
		
FINAL INSPECTION		
PACKING		
QA AND R&D		

Introduction

Our Strategy

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Leadership and Accountability

Financial Information

MANUFACTURED CAPITAL

The total value of plant and machinery at the Dankotuwa facility stood at LKR 838 Mn while the value of plant and machinery at the Kosgama plant stood at LKR 633 Mn, at the end of the financial year.

The two plants in Dankotuwa and Kosgama houses separate plants for greenware, whiteware and decoratedware.

DANKOTUWA PORCELAIN PLC		
GREENWARE PLANT	WHITEWARE PLANT	DECORATEDWARE PLANT
Capacity – 500,000 pieces/month	Capacity – 475,000 pieces/month	Capacity – 400,000 pieces/month

ROYAL FERNWOOD PORCELAIN LIMITED		
GREENWARE PLANT	WHITEWARE PLANT	DECORATEDWARE PLANT
Capacity – 500,000 pieces/month	Capacity – 475,000 pieces/month	Capacity – 250,000 pieces/month

*above capacities are calculated based on the current product mix.

PLANT CAPACITY AND FACILITIES

The efficiency of our manufacturing plants depends largely on the utilization of capacities of our workstations, machinery and equipment. Therefore, the production department and the management of both Dankotuwa Porcelain and Royal Fernwood take calculated decisions in expanding capacities as per the varying product mix.

DANKOTUWA PORCELAIN

During the year under review, Dankotuwa Porcelain did not make any significant investments but took several measures to optimise its existing equipment and resources. Further by maintaining facilities and infrastructure, the company was able to ensure that plants and buildings are well-g geared for the long-run. As a result, the Dankotuwa plant and factory premises underwent several changes in the year under review. In addition, the below improvements were done in peripheral areas.

- A road modification project around factory premises was completed in 2022/23, at a cost of LKR 37 Mn.
- The factory received a new conference room – a space dedicated for discussions and meetings.

- Invest in the renovation of the staff lodging to provide a much better living environment for employees.
- The front office area was renovated and modified to provide a more pleasing and welcoming appearance.

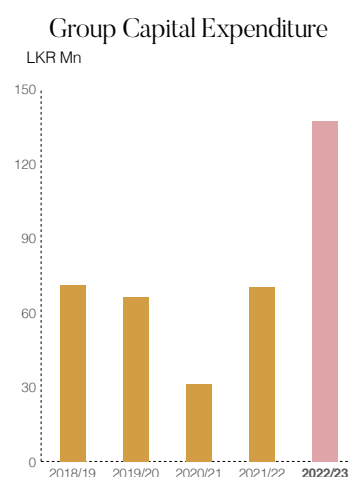
ROYAL FERNWOOD

During the year, Royal Fernwood made an investment of LKR 56 Mn in Kiln Furniture, which entails implementing flexibility within kilns to hold flatware and mugs in different compositions. In addition, several other improvements were also initiated during the year.

New and modified facilities

- A research lab within the factory was established to support in-house designing.
- A stock room was established to hold porcelainware moulds, which come in various shapes and sizes and are used in shaping clay into the desired product base.
- Roof installations for two workstation areas.
- Modification of the meeting room to facilitate better communication.

CAPITAL EXPENDITURE



In the year under review, the Group spent LKR 137 Mn towards infrastructure development, which covers machine equipment, land and building, furniture and fittings and roadways and fence. Additionally, capital expenditure covers spending on motor vehicles and office and computer equipment.

ENSURING PRODUCTIVITY AND REDUCING INEFFICIENCIES

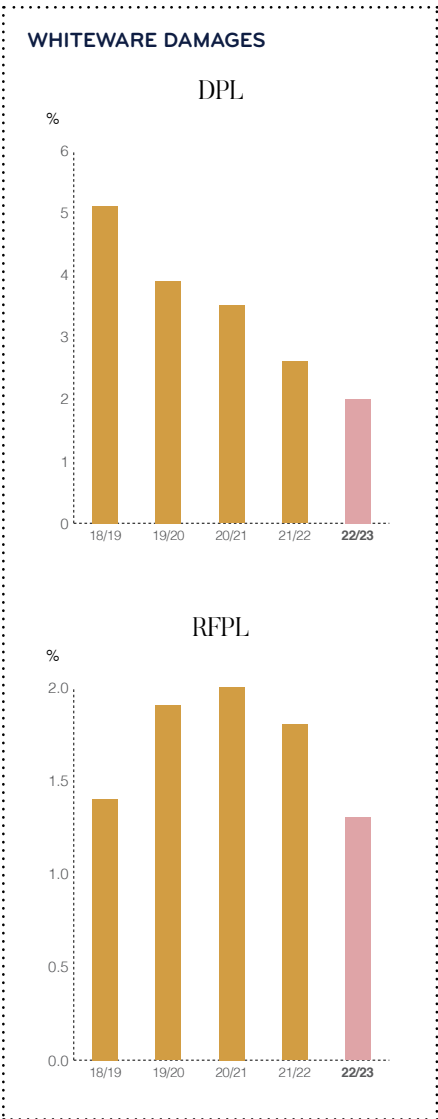
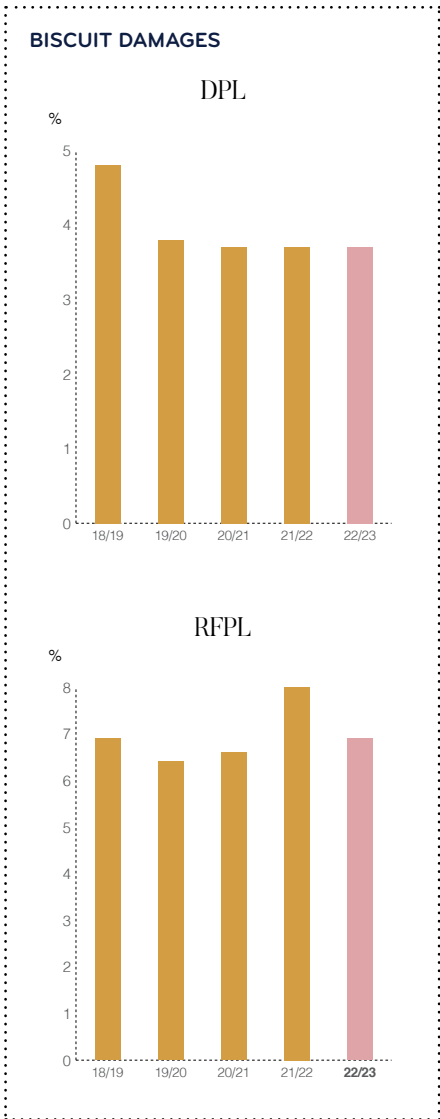
Measures that ensure and enhance productivity are crucial to maintaining lead times, to reducing material waste and rejected units while enhancing the overall quality of every single unit that passes through each stage of the production process.

- Material preparation – Ball mill grinding time reduction enabled staff to enhance the efficiency during material grinding.

- Production – Energy efficiency was improved, and additional production capacity was unveiled by reducing the glost kiln firing cycle time.
- Productivity – The length of the decorated porcelainware inspection belt was extended to facilitate an optimum number of inspections at a given time.
- Latest production technique – Efficient use of semi-automated glazing machine for increased production.
- Optimising machinery – Re-designing moulds of certain large products to fit into more efficient forming machines.

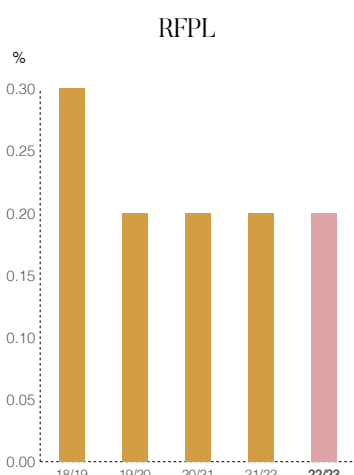
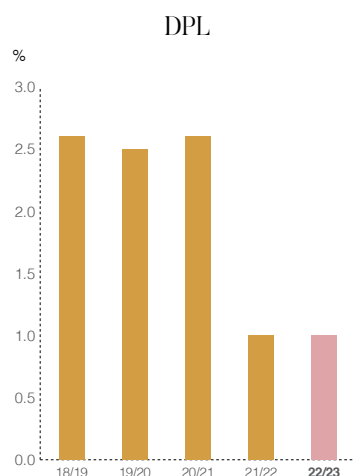
PLANT EFFICIENCIES

During the year, due to stringent inspections and online data monitoring, the teams at Dankotuwa Porcelain and Royal Fernwood were able to reduce defects at key points along the production process. The following provides the results of their efforts.



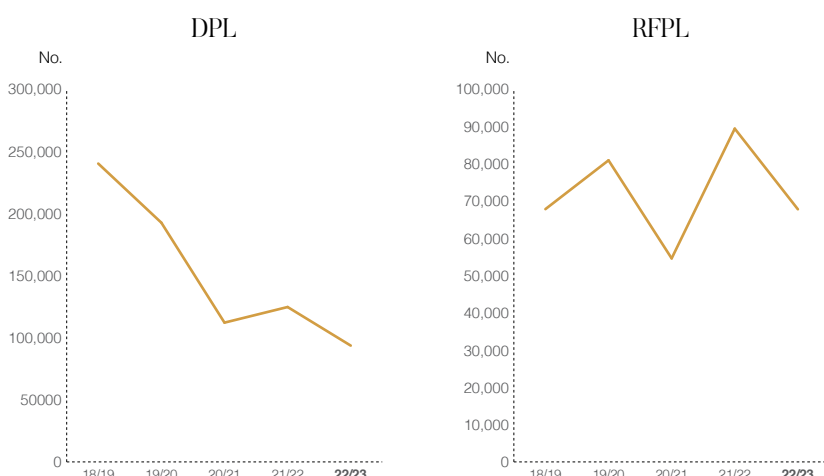
MANUFACTURED CAPITAL

DECORATEDWARE DEFECTS



During the year, there are noticeable reductions of rejected units at both Dankotuwa Porcelain and Royal Fernwood, at 25% and 24%, respectively. The reductions are set against a backdrop where production has increased in 2022/23 compared to 2021/22. In 2021/22, we took efforts to monitor and analyse five major defects in order to make controls. This is one of the key reasons in the reduction of rejected units during the year under review.

REJECTED UNITS



The best manufacturing practices to reduce defects and improve production efficiencies were re-emphasised and implemented during the year. Focused action plan will be derived to improve the performance of greenware damages of Royal Fernwood in the coming year.

BRAINSTORMING SESSIONS

Brainstorming sessions took place in many forms one being when setting annual targets for defect controls and improving quality levels for each product. Findings of the brainstorming sessions were documented and were evaluated with the team to make action plans, which were monitored during the period under review. Sessions were a source of idea generation and were used during daily meetings to generate various useful ideas and views. Teams have conducted brainstorming sessions at weekly quality meetings to counter certain defects and quality-related issues.

PROCESS REVIEW SESSIONS

The production unit conducted quarterly reviews alongside quarterly performance evaluations with appropriate actions taken for process improvements. Daily review sessions focused mainly on suggestions for productivity and efficiency, followed by implementation after reviews.

HOURLY MONITORING SYSTEMS

We monitored and displayed hourly production at the decoration production line, glazing line, forming machines and packing line etc.

DAMAGE AND YIELD FORECAST

We forecast damages and yield, which are monitored hourly, displayed and also communicated efficiently and frequently so that a culture of waste reduction is inculcated among the factory staff. Daily meetings were conducted to review progress with remedial actions taken immediately.

MATERIAL FORECAST

Material forecasting is done annually and adjusted according to monthly plans and order situations. Stock situation of critical materials are monitored weekly, while ordering occurs upon evaluation of stocks and customer orders as and when required.

TECHNOLOGICAL INFRASTRUCTURE

Technological infrastructure plays an increasingly important role in how we approach productivity, efficiency, monitor certain aspects of the production process and manage stocks. While both factories have adopted a latest ERP solution, there are standalone systems introduced at different process levels to bring expected efficiency levels.

Business Intelligence (BI) dashboards are used across the operations to ensure accurate information is disseminated in timely manner.

Technology plays a central role in the research and development of our products; and over the past several years, our use of technological solutions has evolved into the latest software solutions in 3D modelling and designing. In meeting international design standards, use of such solutions has enabled us to reach the exact dimensional specifications, while ensuring that our product designs conform to required colours and design aesthetics.

During the year, we adopted software solutions such as Solid Works, AutoCAD and Inventor, which now enables us to visualise our product concepts prior to initiating sampling and production. This enables us to save cost and lead time on physical product modelling, while allowing us to make changes to the design, until the desired outcome is achieved.

Furthermore, in the period under review, we adopted an online data gathering system for both whiteware inspection and decoratedware inspection. Furthermore, given the complexity of production planning, handling hundreds of SKUs per month initiatives have been taken to implement a structured scheduling tool.

Given the context where the cost of energy has skyrocketed, we have started energy monitoring in each production section so that a concentrated effort can be made to optimize the energy usage.

RETAIL OUTLETS

Dankotuwa Porcelain & Royal Fernwood operates common showrooms to give a better customer experience in 5 locations in Sri Lanka and a sales office in Chennai, India. Showrooms are located at Colombo-07, One Galle Face mall in Colombo-01, Kirulapona, Negombo and Factory outlet in Dankotuwa. Out of the above 5, Signature showroom in Colombo-07 and One Galle Face showroom are strategically located to serve our exclusive premium customers.

PLANS FOR THE FUTURE

Dankotuwa Porcelain and Royal Fernwood will continue to push through the economic constraints by adopting a pragmatic stance on infrastructure improvements. We will continue to look for necessary infrastructure investments that creates a better value addition to the organisation.

Actions by DPL & RFPL	Short	Medium	Long
Sustainable manufacturing approaches	√	√	√
Strategies to improve plant capacity		√	√
Actions to enhance efficiencies	√	√	√
Investment in new technologies		√	√
Investment in solar energy		√	
Ergonomic approaches where required	√	√	
Upgradation of showrooms	√	√	√
Opening new showrooms		√	√



INTELLECTUAL CAPITAL



Our intellectual capital has been one of our core competitive strengths over the years, giving us leverage over competitive pressures and market demands. Our brand, product based strengths, innovations, manufacturing knowledge, and technological advancements have given us the ability to grow our market share and sustain global recognition.

RELEVANT MATERIAL TOPICS



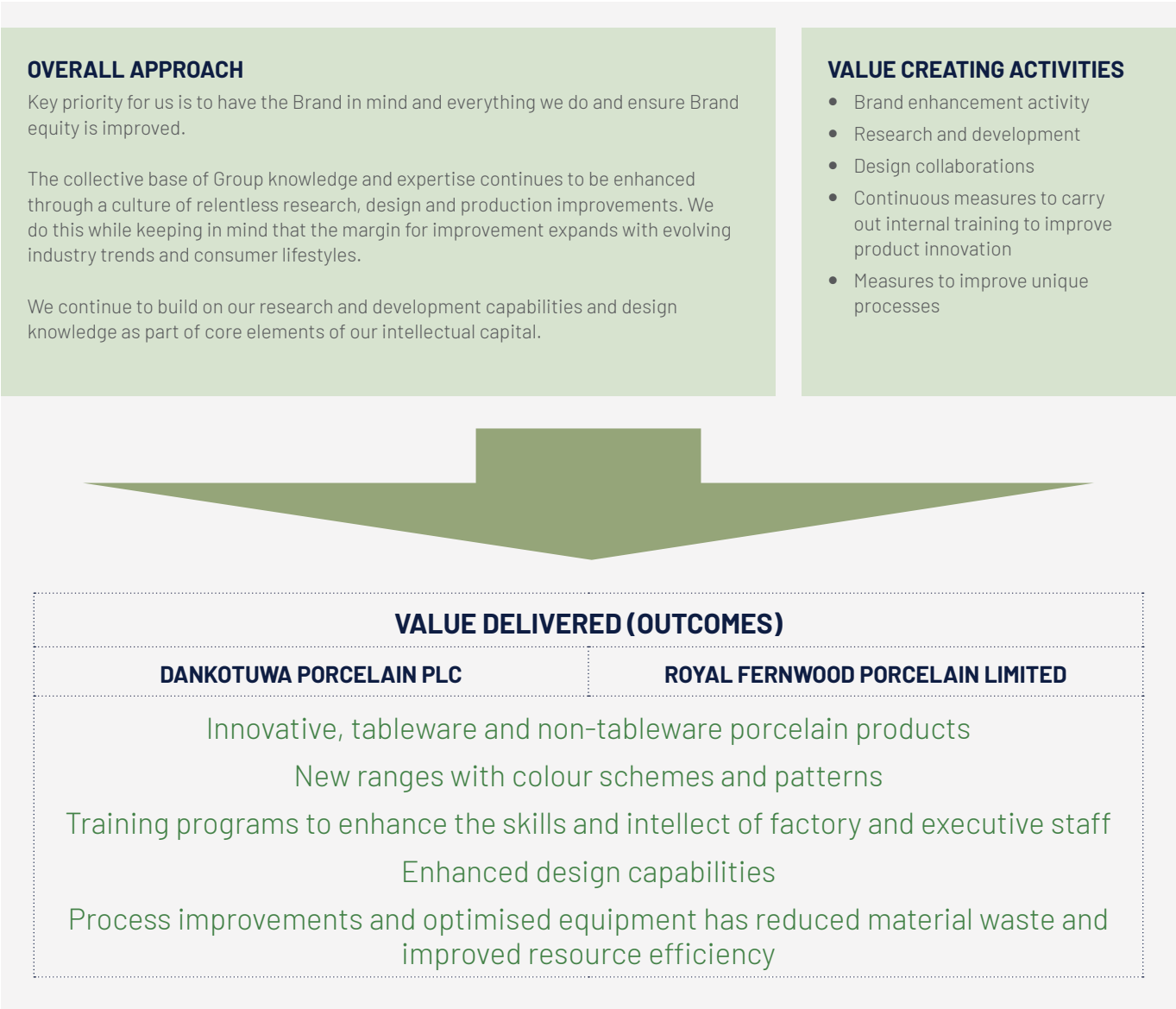
Brand equity



Product innovation



Continuous improvements



CAPITAL TRANSFORMATIONS AND TRADE-OFF

	Investments in training, knowledge building, and process lead to creating products and innovations with better revenue-earning potential; but creates a trade-off with financial capital.
	Better processes, products and sustainable practices drives better relationships with customers and stakeholders.
	Enhancing intellectual capital enhances employee capabilities, employability and personal growth.
	Sustainable production practices and process/quality improvements, optimises physical resources and has a positive impact on financial capital.
	Knowledge of sustainable manufacturing practices minimises environmental footprint and safeguards ecological resources.

BRAND EQUITY

Decades-long existence and market acceptance, coupled with a unique product portfolio that speaks of our distinct capabilities, have continually enhanced the brand equity of Dankotuwa Porcelain and Royal Fernwood - becoming our strongest intangible asset.

DANKOTUWA

With an organic approach to market growth, Dankotuwa Porcelain has gained brand recognition as one of Sri Lanka's top manufacturers of porcelainware and a top local brand. A household name for 39 years, our brand name has become synonymous with taking the country's pottery craft to the international level. Our brands have received recognition from world-class retailers and commercial buyers and are sought after by many leading corporates.

Our strongest recognitions come from our local market clientele who trusts in the reliability and quality that the 'Dankotuwa' Brand resembles. Our international and local clientele has continued to grow due to the qualities and values we have adopted in delivering products and when committing to client needs. Moreover, based on an independent market survey, Dankotuwa was identified as the top of the mind porcelain brand in Sri Lanka.

ROYAL FERNWOOD

The name Royal Fernwood has been in existence since 1994 and has amassed a unique position within the local market and a strong, growing presence in over 16 countries. Royal Fernwood has brand recognition as a manufacturer of bold and vibrant colours and functional everyday kitchenware and tableware. The brand is recognised by numerous international buyers including dinnerware manufacturers and top-end retailers.

RECOGNITION

The brand profiles of Dankotuwa Porcelain and Royal Fernwood continue to be elevated through brand-oriented awards and business accolades.

- Dankotuwa was recognised as the Most Loved Brand (by LMD) in the porcelain category in 2023, and this demonstrates market acceptance, brand recognition and our success as a business.
- During the year, we were nominated as a finalist under the category of 'Innovation' for the Hexagon-shaped, nature-inspired matt black collection. The design was chosen from over 230 entries across several categories by Tableware International Awards of Excellence 2023 - the only International B2B magazine dedicated to the global tableware industry.

TRADEMARKS AND INTELLECTUAL PROPERTY

The brand names 'Dankotuwa', 'Royal Fernwood', 'Laklain' and 'Earth & Ware' are registered trademarks of the Group, considered as the Group's intellectual property.

ORGANISATIONAL KNOWLEDGE

One of the most critical elements of Intellectual Capital is the tacit knowledge of our staff. This had been made possible by being in the porcelainware manufacturing sector for 39 years and Dankotuwa being considered as a lifelong employer by most of our staff who comes from the surrounding communities. We have actively involved in converting this tacit knowledge to explicit knowledge through various activities such as small group meetings, brainstorming sessions that leads to our structured multi-skilling program. The recently established DPL Academy would make this process stronger in the future.

RESEARCH AND DEVELOPMENT

The technical expertise and experiences of our R&D team have provided us with a competitive knowledge base - one that powers our innovations and high-standard-based design and development capabilities. The team continues to undertake innovation through an appreciation of market trends, consumer demands, international design standards and materials.

INTELLECTUAL CAPITAL

PRODUCT R&D

1. During the year, we introduced the 24k gold lining premium porcelain oil lamp for the 2022 Avurudu season. The product includes a clean and elegantly crafted gold lining with a pristine white body.
2. Based on international standards, our team introduced porcelain self-watering plant holder with form and function at its core. The final product was made using premium porcelain and designed for optimum plant hydration.
3. We developed a hexagonal product range inspired by the formation of a benzene molecule (C_6H_6). The nature-inspired geometrical design includes corners which are not easily damaged and a dark matt effect that complements the hexagonal outline.
4. We introduced reactive glazed product ranges for the local and international markets. Reactive glazing provides sophistication and modern elegance to products. Product ranges included a tea set, tableware sets with beautiful patterns, minimalist designs and bold, intricate patterns.



DESIGN INTELLECT

Our research and development team and in-house designers continuously seek new trends, customer behaviours and benchmarked innovations to ensure product competitiveness. Product design can be categorised into 3 areas as shape designs, surface designs and decal designs where we occupy experts in each area.

Going beyond local thinking and design aesthetics, we work with international designers to tap into global market trends and consumer insights – allowing us to enhance our design intellect. Moreover, by working with globally and regionally-reputed designers, we can capture mass and niche market requirements – across the world.

During the year, we partnered with several international designers, including Lord David Queensberry/ Maham Anjum, Guy White, Billy Lloyd Pemala, Robin Leven, Anjella Hull, Gina Lobo.

At the Ambiente 2023 fair several new glaze designs for bowl food was introduced with the support of Lord David Queensberry and Maham Anjum, which attracted the attention of the industry key players.

R&D PROCESS

Over three decades of production and quality-related knowledge within our intellectual repository reflect our ability to adapt to international standards and consumer demands. Moreover, through regular process improvements and new solutions, we continue to find avenues of cost, time and waste reductions.



Lord David Queensberry



Design & Development Team

INTELLECTUAL CAPITAL

PROCESS IMPROVEMENTS AND EFFICIENCIES

We continuously adopt strategies to improve and optimise our processes to reduce lead times and improve the efficiency of production workflows. In 2022, we took several measures to make improvements in our manufacturing processes at DPL and RFPL.

- Mold weight reduction being continued as a KAIZEN project
- Glost kiln firing time reduction
- New glazing techniques for reactive, speckled and raised glazing
- PDCA – cause and effect finding, brainstorming and data analysis to find solutions for defects and rejects and to minimise such waste
- To optimise energy consumption, an electricity monitoring system was introduced for six sections of the manufacturing plant

SUSTAINABLE MANUFACTURING (KNOWLEDGE-SHARING)

We are in the process of developing an intellectual capital based on unique sustainable manufacturing practises of DPL and RFPL.

In 2022, we accelerated our efforts towards sustainable manufacturing practices – focused on improving production capabilities, minimising the environmental impacts of our operations and providing socially-beneficial value to employees and the community. The initial phase of our sustainability agenda is to increase employee and stakeholder awareness in embracing a culture of sustainable practices. *(More information under Sustainability Journey, page 38)*

Dankotuwa Porcelain

- Several knowledge sharing sessions were held on the basics of Sustainable Manufacturing
- A team appointed to oversee sustainability goals within the next few years
- Development of a sustainability policy
- Data collection to measure existing level of sustainability in the production process, leading towards the Resource Efficiency and Cleaner Production (RECP) methodology

Royal Fernwood

- Management Trainees were recruited to have an analytical focus on the manufacturing process.
- Executives were empowered with collective leadership to run the operations of the organization.
- Continuous process improvements to reduce gaps and improve productivity and the efficiency
- Optimised transportation through better planning & coordination and develop employees' logistics knowledge.

ENHANCING ORGANISATIONAL KNOWLEDGE

Our employees engaged in production and operational functions are skilled and semi-skilled workers with vast knowledge of the porcelainware manufacturing industry and manufacturing processes. In maintaining and enhancing staff capabilities and knowledge, they receive continued on-the-job training, inductions and targeted need-based training, which helps them to grow within their work role and to fill gaps in knowledge and skills.

TRAINING PROGRAMMES AND KNOWLEDGE-SHARING SESSIONS - 2022/23 (PRODUCTION AND QUALITY)

- Manufacturing excellence through lean principle and practices
- Ceramic Diploma
- Workshop on ISO 9001: 2015 standards and implementation of Quality management systems
- Workshop on Internal auditing for ISO 9001- 2015
- Maintenance of Industrial Plant and Machineries
- Information dissemination on sustainability manufacturing system at DPL (leaflet and poster campaign)

PRODUCT STRENGTHS

Our products are at the centre of our intellectual capital, and holds global and local recognition for attractive shapes, unique designs and decals, and an exciting range of colours. Over the years, we have created new and innovative designs and products for non-tableware purposes while refreshing tried and tested products from our tableware collection. As a Group, our products have evolved from tableware to giftware, kitchenware and ornamental figurines.

207 New Product Shape
Developments in the Year
2022/23

DANKOTUWA PORCELAIN

At Dankotuwa, our products include high-quality whiteware and decorated porcelain tableware products. Apart from high-quality whiteware, our decorated porcelainware includes, product variations based on numerous combinations of colours, glazes, decals and other design techniques.

Customer preferences play a central role in our export market-based product designs and local corporate products. Our products for the local retail market are based on changing consumer preferences and aesthetic designs and are in line with mass-market sentiments. Moreover, our product portfolio includes non-tableware products for various functions. During the year under review, we introduced several such non-tableware products for the domestic market for non-gastronomic functions.

In 2022/23, amongst our most demanded product ranges with unmatched market designs were the decorated Cherry Gold and Platinum ranges. Classical shapes remained in high demand amongst our international clientele.

In total, DPL developed 534 new mass-market and niche products with combinations of colours, shapes, decals/designs and glazing techniques. RFPL developed 416 new product units during the year.

ROYAL FERNWOOD

Royal Fernwood products are demanded for excellent quality and their conformance with international standards in design and durability. RFPL products carry various undertones, including thematic styles and modern elegance; they are also associated with solid colours and textured patterns in addition to decals that conform to international standards. Royal Fernwood products are designed with younger demographics in mind.

RFPL offers 12 body shapes, which form the base for several product ranges; these are namely - Oxford, Princeton, Sofia, Helsinki, Coupe, Margia, Sunil, Colorado, Margo, Romantica, Dima, and Maria.

For Royal Fernwood, products with the most demand include various color ranges and reactive glaze products.

QUALITY CERTIFICATIONS AND PROCESSES

Over the years, we have obtained several certifications and standards, at both local and international levels. These have enabled us to be competitive and conform to national and international standards.

DANKOTUWA PORCELAIN

We have maintained adherence to the quality assurance plan prepared under the guidance of ISO 9001:2015 Quality Management System. The plan includes all quality parameters and inspection points from raw material to end products. Inspection reports are used daily, and actions are taken to ensure the quality of each process.

Apart from the Quality Assurance (QA) activities, we use Quality Control (QC) techniques through four intermediate stages to avoid defective items from being passed to the next production process. We use an Acceptable Quality Level of 2.5% when auditing product quality.

Moreover, Dankotuwa Porcelain is one of the first porcelain manufacturers in Sri Lanka to secure the ISO 9001:2008 Quality Management Systems - reflecting our commitment to international quality standards and conformity to best practices in production.

ROYAL FERNWOOD

To demonstrate its world-class product quality, RFPL has secured several certifications in quality assurance. These certifications fulfil a dual role by guiding RFPL to take responsible approaches to product development and adopt competitive strengths to manufacturing. RFPL operates quality controls from in-house raw materials to dispatch while biscuit, whiteware and final inspection reports conclude the quality inspection of products.

RFPL has a strong staff structure in the quality assurance and control function to ensure agreed quality standards of the products are achieved. Moreover, the company utilises random inspection and testing in its quality control process. During random checks, RFPL stringently follows Acceptable Quality Levels and monitors standardized measurements daily.

CERTIFICATIONS AND STATUS

Certification/standard	Status 2022/23
Dankotuwa Porcelain	
• ISO 9001:2015 Quality Management Systems certification	Recertification completed
• ISO 14001:2015 Environment management system	To be implemented (On-going assessments and training)
Royal Fernwood	
• ISO 9001-2015 standard certification - prescribes to international quality management processes	Recertification in 2024

INTELLECTUAL CAPITAL

MARKET EXPERTISE

The Group holds invaluable insights of the global and domestic porcelainware markets. As a result of this market knowledge, we cater to a substantial base of domestic clientele and globally renowned retail brands and manufacturers.

International market	Group
Focus of 2022/23	India / Middle East / Scandinavia
Local market	Group
Focus of 2022/23	Focus on B2B and East region

Our knowledge of the international porcelain market and demographic demands has enabled us to make our products globally available. Our products are sold through prestigious retail brands, including high-end retailers Lenox, Macy's, Portmerion, Dansk, Caskata, Oneida, NEXT, Jashanmal, Crate and Barrel, Country Road, NotNeutral, VEGA, Porsgrund, Paul, Migros, Narumi, Berghoff, Yalco, Weissesstäl, Silsal Design House, Wallace and Co, Kashida, Manses Design, Nordic Nest and Global Stores.

TARGETING VARIOUS DEMOGRAPHICS

- At Dankotuwa, we cater mostly to a tier-one customer segment with a balanced representation of all customer segments.
- Royal Fernwood products carry reflections of youthful tastes and preferences and a focus on value for money.
- Dankotuwa Porcelain brands, 'Laklain' and 'Earth and Ware', caters to a price-conscious customer segment, with the millennial demographic in mind.

PLANS FOR THE FUTURE

Both companies will continue to capitalise on their existing intellectual strengths in design, manufacturing and market insights to deliver exceptional products, while pursuing sustainable manufacturing practices.

Actions by DPL & RFPL	Short	Medium	Long
Agree on a new brand architecture for local and global sales to ensure each of our brands meet market demands	-	√	√
Effective use of DPL Academy to enhance our knowledge base within the organisation	√	√	√
Carry out more R&D activities related to use of local clay	√	√	-
Connect our local design team with global market trends and global designers	-	√	√
Continue to research market trends and design the new products to meet the demand	√	√	√



HUMAN CAPITAL



Our human capital is formed by a dynamic team of employees with various skill levels. Their competencies and willingness to grow core reinforces our competitive strengths and drives value creation. The combined skills and experiences of employees and their capacity to grow gives substance to our human capital.

RELEVANT MATERIAL TOPICS



Job opportunities



Employee engagement



Training & development



Employee productivity



Employee health and safety



Employee relations



Employee well-being



Employee recognition

OVERALL APPROACH

Across the Group (Dankotuwa Porcelain and Royal Fernwood), we adopt an equitable and all-inclusive approach to managing human capital. We share the HR policies of our parent company, Ambeon Holdings PLC while following a people-focused approach to employee well-being, growth, safety and overall satisfaction.

Our talent management approaches include every aspect, from recruitment based on Group needs to ensuring employee work-life balance at our Dankotuwa and Kosgama production facilities and offices.

Furthermore, the Sustainability Journey adopted in 2022/23 guides us to take committed approaches to enhance employee health and safety, work-life balance, gender equity and workplace wellness, including ergonomic audits.

VALUE CREATING ACTIVITIES

- Collective leadership initiative
- Equal opportunity employer
- Employee development (DPL Academy and need-based training)
- Employee health and safety programs
- Employee engagement and welfare programs, including work life balance initiatives

VALUE DELIVERED (OUTCOMES)

DANKOTUWA PORCELAIN PLC

ROYAL FERNWOOD PORCELAIN LIMITED

Recognised as a 'Great Place to Work' (GPTW) and awarded with many recognitions covering different sectors including best workplace for women

Inclusive work culture

Initiatives to support staff amidst economic crises

Training initiatives based on needs, covering total workforce

Increased job satisfaction as demonstrated through employee satisfaction survey and GPTW achievement

CAPITAL TRANSFORMATIONS AND TRADE-OFF

	Financial investments on human capital development are offset by increased productivity and efficiency, which increases revenue and profitability.
	Employee skills and competencies meet customer expectations. Their CSR engagements enhance social acceptance and sustainability.
	Training enhances employee knowledge and organisational capital, but has a trade-off with financial capital.
	Improved production capabilities through well trained employees.
	Employee contribution to sustainable initiatives in creating value for the environment, economy and society.



LKR 1.14 BN
IN EMPLOYEE
INVESTMENTS

**FINANCIAL
VALUE**



92 PEOPLE
PROMOTED

PROMOTIONS



LKR 3.9 MN

**REVENUE PER
EMPLOYEE**



LKR 452,888

**PROFIT PER
EMPLOYEE**



8.55 %

ABSENTEEISM



86 HOURS

**TRAINING PER
EMPLOYEE**

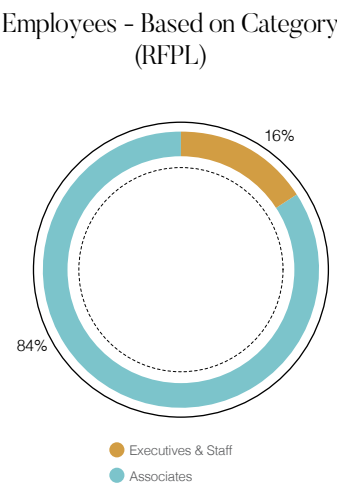
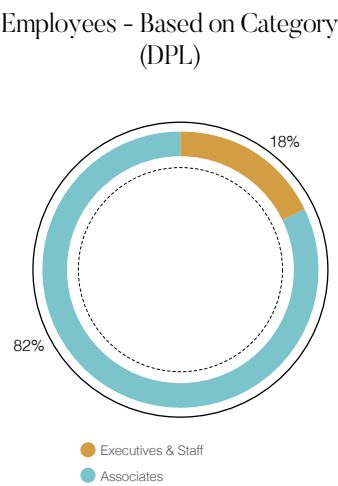
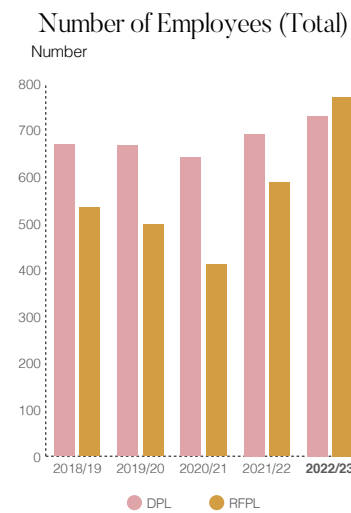
HUMAN CAPITAL



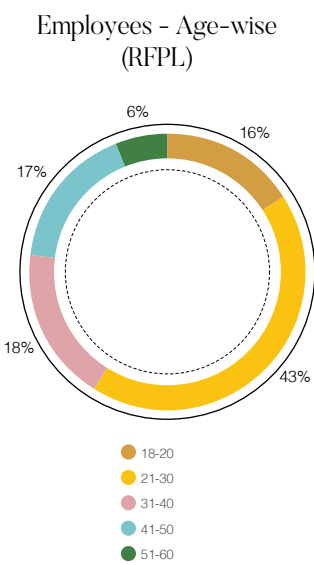
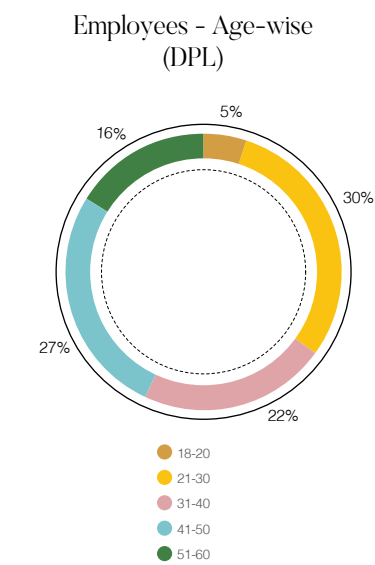
HUMAN CAPITAL COMPOSITION

Dankotuwa Porcelain team stood at 730 at the end of the year while Royal Fernwood had 770 employees. Both companies increased their workforce during the year - Dankotuwa Porcelain by 6% and Royal Fernwood by 31%.

DANKOTUWA PORCELAIN	ROYAL FERNWOOD	GROUP
730 (6%)	770 (31%)	1,500 (17%)



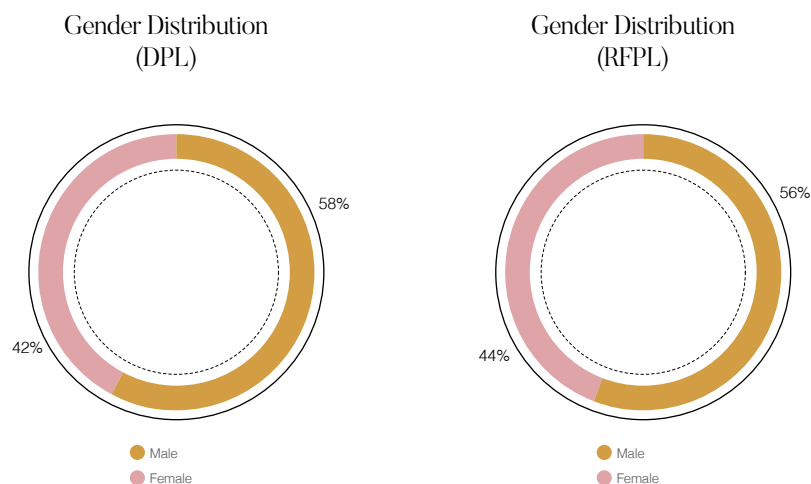
From an age-focused perspective a majority of staff at Dankotuwa Porcelain (30%) falls within the 21-30 age category while a majority (43%) at Royal Fernwood also falls into the same age range. This demonstrates the high concentration of Gen Z and Millennial presence within the Group's workforce.



HUMAN CAPITAL

GENDER PARITY

At Dankotuwa Group, we take concerted and conscious efforts to ensure gender diversity. Importantly, we remain mindful of removing any unconscious gender biases in an effort to ensure a safe and supportive work environment, where they can grow and thrive. To support this underlying objective, the Group's policy framework and HR function ensure that diversity in gender is pursued across both companies and departments.



	2022/23			2021/22		
	Total Staff	Male%	Female %	Total Staff	Male%	Female %
DPL	730	58	42	691	56	44
RFPL	770	56	44	587	52	48

FEMALE REPRESENTATION IN JOB CATEGORIES

Group	Total Staff	Female Staff	Female Representation %
Executives & Staff	258	76	30
Associates	1,242	570	46

HR GOVERNANCE

Dankotuwa Porcelain and Royal Fernwood conform to the HR governance practices and protocols of Ambeon Holdings PLC, which guides both companies to adopt best HR practices and adopt a comprehensive perspective into people management.

Talent management falls in line with the needs of both companies and according to objectives. HR Governance ensures that policies are executed appropriately, conforming to labour regulations and Group objectives.

HR POLICIES

The following policies are in effect across the Group, playing a central role in defining the scope of several key HR functions.

- Training & Development policy
- Recruitment policy
- Performance Management policy
- Grievance handling policy
- Leave Management policy
- Disciplinary policy
- Sexual harassment policy
- Organisational development policy
- Time & attendance policy

DIVERSITY, INCLUSION AND NON-DISCRIMINATORY EMPLOYMENT

We value diverse perspectives, ensuring equal opportunities regardless of age, gender, religion, or caste. Our inclusive workforce spans administration to manufacturing, with fair wages, benefits, and promotions based on merit. All employees access training for career growth. Aligned with ILO standards and human rights, we uphold dignity, respecting all. New hires undergo Code of Conduct training, while managers exemplify respect. A formal grievance process is in place, with no discrimination or harassment incidents recorded recently.

EMPLOYEE SATISFACTION AND A GREAT PLACE TO WORK

Dankotuwa Porcelain received recognition as one of the best workplaces in the manufacturing and production industry in Sri Lanka for 2023. This comes after the GPTW accreditation received in 2022 based on a 96% satisfaction rate for the GPTW satisfaction survey. Dankotuwa Porcelain achieved a 99% rating for the 2023 satisfaction survey while. Royal Fernwood also achieved a 97% rating for its 2023 satisfaction survey. The recognitions from GPTW reflects the success of our HR strategies and human capital management approaches. Thus far, we have received the following recognitions from GPTW.

- Great Place to Work Gold Certificate & Best workplace in manufacturing sector award (Mar-2022)
- Dankotuwa Porcelain and Royal Fernwood listed in the best 50 workplaces in Sri Lanka (Sep-2022)
- Dankotuwa Porcelain ranked among 20 Best Workplaces in Asia™ in the 2022 list in the large size category (Nov-2022)
- Dankotuwa Porcelain was recognised as Best workplace for women award (Nov-2022)
- Great Place to Work Gold Certificate & Best workplace in manufacturing sector award (Mar-2023)



COLLECTIVE LEADERSHIP – EMPOWERING PEOPLE

Embracing a more empowering style of collective leadership, the DPL corporate team applied their skills and experiences to manage all operations of the company in a more focused manner. 36 of our senior leaders representing various functions of the organization were divided into six-member teams, thus initiating the concept. A bidding process was adopted to select members based on the ability to create value and competencies.



HUMAN CAPITAL

Each team was tasked with strategising, planning and implementing activities with team. For two months, each team had full autonomy and authority to execute plans, make improvements and meet operational requirements. Each member received a role in managing the company, while collaborating with peers and capitalising on individual talents to enhance performance.

Over the past year, the teams have demonstrated higher commitment to performance as decision-making has inculcated a sense of belongingness and inclusiveness. As a result, the company has been able to harness the collective expertness and innovative viewpoints of our senior leadership. Palpably, this has produced better quality and creativity, as distinct ideas converged into improving products, processes, and performance.

Decision-making was transformed to a more robust process, as the team became well-informed through direct involvements. Moreover, the sense of ownership achieved through collective leadership has also been a contributing factor to improved performance.

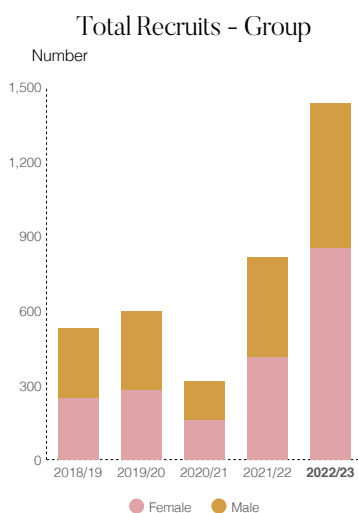
The approach was not only instrumental in improving performance; it became a source of resilience as the Company surpassed the external impacts of the year. The decentralised leadership created a web of resilience as we adapted to market dynamics and the volatilities of macroeconomics. This agility was instrumental in seizing opportunities amidst challenges.

Throughout the process, it became imperative to adopt a culture of trust, open communication and continuous learning. It also helped foster a culture of togetherness around a common purpose, which became imprinted across our staff. The resonance of this effect was felt across the company, as it encouraged and empowered staff to perform better.

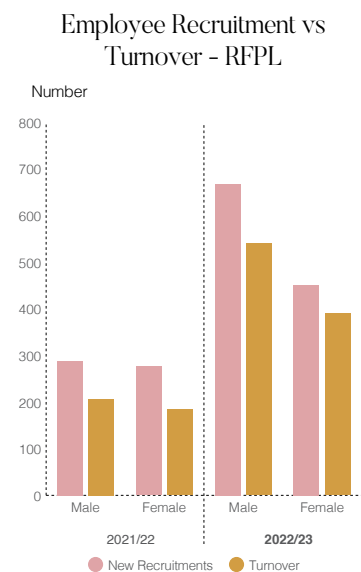
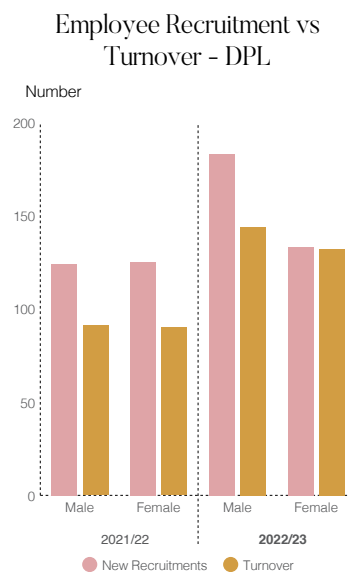
RECRUITMENTS

Recruitment across the Group is done based on need identification through resource gap analysis.

During the year, a total of 1,434 employees joined the Group, which was a 76% increase from 813 recruits in 2021/22.



more focused programs across the Group to increase retention. Necessary changes to the recruitment policy will also be brought up to prioritise recruitments from the factory surroundings.



EMPLOYEE RETENTION

Retention within the manufacturing industry has always been a challenge. Specifically, within an economic crisis, employee retention has become a key concern area for the Group. We expect this trend to continue in FY 2023/24 due to the prevailing economic crisis, thus we will conduct

INVESTING IN OUR PEOPLE

A substantial portion of the economic value we have created has been distributed among our employees as we value their well-being, safety, and development. During the FY 2022/23, Dankotuwa Porcelain as a Group invested a total of LKR 1.14 Bn in staff-related expenses in comparison to total revenue of LKR 5.91 Bn.

As living expenses continued to escalate, we wanted to share a portion of our employees' financial burdens due to high inflation of the country. In supporting this, we have added a crisis relief allowance to their salaries each month, commencing from July 2022.

TRAINING AND DEVELOPMENT

The need for a dedicated centre for training was identified with the talent development strategy. As a result, the DPL academy was established, and an internal trainer faculty was formed under the approval of NAITA. The academy was recognised under the Tertiary and Vocational Education Commission (TVEC). Under the guidelines of the commission, qualified internal trainers were appointed to facilitate the academy.

Furthermore investments in employee training enable us to enhance employees' technical capabilities and elevate their skill levels. Prior to joining the team, most recruits have not had exposure to porcelainware manufacturing, thus focused technical training has helped them to transform their skills and to adapt to the manufacturing environment.

During the year under review, we organised general and targeted training sessions with various objectives. Thirty-two workshops took place, with four internal and twenty-eight external programs. Collectively, all programs collectively facilitated 2,113 participants compared to 783 who participated in 2021/22.

Programs addressed the training needs of management staff, executive staff and associates – across numerous topics. These programs sharpened employee knowledge and skills, and equipped them with the right capabilities to meet business and production goals. The following programs took place, covering technical know-how and soft skills development programs, which counted 128,727 training hours for 2022/23.

Training Programmes	Participants	Training Programmes	Participants
TPM Practitioner Certificate Course	Executives	Take the lead to build a safe workplace	Associates
Brand Building Workshop	Managers	Kiln Operation & Safety Training Program	Staff & Associates
Sales skill development workshop	Sales team	Workshops for Strategy formulation and implementation	Collective Leadership Team
Data-Driven Marketing Professional	Managers	Individual coaching sessions for Senior Managers	Senior Managers
Workshop on ISO 9001: 2015 standards and implementation of Quality management systems	Executives	Gas Safety Awareness Training Program	Supervisors & Associates
Advanced Excel Master class	Executives & Staff	First Aid Training Program	Associates
(BEC) CXO Breakfast Briefing - "The GenY Factor in the Workplace"	Senior Managers	Fire Safety Training Program	Associates
Great Place to work conference-knowledge sharing	Senior Managers	Fire Drill Training Program	Associates
Labour Law and Industrial Relations	Senior Executives	Machine Break Down Analysis	Executives
5S for Warehouse	Supervisors	Leadership Development Program	Collective Leadership Team
Motivational programs	Collective Leadership Team	Talent Succession & 9 Box Grid Practitioner Certification	Senior Managers
Professional Email Writing Skills	Executives & Managers	Supervisory and leadership skills development workshop	Supervisors
Counselling Skills for Managers	Managers	Certificate Course on Value Added tax	Executives
Positive Attitudes, Motivation and Good Working Habits	Staff, Executives & Assistant Managers	Six month Ceramic Diploma at CENTEC	Executives & Managers
Workshop on Internal Auditing for ISO 9001- 2015	Executives & Managers	Manufacturing Excellence through Lean Principles and Practices	Executives & Above
Maintenance of Industrial Plant and Machineries	Supervisors	Organisational Development Specialist Certification	Senior Team
Organisational Development Specialist Certification	Senior Executives & Managers	"ISO 14001:2015 Environmental Management Systems Internal Auditor Training"	Executives

HUMAN CAPITAL

DPL ACADEMY

During the year, we initiated the DPL Academy dedicated for employee training and development. Registered with the Tertiary and Vocational Education Commission, employees who participate in training can obtain a NVQ-approved certification. We were able to upgrade the skills of employees across three different areas.

1. Certificate course in Ceramics Manufacturing
2. Certificate course in Quality Management
3. Certificate course in Counselling

During the year, 41 employees completed these three courses successfully. Also, it was identified that more than 16% of our employees are above the age of 50 years and they have been employed at DPL for more than 25 years, with most of them having joined the Company at its inception. As a human-centric Company, we are not only focused on helping them during their period of service, but also after their retirement. Our main objective is to economically sustain their life after their retirement and ensure a healthier & happier retirement. Hence, we started to provide them entrepreneurship skills & facilitate them to learn & initiate self-employment or a business under the following areas.

1. Candle & fragrance stick manufacturing
2. Soap, washing powder & washing liquid manufacturing.
3. Confectionery manufacturing
4. Bakery products manufacturing
5. Decorative item manufacturing

SPONSORED QUALIFICATIONS

We strive to uplift the skill set of employees. Hence, critical job roles were identified to enhance the relevant knowledge areas pertaining to such roles. We sponsored our employees to obtain the qualifications related to our industry. As a result, four of our employees obtained a six-month ceramic diploma, which has enabled them to add more value to the organisation.

Further enhancing production efficiency, TPM practitioner qualification was obtained by key executives in the engineering department.

PERFORMANCE MANAGEMENT AND RECOGNITION

Performance reviews play a key role in facilitating employee recognition across the Group; it has also established an individual-skill-based approach to employee growth. Performance reviews occur based on a clear and formal process; this begins with self-based performance appraisals followed by supervisor evaluations. Both parties then agree on the final rating with final rating report prepared and downloaded through a HRIS system. Further, the SPOT Awards system is in place where special contribution by employees are recognised and awarded with a monetary reward and a certificate, spontaneously.

Every achievement, be it small or large, is celebrated at every level, thereby recognising contribution by employees. Recognition is also linked to training and development where highest contributors are provided with training opportunities in non-core areas as a part of their development plan.

Employees are promoted in recognition of their hard work while fulfilling required positions with capable staffers. During the year, 6% of our team members were promoted based on demonstrated capabilities, across several job roles.

EMPLOYEE ENGAGEMENT AND RELATIONS

At both companies, we practice open door policy where anyone in the management, including CEO is approachable to all employees in the organization. Further, management maintains open and regular communication with employees so that critical information related to the business is communicated across the board in timely manner. The front-line leadership team along with HR team maintains regular engagement with staff. The associates at the Dankotuwa Porcelain and Royal Fernwood are represented by Inter Company Employee Union, where regular meetings with senior management are conducted to ensure smooth dissemination of information.

Employees can also access a formal and unbiased grievance hearing procedure to resolve their grievances, as per the Grievance Handling Policy of the Group.

Dankotuwa porcelain and Royal Fernwood are part of the Employer's Federation of Ceylon, which assists the Group in all matters of legal consequence and industrial relations.

Employee Engagement Activities

- New year festival celebration in April representing the traditional values of the culture of Sri Lanka
- Entertainment day with family members
- DPL Singing Star competition in recognition of company talents
- DPL Cricket Fiesta with the participation of Sri Lankan cricketer Mr. Farveez Maharoof
- Children's Day celebration
- Musical program with Mr. Dammika Bandara explaining the meaning of the selected songs
- Universal Children's Day celebration
- Employees engage in vegetable cultivation within the premises and harvest is distributed among themselves. Each department is given a separate land plot and irrigation system, fertilizer and seeds are provided by the company.
- Help Room – This concept was initiated to help each other. Those who have excess of anything was able to share with those who needed, food, clothing, educational materials and etc.
- Christmas celebration with lighting up the Christmas tree and Christmas carols

Employee Engagement Activities

- Dhamma Deshanawa by Rev. Kagama Sirinanda Thero
- International Women's Day celebrations
- Conducted two seminars for grade 5 scholarship examination and the ordinary level examination targeting employees' children

EMPLOYEE COMMUNICATION

Correspondence with employees happens formally, in a structured manner. Both companies use general methods for clear and direct communication with staff.

Method	Frequency	Purpose
Email	Often	Confidential communication with documented correspondence
Notices	Often	All the general communications
Letters	Often	All appointments and official communications to individuals
WhatsApp	Often	Individual, group and general communication
Telephone calls	Often	Individual messages
Meetings (Face to face and online)	Often	Performance review meetings, project update meetings, management meetings, department meetings, committee meetings, planning meetings (sales, operations and supply chain) etc.
Memo	Often	Company policies and procedures
Posters & Banners	Often	Special communications regarding special events, production related matters and other safety related matters
Registered post	Seldom	Individual formal communication (VOP letters, Inquiry related communications)

EMPLOYEE WELFARE AND HEALTH & SAFETY

We value our employees' physical and mental well-being, and various activities have been carried out during the year ensuring uplifting employee well-being. One of the most successful activities was a program to diagnose non-communicable diseases (blood sugar and cholesterol) during the year, for employees who required diagnosis and follow-ups. The entire cadre received check-ups while our medical centre personnel-maintained reports and records for follow-ups. Employees received free access to BMI, Pap smear tests, dental clinic, hearing tests and lung function tests and eye check-ups. Medical camps will be continued each year, with one camp for the employees and another dedicated camp for family members, especially parents of employees.

During the year, we extended this support to the parents of the employees as well. The following provides a list of other activities carried out to ensure employee well-being and health & safety.

Routine facilities

- Emergency medical treatment facility with qualified in-house nurses.
- Daily visit by medical doctor and all prescribed medicine provided by the organization.
- Experienced fulltime counsellor take care of mental well-being of all our employees.
- Affordable meals for all employees.
- Free transportation provided for all employees.
- Free uniforms for all employees.
- Medical insurance for all employees.
- Continuation of scholarship program for university selected children of the employees

Special Events

- A provision of infant formula for six months for the special need infants of employees
- Provided transportation for employees receiving treatment for critical illness – throughout the treatment.
- Dry rations for employees as and where necessary such as hospitalization, critical illness, maternity and low income
- Gift voucher distribution for production staff for target achievements and special contributions
- Session with Mr. Sanath Gamage to address the employees on the topic of "Happiness".
- Motivational speech by Mrs. Duleeka Marapana.
- Healthy dining habits programme conducted Dr. Janaka Wannakku
- Introduced herbal soup among employees targeting health day
- Active welfare shop with subsidised price for employees
- Active death donation fund
- An appreciation program for employees' children with higher ordinary-level examination results.

HUMAN CAPITAL

OCCUPATIONAL SAFETY

Employee safety is a central focus area at the Dankotuwa Porcelain and Royal Fernwood production facilities. Given employees' use of machinery and equipment, we are statutorily and voluntarily bound to ensure that they are trained on the safe use of machinery and to proactively mitigate accidents. All employees are provided with Personal Protective Equipment (PPE) where necessary.

For both plants, we have dedicated HR personnels overseeing all aspects of workplace health and safety, apart from the above a health and safety committee is appointed by the factories with around 15-20 committee members. They receive regular training from first aid to firefighting, making them competent in all relevant areas. This is in addition to safety training provided to all employees.

During the year, we conducted the following:

- Induction program for new recruits
- Machine based training for employees
- Fire fighter trainings
- Fire drills

Moreover, employees are trained to identify hazards and take proactive actions to mitigate any accidents within the production facilities while also being mindful for the safety of co-workers.

To strengthen workplace safety, we have complied with several mandatory protocols and licenses. These include a fire-fighting training certificate, fire clearance certificate and means of escape: all these ensure that our production facilities conform to safety practices and preventive measures while having highly competent personnel to oversee such matters. Employees receive regular training on fire safety with designated employees to oversee each area and work with employees to increase their awareness.

Health and safety training for 2022/23 covering following areas.

Take the lead to build a safe workplace
Kiln Operation & Safety Training Program
Gas Safety Awareness Training Program
Fire Safety Training Program
Fire Drill Training Program
First Aid Training Program

OCCUPATIONAL EXPOSURE MONITORING

Group ensures occupational health and safety by monitoring the following aspects and takes corrective measures annually. A third-party company conducts measurements of all aspects.

Illumination levels – Levels are checked in each area to maintain optimum and safe levels of lighting. Levels in some places require improvements with replacement light sources.

Air temperature, relative humidity and heat stress – These aspects are measured during routine operations using proper measurement tools. Measurement is based on accepted standards.

Noise levels – Noise levels are measured using national standards to ascertain that there is no adverse impact on employees' ability to hear and comprehend speech. Noise levels were within acceptable levels at measured locations.

Respirable dust levels – Levels are measured to ensure that employees are not exposed to dust given the use of clay and other minerals. Irrespective of conformance to thresholds, employees continuously wear masks to prevent any dust inhalation.

SUCCESSION PLANNING

Taking a strategic approach to employee career growth and operational continuance, we adopted a succession plan in the year. The decision ensures the continuance of command and leadership from within the organisation due to any extenuating circumstance to the management.

PLANS FOR THE FUTURE

The well-being of our staff will remain a priority. We will continue to invest in our employees' skill development, health and safety and welfare, while enhancing initiatives to increase their overall satisfaction and development.

Actions by DPL & RFPL	Short	Medium	Long
Value in-built culture in the organisation	√	√	√
Gender equality for all employment levels	√	√	√
Leadership development programs	√	√	√
Strengthen DPL Academy	√	√	√
Retirement plan-based entrepreneurship programs	-	√	√
Continuation of employee work-life balance activities	√	√	√
Provide paternity leave	-	√	√
External awards on health and safety	-	-	√
OHSAS 18001 certification	-	-	√



SOCIAL AND RELATIONSHIP CAPITAL



How we create value for stakeholders is defined by their expectations of us and based on the inputs we receive from them. The positive relationships we have formed with each stakeholder underscore our ability to create value in an increasingly competitive and challenging business environment. In 2022/23, our relational capital continued to set the pace for value creation while enabling us to sustain and grow as a leading porcelain ware manufacturer in Sri Lanka.

RELEVANT MATERIAL TOPICS



Customer reach and accessibility



Product quality



Product health and safety



Product innovations and diversifications



Product communications



Screening practices



Material sourcing



Supplier rationalisation



High quality material



Job creation



Community development

OVERALL APPROACH

Our relationships with customers, suppliers, regulators and the community are nurtured by endorsing and upholding mutual value creation. Our responsible business practices and commitment to world-class standards ensure that they continue to place value on our capabilities.

As a Group, we continuously work towards understanding stakeholder requirements, while adopting prudent and inclusive strategies to maintain their confidence in us.

VALUE CREATING ACTIVITIES

- Customer base and business growth in local and international markets
- Product diversifications based on market trends and customer requirements
- Increased reach
- Product quality and safety
- Compliance to regulatory and statutory requirements
- Supplier rationalisation based on quality and mutual business interests
- Contributions to community



VALUE DELIVERED (OUTCOMES)

DANKOTUWA PORCELAIN PLC	ROYAL FERNWOOD PORCELAIN LIMITED
Growing local and international clientele despite economic crises	
Best-grade raw materials from suppliers and high product standards maintained	
Customer preferences and market trends as inputs for product diversifications	
Enhanced value creation for society	

CAPITAL TRANSFORMATIONS AND TRADE-OFF

	- Continuously reinforced stakeholder relationships enables us to reach economic objectives. (E.g. higher sales and revenue, cost optimisation through supplier rationalisation) - Community investments sustain our social license to operate and ensure the wellbeing of community.
	By engaging in community development and social sustainability initiatives, employees receive a sense of contentment and work-life balance.
	Research on market trends and new customer demands accelerate our intellectual capabilities.
	Efforts to absorb new dealers and B2B clientele increase product accessibility without infrastructure investments.
	Regulations and stakeholder expectations drive us to ensure positive impacts on the environment. (environmental sustainability)

CUSTOMERS

The Group's client base is categorised according to local and international markets. Locally, our products are purchased by a continuously expanding dealer network, in addition to B2B, E-commerce and modern trade customers. Moreover, our International Marketing team works with overseas clientele while exploring new markets to expand our export product portfolio. Some of our international customers are as below.



SOCIAL AND RELATIONSHIP CAPITAL

LOCAL CUSTOMER BASE

Across the Group, dealers are the top-most segment amongst local clientele and fulfil the role of a channel partner. The local market has a predominantly high and saturated dealer base (48% of all local revenue), which delivers products across various parts of the island.

CUSTOMERS (GROUP)

Local		2022/23	2021/22
• Dealers		268	222
• B2B	Corporate	122	97
	Hotel	101	67
	Tea Company	11	12
	Other	59	45
• E-commerce		10	7
• Modern trade		5	3

- During the year, the overall dealer network increased and reflects an increased presence in the North and Eastern regions.
- In enhancing the relationships with dealers, special factory visits were organised with selected dealers and their staff. Special dealer gatherings were organised with selected dealers to enhance business relations. These are mainly targeted to increase the awareness of the brand/products and to foster a good working relationship.
- Communications with dealers were also enhanced through digital platforms.

New Dealers (Group)
46

Our Sri Lankan B2B clientele comprise corporates, HoReCa (hotels, restaurants and cafés) tea sector clientele apart from unspecified 'other' buyers. Our local clientele also includes modern trade partners and E-commerce channel partners that engage in end consumer sales through their retail outlets, supermarkets and online stores, respectively. We also cater to several B2G clients within the local market.

DURING THE YEAR 2022/23:

- Despite the deceleration in tourism activities, social unrest and economic slowdown, we managed to increase our client base in Sri Lanka by 123 in the year under review.
- The local HoReCa segment was adversely impacted by a hard-hit tourism sector. As tourist arrivals improved towards the latter part of 2022, business from the segment also accelerated. The business reached a combined total of LKR 85 Mn for 2022/23 (2021/22: LKR 17 Mn).
- Revenue from the corporate sector show a 38% increase in sales to LKR 479 Mn in 2022/23 (2021/22: LKR 346 Mn) - showing increased demand for porcelain ware of both brands.

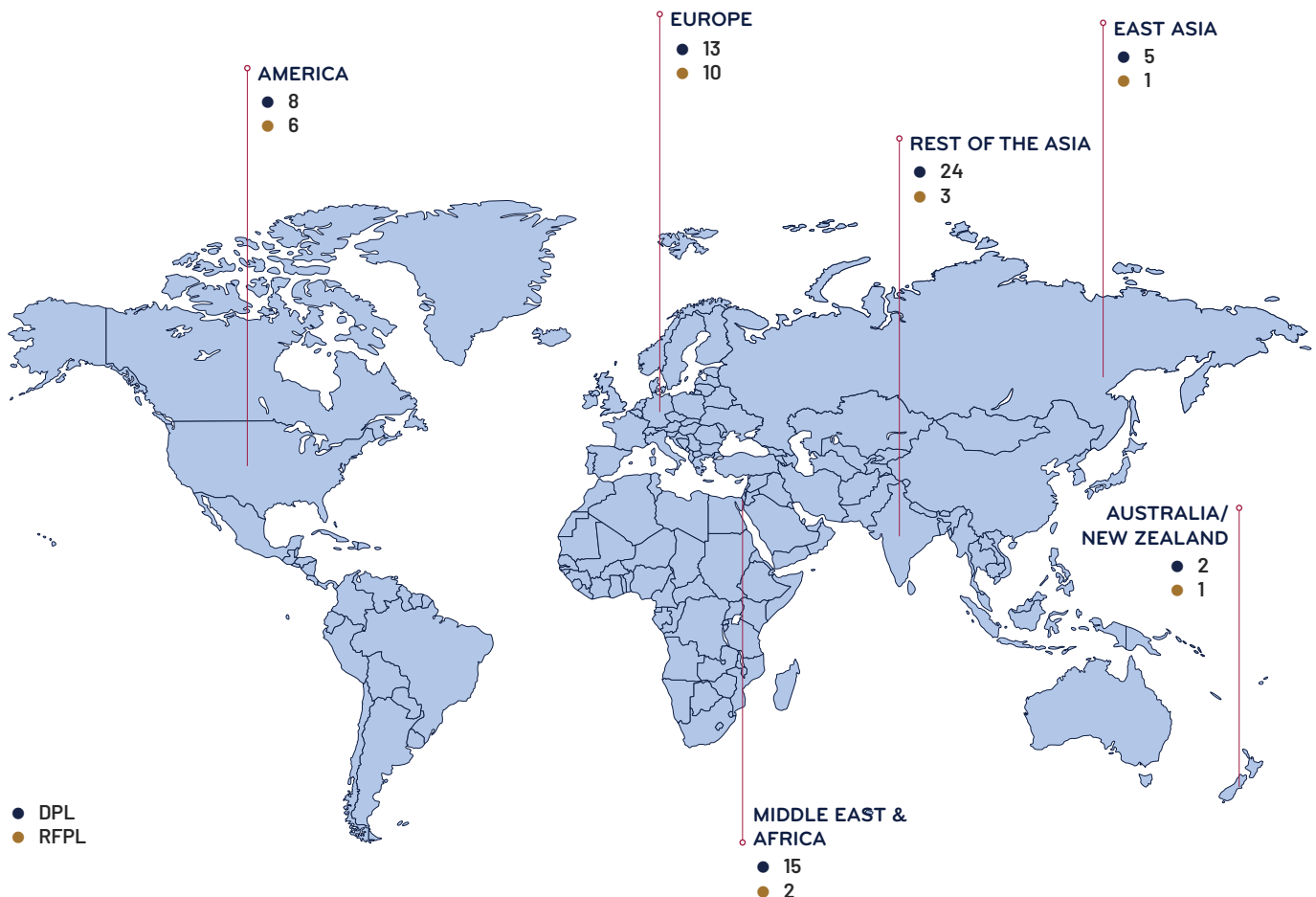
At Dankotuwa Porcelain, our interactions with end consumers are limited to retail buyers - visiting our showrooms. Dankotuwa Porcelain and Royal Fernwood products are exclusively available through our branded stores Signature (Colombo 07), Kirulapone, One Galle Face Mall, Negombo and Dankotuwa factory outlet.

Retail business through showrooms demonstrates significant growth for both companies. Despite the closure of one showroom in 2021, revenue from retail clientele grew by 69% to LKR 424 Mn in 2022/23 (2021/22: LKR 251 Mn). Our showrooms are positioned to cater to both SEC A/A+ and others through exclusive service levels.



INTERNATIONAL CLIENTELE

Across our Group portfolio, international clientele includes renowned retailer brands, traders and agents, manufacturers, hotel suppliers and online sellers from various countries across multiple regions. Importantly, our branch in Chennai, India, is a leading touch point for Indian retail outlets.



As a company, we redirected our focus towards the Indian and Middle Eastern regions, driven by concerns that arose from the global economic climate in Europe and North America. However, despite concerns, we continued to gather a commendable portion of revenue LKR 1,232 Mn in 2022/23 (2021/22: LKR 923 Mn) from North America and Europe regions.

Dankotuwa Porcelain and Royal Fernwood caters to a global brand clientele, which includes Debenhams, Portmeirion, Oneida, John Lewis, Jashanmal, Joules, Crate & Barrel, Country Road, Tchibo, notNeutral, XXX Lutz, Lenox, Porsgrund, Migross, Ripley, Thun, Narumi, Berghoff, Yalco, Weissessthal, GalerfiKauffhof, Sanaai, Wheel & Barrow, Silsal Design House, Global Stores and Darbie Angell.

	2022/23		2021/22		2020/21	
	Dankotuwa Porcelain	Royal Fernwood	Dankotuwa Porcelain	Royal Fernwood	Dankotuwa Porcelain	Royal Fernwood
International clientele	67	23	54	23	49	29
Countries	26	11	20	11	24	15

PRODUCT AND DESIGN DIVERSIFICATIONS

The diverse requirements of our customer base, evolving trends and lifestyle changes make it crucial to maintain and enhance a diverse and multi-functional portfolio of porcelain tableware and non-tableware products. Our portfolio includes mass-market products for the local retail clientele, apart from custom-made products that match local and international B2B client specifications.

SOCIAL AND RELATIONSHIP CAPITAL

During the year, we continued to produce tableware and non-tableware that reflect local taste preferences, such as the traditional Sri Lankan oil lamp targeting the April Sinhala and Tamil New Year. In addition, we introduced products with new shapes (e.g. hexagonal shape porcelainware set) designs and colour combinations based on customer preferences. To satisfy customer needs and to further diversify our portfolio, we continued to enhance existing products based on market trends and customer specifications.

During the year, we formed client-partner relations with local and international designers to create unique designs that reflect latest trends and lifestyle aesthetics in the Western, European, Middle Eastern, Indian and Scandinavian markets.

Product designs and diversifications for 2022/23 are detailed under our Intellectual Capital report. Additionally, the Manufactured Capital report describes how we continuously improve product quality and manufacturing capabilities.

	DPL	RFPL
Product developments (shapes)	109	98
Printing & decoration	397	118
New glazes	28	200

PRODUCT REACH AND ACCESSIBILITY

On a national level, our 05 showrooms and dealer outlets help us reach local clientele across the island. In the year under review, we increased our dealer network to 268 and ensured product availability in retail stores and shopping centres across the island. Further to these channel partners, we work with several leading e-commerce platforms (such as Kapruka, Daraz, Lassana Flora, WishQue, Buy Abans, BigDeals Brands of Ceylon, OrelBuy, Takas, everything.lk,pendi) that promote tableware sets and one-off products to the masses. Moreover, our products are available through several leading supermarket and retail chains, such as Arpico, Damro, Softlogic, Glomark, St. Anthony's Consolidated, Abans and Diliganz. Our international reach is supported by agents and traders that promote Dankotuwa Porcelain and Royal Fernwood products within their respective territories.

PRODUCT PROMOTIONS AND COMMUNICATIONS

LOCAL MARKET

To promote our products amongst local target market segments, we expedited several marketing strategies across the year.

- We initiated seasonal campaigns and social media activations, covering the entire Group - promoting Dankotuwa Porcelain and Royal Fernwood products, simultaneously.

Seasonal campaigns included Christmas and Sinhala-Tamil New Year promotions with seasonal discounts and credit card offers to reward retail consumers.

- Reaching a good cross-section of the market, special door-to-door sales promotions also took place to promote products in selected areas.
- We utilised LCD screens at several key locations in Colombo
- In reaching a niche and targeted audience, we sponsored several events related to the local hospitality sector.
- Several targeted promotions and marketing activities took place to reach our B2B and institutional clientele.

SPONSORSHIPS

- Women's International Shipping & Trading Association Sri Lanka
- Prestige Ventures Lanka (Pvt) Ltd
- Industrial Development Board of Ceylon
- School Development Account of D.S. Senanayake College
- Ceylon Hotel School Graduates Association
- Rotaract Club of Wayamba University of Sri Lanka
- Royal Golf Club Colombo
- Anula Girls College Nugegoda
- Colombo Stock Exchange

INTERNATIONAL MARKET

Communication with international clientele happens on formal online and offline channels, as and when required. Our international marketing team ensured that all inquiries are accommodated with relevant product material, inclusive of all relevant product specifications. Further to this, our international marketing team worked with our research & development and design teams to ensure that customer requirements are correctly captured at the design and production stages. Moreover, they share physical samples of all new designs with our international clientele, regularly.

Representing Dankotuwa Porcelain PLC and Royal Fernwood Porcelain Limited, the international marketing team participated in many exhibitions and trade fairs including the following.

- **Ambiente** - An annual international consumer goods fair held in Frankfurt Germany, and the leading trade fair for tableware. The event took place in February of 2023, with a large range of products on display and a large gathering of exhibitors and visitors. The 2023 exhibition received over 4000 exhibitors and attendees from 160 nations. Dankotuwa Porcelain has been a regular exhibitor for many years, with inroads made into new European and other markets.
- **AAHAR** - The B2B-centric international Food and Hospitality fair is one of Asia's most-renowned hospitality shows, organised by the India Trade Promotion Organisation for the 37th year.

- **Formex** – The largest Nordic interior design event for buyers, importers and producers and a host of international attendees. It is the ideal platform to connect and network with potential Scandinavian clientele from a wide cross-section of business sectors.
- **Hotel Asia** – Hotel Asia Exhibition and International Culinary Challenge, is a trade fair with numerous exhibitors showcasing product portfolios from many related sectors. Held in Maldives, the trade exhibition attracts a large number of exhibitors from Sri Lanka and from the region.

PRODUCT SAFETY

Products of both Dankotuwa Porcelain and Royal Fernwood do not include any hazardous or harmful substances. We use food-grade materials that ensure consumer health and safety. By maintaining a rigorous quality control process, we ensure that no substandard products reach the market or clients, as each product is hand-checked by our experienced and trained quality control staff. Further, our decoratedware products are in compliance with the California Proposition 65 for Lead (Pb) and Cadmium (Cd).

DANKOTUWA PORCELAIN

We are the first local porcelain tableware manufacturer to have obtained the ISO 9001 certification to ensure high-quality standards. The high quality and durability of our products also make them microwave and dishwasher-safe. All raw materials are free from Lead (Pb) and Cadmium (Cd) and do not contain bone ash.

ROYAL FERNWOOD

Our subsidiary Royal Fernwood also uses materials free from harmful substances. In addition, the Company has adopted necessary measures to maintain the ISO 9001-2015 Quality Management System (QMS) certification and has obtained the SLS 1222:2001 accreditations.

COMPLAINT RESOLUTION

We take great effort to provide resolutions at times of customer grievances on product design, quality or services and delivery. All customer complaints received during the year were swiftly resolved by rectifying the underlying causes. The management intervenes when it is necessary to satisfy client requirements and to alleviate concerns.

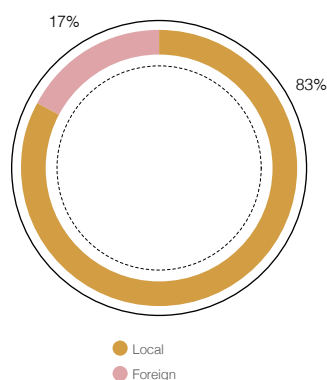
SUPPLIER RELATIONS

As a Group, we work with local suppliers and vendors from many countries including New Zealand, the United Kingdom, China, Japan, India, Vietnam, Germany, and Turkey. Dankotuwa Porcelain works with 74 foreign and 437 local suppliers. Majority of foreign suppliers are from Asia (57%) while majority of local suppliers are from the Colombo district (58%). Royal Fernwood works with 184 local suppliers and 49 foreign suppliers.

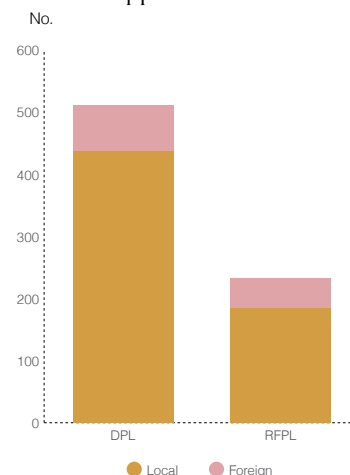
Our relationships with local and international suppliers play a pivotal role in manufacturing porcelain ware of the highest grade, within expected lead times. Longstanding supplier relationships enable us to make timely procurements and obtain high-quality materials.

However, in 2022/23, to support the country's efforts in managing the foreign exchange crisis, our R&D team started research on using local clay.

Supplier composition - Group



Supplier structure



QUALITY AND TIMELINESS

Across the year, we worked with suppliers who ensured quality of the raw materials they provide. We conducted inspections of incoming raw materials to ensure the right quality and provided feedback to suppliers on any mistakes or damages.

Timely delivery is a two-way commitment, and in this regard, we ensured that we made timely order placements to suppliers, allowing sufficient time for them to source process and dispatch products. Communications took place frequently through digital communication methods or physical interactions when required.

SUPPLIER SCREENING AND AGREEMENTS

As an ISO 9001-accredited company, we follow stringent supply evaluation criteria based on many factors including material quality, lead time, cost, supplier credibility and previous relationships. Further, we conduct on site quality inspections for most of the critical raw materials procured locally. With an increased approach to sustainability, we ensure suppliers do not engage in unethical practices or violate applicable labour laws. From time to time, we visit supplier production facilities/ locations to maintain a clear understanding of their practices and to foster good relations.

Supplier screening process was maintained across the year with foreign and local suppliers. The main supplier screening mechanism rests on best quality and quantity.

SOCIAL AND RELATIONSHIP CAPITAL

APPROACHES TO RATIONALISE SUPPLIER SELECTION

- Suppliers evaluated and graded annually.
- Suppliers visited occasionally
- Relevant actions are taken to improve suppliers with lowest grade.
- Credit Period, Price Terms and Delivery times negotiated.
- Samples tested before placing orders for critical materials
- Supplier evaluation subsequent to one or two orders followed by registering them in the system.

INDUSTRY ASSOCIATIONS AND COMMERCIAL AFFILIATIONS

As a manufacturer and exporter, we are part of several industrial associations and institutions. Our partnerships with these institutions ensure continued knowledge of statutory policies and business regulations. By being part of industrial associations, we also maintain continued cordial engagements with the country's business and manufacturing fraternities.

Member associations of the Group are as follows.

- Sri Lanka Export Development Board
- National Chamber of Commerce of Sri Lanka
- The Ceylon Chamber of Commerce-Pakistan Business Council
- Great Place Research-Best Employer Club
- The Ceylon Chamber of Commerce-China Business Council
- The Ceylon Chamber of Commerce-Italy Business Council
- American Chamber of Commerce in Sri Lanka
- The Ceylon Chamber of Commerce-Exporters Association of Sri Lanka
- Sri Lanka Retailers' Association (Guarantee) Limited - SLRA
- The Ceylon Chamber of Commerce
- National Chamber of Exporter of Sri Lanka
- The Ceylon National Chamber of Industries
- The Ceylon Chamber of Commerce-Sri Lanka Australia - New Zealand Business Council
- The Ceylon Chamber of Commerce-Sri Lanka Ceramics & Glass Council

STATUTORY COMPLIANCES

As corporate stewards, we have an unmistakable duty towards transparent and committed contributions to national development. By shaping our work around the statutory expectations of regulatory bodies, we uphold regulations and legal requirements to safeguard our business and stakeholder interests. In the year under review, we paid LKR 178 Mn in tax payments (Income tax and SSCL) as a Group, this was an increase compared to the previous year.

Further to this, in complying with customer requirements, we conducted environmental, social and ethical audits with results indicating high conformance to all statutory regulations and ethical practices.

COMMUNITY

As a responsible corporate citizen, we have upheld our duty to help the most deserving of the community. Each year, we allocate funds to help society's most vulnerable, not forgetting the welfare of our employees and their families. Community mainly involves those within the immediate surroundings of our production facilities.

Our contribution and investments in uplifting the community and those in need are based on decisions taken by Dankotuwa Porcelain PLC as a Group. During the year under review, community projects revolved around the hardships faced by groups and individuals within the surrounding areas of the Dankotuwa and Kosgama facility. Low-income groups became a priority amongst community endeavours - with the intention to support as many lives as possible.

COMMUNITY INVESTMENTS

DANKOTUWA PORCELAIN

- Donated dry rations for pregnant mothers and school children.



- Almsgiving for children's home in Dankotuwa.
- Refreshments for people in the fuel queue.
- Blood donation programme in connection with the local hospital.



- Donated medical items to Dankotuwa hospital.



- Distributed rations packs to Sahana Piyasa children's home situated at Bujampola.



- Distributed ration packs and mosquito nets to Ladani orphanage situated at Haldaduwana.
- Donated porcelain products to various religious institutes.
- Donation to Diwiyadabadiwewa school for lunch arrangement for 3 months.
- Breakfast arrangement for Atiyawala school for 4 months.



- Dankotuwa Hospital ECG paper & sugar stripes donation.
- Scholarship examination seminar



- O/L results appreciation



- Porcelain items donation to Dankotuwa differently-abled Children's home
- Meal arrangements for Dankotuwa differently abled Children
- Beach cleanup project in Negombo



- Christmas celebration with disabled children with the help of divisional secretariat- dancing event
- New Year festival at the AG office Dankotuwa



ROYAL FERNWOOD

- Seminar program for scholarship students in the surrounding schools



- Gee Rasa Windana program
- Cultivation program
- Dry Rations for Villagers

EMPLOYMENT OPPORTUNITIES

Almost 40% of employment opportunities in 2022/23 were provided to individuals from the surrounding community. This benefitted the youth within the Dankotuwa and Kosgama areas. In the year under review, Dankotuwa Porcelain provided 200 opportunities to people in the community, while Royal Fernwood provided 395 job opportunities.

ENVIRONMENTAL IMPACTS

Another facet of our stewardship is to ensure that our production activities do not negatively impact those in our surroundings. We are in compliance with all statutory and regulatory requirements of all environmental-related factors. We adopt several measures to manage solid waste and wastewater across the two production facilities as detailed under the Natural Capital report. Further, we are working on improving our environmental system management by acquiring the ISO 14000 certification.

SOCIAL AND RELATIONSHIP CAPITAL

PLANS FOR THE FUTURE

Efforts for an increased client base are continuously pursued – from a local and international perspective. Collaborations with clientele and international designers will continue towards diversifying our export portfolio and relationships with suppliers may evolve over time based on rationalisation of selection.

Actions by DPL & RFPL	Short	Medium	Long
Increasing dealers and local reach	√	√	-
New retail showrooms	-	√	√
Increased marketing efforts on selected markets	√	√	-
Supplier rationalization	-	√	√
Efforts to use more local clay in the production process	√	√	√
Increased community investments	√	√	√



NATURAL CAPITAL

As a manufacturer of porcelain-ware, we understand the implications of our operations on natural resources and the environment. The use of several natural resources, such as minerals and natural raw materials, underground water, fuel, and gas, puts us in a compelling position to monitor and reverse negative impacts while maintaining positive actions.

RELEVANT MATERIAL TOPICS

Material and energy consumption

Green initiatives

Environmental compliances

Waste management

Recycling efforts

OVERALL APPROACH

Due to the use of natural resources in porcelainware production and due to our commitment to sustainability, we continue to adopt ways which minimise the negative impacts of our actions, across the Group.

At Dankotuwa Porcelain PLC and Royal Fernwood Porcelain Limited, our Environment Policies guide us to adopt sustainable production approaches. Our commitment to sustainability is reinforced by our compliance to the requirements of the Central Environmental Authority (CEA). Furthermore, our commitments are now being amplified through the best practices we have adopted in gaining the ISO 14001:2015 EMS certification, alongside our Sustainability Agenda, which run concurrently.

VALUE CREATING ACTIVITIES

- Resource management
- Energy/power management
- Emission measurement
- Solid waste management
- Actions for environmental conservation
- Practices and environmental compliances

VALUE DELIVERED (OUTCOMES)

DANKOTUWA PORCELAIN PLC	ROYAL FERNWOOD PORCELAIN LIMITED
Over 800 trees planted	
Decline in secondary material consumption	
Reduction in solid waste recycling by providing them to smallholders for their usage	

During the year, DPL and RFPL started its sustainability journey, with a clear targets set for all the key areas of Natural Capital. University of Peradeniya and University of Sabaragamuwa have signed up as a knowledge and implementation partners for this invaluable journey, please refer Sustainability Journey (page 38)

CAPITAL TRANSFORMATIONS AND TRADE-OFF

	• Sustainability implementations has a trade-off with financial investments but is a necessary cost to remain responsible and sustainable in the industry while making positive contributions to safeguard the environment. • Recycled and reused materials results in cost savings. • Compliance to regulations ensure that no financial or legal liabilities have occurred.
	• Removes negative impact on the communities in which we operate our production facilities. • Providing reusable materials to other smallholder and bigger manufacturing companies creates positive community relationships.
	• Activities related to managing natural capital and participations in environmental conservation activities increases employee engagement.
	• The sustainability agenda has led to increased employee and organisational knowledge on environmental management systems, environmental sustainability, and resource measurement and efficiency.
	• Positive impact on production capabilities through measures such as recycled and reused materials.

KEY CHALLENGES (2022/23)

Macroeconomic changes of 2022/23 directly impacted consumption of resources. Due to shortages and import price surges we resorted to alternative local sources for Kaolin and reused several materials as part of recycling/reusing methods and for cost savings. Moreover, power outages prompted increased use of fuel. Relatively higher production also warranted the use of additional fuel for back-up power generation.

Despite best efforts at reduced consumptions, increased customer order volumes resulted in higher consumptions with the exception of certain resources. Our objective is to monitor and reduce per unit consumption of each natural resource through a formal way of monitoring and implementing proper solutions.

ENVIRONMENTAL SUSTAINABILITY

In 2022, we took measures to set in place, actions and processes that enable better resource consumption monitoring through a structured roadmap. This roadmap was conceptualised and developed as a Sustainability Agenda, with the ultimate focus on embracing best practices in Sustainability within our manufacturing plants. The roadmap is based on initiatives that uphold commitments to the environment and the community. Importantly, the goal is in establishing actions to manage the environmental footprint and develop programs to reduce energy and water consumption and reduce waste; at the same time focusing on green products and services.

A substantial objective of the agenda is in obtaining the ISO 14001: 2015 EMS certification. Actions set out by the agenda has taken us closer to achieving the international accreditation and a gap analysis has been completed to identify the environmental impacts of our operations with corrective action being taken for 62 gaps.

RESOURCES

MATERIAL CONSUMPTION

For the manufacturing of porcelainware, we utilise a large volume of naturally sourced raw materials. Feldspar, quartz, and kaolin (clay) are used more prominently than any other material, alongside several other non-renewable minerals and materials.

At Dankotuwa Porcelain, 92% of consumed raw materials, which include Kaolin, Quartz and Feldspar are sourced from foreign sources (55%) and local sources (45%).

In our sustainability journey, one of the critical elements is to focus on reducing material consumption. This entails recycling material and reduction in damages as the first two steps.

NATURAL CAPITAL

Damages that occur within the production process are not entirely disposed as waste. Such materials or semi-finished items are reused or recycled back into the production process.

- Dankotuwa Porcelain and Royal Fernwood added 3% and 2% of the Biscuit damages back to the production process, respectively.
- As disposing used pigments can be harmful to the environment and people, leftover black pigments are reused as the back stamp of porcelainware. Moreover, 35% of solid clay is recycled into casting.
- Reusable materials are provided to other smallholder and bigger manufacturing companies for their production.

MATERIAL CONSUMPTION – 2022/23

Material (in kg)	DPL	RFPL
Kaolin (Clay)	1,106,595	1,086,479
Quarts	590,927	873,318
Feldspar	479,864	581,410
Others	199,692	542,130
TOTAL	2,377,078	3,083,337

ENERGY CONSUMPTION

At Dankotuwa Porcelain and Royal Fernwood, energy consumption entails electricity usage, fuel and gas usage for manufacturing and office functions.

ELECTRICITY

At Dankotuwa Porcelain, electricity is mainly used for biscuit kiln, decoration kiln, compressors and for air conditioning and lighting. At Royal Fernwood, electricity is mainly used for compressors, air conditioning and lighting. All kilns of Royal Fernwood use LP Gas.

TOTAL ELECTRICITY CONSUMPTION – 2022/23

	DPL	RFPL
No. of units	5,635,529	2,461,679

MEASURES TO OPTIMISE ELECTRICITY CONSUMPTION

Across the Group, we have taken several measures to use electricity efficiently. Some of the activities are mentioned below.

- Energy meters were fixed at main load points and we commenced monitoring variations in the consumption and took corrective actions where necessary.
- Introduced power factor corrections at induction load ends.
- Installation of Verifiable Frequency Drive (VFD) to conserve energy consumption.
- Optimising kiln loading to reduce electricity consumption per unit.
- Replaced all light fittings with energy efficient LED lights.

WATER CONSUMPTION

Main source of water for Dankotuwa Porcelain is ground water through tube-well whereas for Royal Fernwood it is both ground water through tube-well for production and pipe-borne water for drinking purposes. The reason for higher water consumption in Royal Fernwood is, its water usage for local clay refining plant.

Total water consumption – 2022/23

	DPL	RFPL
Usage in Litres	72,000,000	110,000,000

RESPONSIBLE WATER WITHDRAWAL AND USAGE

At both production facilities, underground water is sourced through a tube well, responsibly, based on exact requirements. However, being conscious of underground water depletion, we continue to purify and reuse water emitted from production.

To reduce the amount of water used within the production process, water treatment plants are in place. In addition, sensor taps are now being implemented at the production floor while at canteens, foot-operated taps are in place.

FUEL AND GAS

LPG is the main energy source for most of the kilns of both factories where as Diesel is used to power generators and used for company owned vehicles. In addition to that, Petrol is used at the printing department as a cleaning medium of screens.

Purpose	Purpose	Unit	DPL	RFPL
Gas	Kiln and Dryers	Kg	1,098,098	1,681,278
Diesel	Generators	Litres	65,042	49,287
	Vehicles	Litres	15,509	299
Petrol	Printing	Litres	3,891	2,054
Kerosene	Greenware (GW) checking and machine	Litres	1,839	1,113

MEASURES TO OPTIMISE LPG CONSUMPTION

Following actions have been taken to reduce the gas consumption per unit of production in both factories.

- Optimising kiln loading to reduce gas consumption per unit.
- Regular maintenance and servicing of gas burners to ensure efficient burning.
- Reduction of cycle time in certain kilns to reduce energy consumption.
- Reduction of maximum temperature of certain kilns.
- Increased dryer efficiency through proper maintenance and services of dryers.

FUTURE PLANS FOR ENERGY REDUCTION

In addition to the above actions already taken, a detailed action plan for further reduction of energy will be drawn in line with the sustainable roadmap with the help of experts in the area and two universities - University of Peradeniya and University of Sabaragamuwa, who are collaborating with us in our sustainability journey.

PAPER, PLASTIC, AND POLYTHENE

At both factories, recycled paper is used for packaging wherever possible. Further, office staff is ensured to use papers effectively. Further, many administrative initiatives have been implemented to move away from physical documentation by standardising processes such as e-mail approvals without signing physical documents, completely eradicating physical documents for certain standard approvals. Moreover, introduction of a new manufacturing module of ERP system at Royal Fernwood helped to reduce the usage of papers significantly.

Polythene is used by our factories for packing, handling, and transportation purposes. We have initiated action to increase the reusage of same polythene as maximum times as possible and finally, used polythene are sent for recycling.



NATURAL CAPITAL

WASTE MANAGEMENT

Solid waste management remains an approach to strategically minimising the environmental impact of our operations. Dankotuwa Porcelain and Royal Fernwood have placed several methods to manage solid waste disposal.

ACCUMULATED WASTE

Both companies accumulate waste in the form of solids and wastewater (effluents). Damages that occur during the production process are Biscuit and Whiteware damages, which are considered as solid waste.

Waste – 2022/23	Unit of measure	DPL	RFPL
Biscuit Damages	Kg	72,410	411,709
Whiteware Damage	Kg	39,085	67,728
Wastewater	Litre	Not measured	164,250

Although both plants had already taken several initiatives to reduce above waste, with the recent introduction of sustainability roadmap, both plants started properly monitoring the waste and quantification of the reduction aiming to set proper monitoring mechanisms and to reduce waste.

Mechanisms in Place for Solid Waste Disposal (at Both Facilities)

- Structured program to reduce whiteware damages thereby reducing solid waste, material waste.
- Used moulds are sent to cement factories to include into their material mixture.
- All solid waste is sent to recycling through certified solid waste collectors.
- Clay provided for local ornament manufacturers.
- Continuous experiments on using waste moulds as a fertiliser.

WASTEWATER MANAGEMENT

Water disposed through production (used for mixing clay, shaping, sponging) is treated at both manufacturing facilities before being released. Water used within the production process is not mixed with any hazardous material as we utilise minerals as raw materials.

At our plants, a simple process is used to purify water emitted from the facility. We utilise a filter press to clear suspended particles, after which water is treated and released for landscaping activities.

EMISSION MEASUREMENT

Having commenced our sustainable journey with the help of two universities, we are in the process of capturing all emissions throughout the value chain and in recording the carbon footprint of the factory. A detailed action plan will be derived from our sustainability roadmap to reduce the carbon footprint of the business.

During the year under review, both plants ensured compliance to several environmental protocols ensuring that operational activities do not pose any harm to our production staff and the surrounding environment or community.

- In 2022, indoor air quality at both plants was measured and found to be comfortable and within acceptable limits.
- Noise levels at both factory premises were within acceptable levels.

ACTIONS FOR ENVIRONMENTAL CONSERVATION

At both plants, the team took a substantial effort to adopt environmentally sustainable practices. Across the year 2022/23, staff awareness and engagement were attentively pursued, with staff and management actively engaged in learning and sharing knowledge on making sustainable choices that positively impact the environment. Another key approach was in actively conserving the environment through tree planting projects.



800 trees were planted in a plot of land at Dankotuwa Porcelain PLC, with the active participation of team members. All 730 of Dankotuwa Porcelain PLC employees (including factory staff and management) engaged in the initiative, to make a bigger impact on the environment in a positive and nurturing manner.



PRACTICES AND ENVIRONMENTAL COMPLIANCES

At present, we comply with relevant environmental regulations stipulated by the Sri Lanka Standards Institute. Each year, we conduct environmental audits to assess the impact of our manufacturing operations on the environment, apart from social and ethical audits, as required by some of our international principals.

- Environmental Protection License (EPL) - During the year, we prescribed to the standards mandated by the Central Environmental Authority (CEA) as part of the Environmental Protection License (EPL) and renewed the license obtained for the coming year.
- With the newly adopted Sustainability Roadmap, we extended practices towards acquiring ISO 14001 standards on environment management systems.
- DPL & RFPL Sustainability Policy – A team was appointed, representing each department to contribute to policy formulation in collaboration with a team from University of Peradeniya for DPL and University of Sabaragamuwa for RFPL. The policy aligns with requirements under ISO 14001: 2015.
- When selecting suppliers, we follow a strict evaluation process based on several criteria, amongst which environmental practices is given a focus.

In 2022/23, Dankotuwa Porcelain and Royal Fernwood were not charged with any fines and have complied with all relevant compliance requirements.

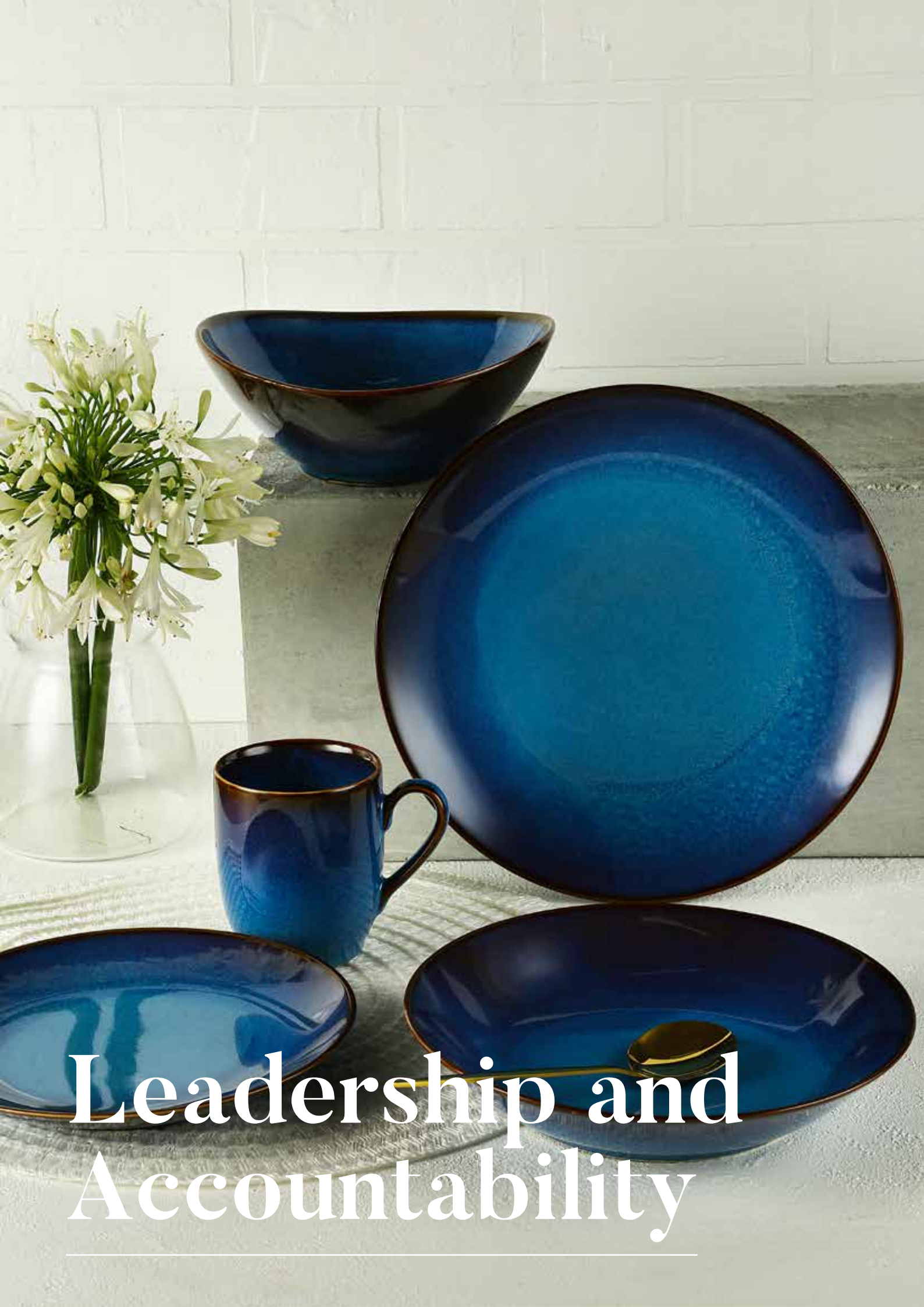
PLANS FOR THE FUTURE

Collectively, the Group will implement environmental sustainability practices at production facilities, adopting such measures in the near term, on a full-scale. Moreover, our commitment to achieving ISO 14001:2015 Environmental Management System at both plants will provide the necessary reinforcement.

Actions by DPL & RFPL	Short	Medium	Long
Implementing sustainability roadmap	√	√	√
Implementation of ISO 14001:2015	-	√	√

LEADERSHIP AND ACCOUNTABILITY KEY PAGES

110	117	121	123	124
Corporate Governance	Risk Management Review	Report of the Audit Committee	Report of the Remuneration Committee	Report of the Related Party Transactions Review Committee



Leadership and Accountability

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 the CA Sri Lanka as summarised below.

THE BOARD

The Board of Directors takes 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. As at 31st March 2023, the Board comprises of Six Directors of whom all are Non-Executive Directors. Profiles of the Directors are given on pages 27 to 29.

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. 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 is 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-Independents, as they are nominees of Ambeon Holdings PLC.

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 when necessary. 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	5/6
Mr. R P Pathirana Deputy Chairman (appointed w.e.f. 01 July 2022)	5/5
Mr. R T Devasurendra	6/6
Mr. R P Peris	6/6
Mr. N S Wijesekera (ceased to be a Director w.e.f. 31 March 2023)	6/6
Mr. C S Karunasena	5/6
Dr. K S Narangoda	5/6

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

- Financial Reporting

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 on pages from 121 to 122
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 page 123
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 page 124

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 128
b)	Principal activities of the entity and its subsidiaries during the year, and any changes therein. page 140
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 195
d)	The public holdings percentage page 194
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 195
f)	Information pertaining to material foreseeable risk factors of the Entity. pages 117 to 120
g)	Details of material issues pertaining to employees and industrial relations of the Entity. page 129
h)	Extent, locations, valuations and the number of buildings of the Entity's land holdings and investment properties. pages 154 to 155
i)	Number of shares representing the Entity's Stated Capital page 129
j)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings. page 194
k)	Financial ratios and market price information page 10
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. pages 152 to 160
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 pages 110 to 116
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 196

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, two 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.
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 pages 27-29 of this 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 123 of this 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 180
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 123 of this Annual Report.

Introduction

Our Strategy

Business Context

Performance Review

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Section	Requirement	Compliance Status	Remarks
7.10.6(a)	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. The Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend Audit Committee Meetings. The Chairman or one Member of the Committee should be a Member of a recognised professional accounting body.	Complied	Audit Committee consists of Two Independent Non-Executive Directors and One Non-Independent Non-Executive Director. Report of the Audit Committee is given on page 121 to this Annual Report. The Chief Executive Officer and the Chief Financial Officer attend the Audit Committee Meetings by invitation. Out of the Three Members, Two Members are from recognised professional accounting body.
7.10.6(b)	Functions of the Audit Committee shall include, • Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards. • Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. • Overseeing the processes to ensure that the Entity's internal controls and risk management, are adequate, to meet the requirements of the Sri Lanka Auditing Standards. • Assessment of the independence and performance of the Entity's external auditors. • To make recommendations to the Board pertaining to appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors.	Complied	Report of the Audit Committee set out on pages 121-122 of this 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	Name of the Directors on the Audit Committee, and its report is given on page 121 of this Annual Report. Statement of Auditors Independence is disclosed in page 122 of the Audit Committee Report.

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 124 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 124 of this 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 196 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 196 of this Annual Report.
9.3.2 (c)	Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following; - Names of the Directors comprising the Committee - A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated the comments/observations to the Board of Directors - The policies and procedures adopted by the Committee for reviewing the Related Party Transactions. - The number of times the Committee has met during the Financial Year.	Complied	Please refer Report of the Related Party Transactions Review Committee on page 124 of this 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 130 of this Annual Report.

CORPORATE GOVERNANCE

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 128
168 (1)(b)	Signed Financial Statements of the Group and the Company for the accounting period completed	Pages 135 to 191
168 (1)(c)	Auditors' Report on Financial Statements of the Group and the Company	Pages 132 to 134
168 (1)(d)	Accounting Policies and any changes made during the accounting period	Pages 140 to 151
168 (1)(e)	Particulars of the entries made in the Interest Register during the accounting period	Pages 185 to 186
168 (1)(f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Note 21 on page 180
168 (1)(g)	Corporate donations made by the Company during the accounting period	Page 129
168 (1)(h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Pages 128 to 129 & Page 198
168 (1)(i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Page 130
168 (1)(j)	Auditors' relationship or any interest with the Company and its subsidiaries	Page 130
168 (1)(k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board	Page 130

RISK MANAGEMENT REVIEW

This financial year revealed a more intricate landscape of risks, encompassing economic, political, social, and human factors, which had significant implications. The Dankotuwa Group took a proactive approach in monitoring emerging risks that could potentially impact its financial performance, stability, business continuity in the long run.

A well-established risk management framework empowers an organisation to assess various risks it faces and evaluate their effects on the company's long-term strategic objectives. Therefore, Dankotuwa Porcelain PLC strives to identify, evaluate, and mitigate emerging risks that could potentially affect the company's performance and value creation by implementing an effective risk management framework. As we continually enhance our risk management practices withstanding uncertainties in the operating environment, this framework has allowed us to seize opportunities for future growth.

Considering the increasing complexities in the business environment, a heightened focus on risk management becomes an essential requirement. Given our business's export-driven nature, our strong foundation in risk management has enabled us to make well-informed strategic decisions to sustain our financial stability. Furthermore, it has fostered organisational resilience, contributing to overall business outcomes and growth.

RISK GOVERNANCE

The Board of Directors bears the ultimate duty of guaranteeing that the risks faced by the Company are duly recognised and effectively managed. To assist in this endeavor, the Board receives support from the Audit Committee, which conducts quarterly assessments of the Company's risk profiles and internal control systems to ensure their effectiveness. Furthermore, the Audit Committee fulfills its obligations in overseeing the risk management framework by ensuring the implementation of robust internal control systems and policies that mitigate the risks faced by the Company. Additionally, the Audit Committee plays a pivotal role in disseminating the risk and internal control strategies within Dankotuwa Group, while also fostering awareness among employees.

INTEGRATED RISK MANAGEMENT FRAMEWORK

Within the comprehensive and well-structured strategic framework of the Ambeon Group, the Dankotuwa Group operates within a thoughtfully designed Integrated Risk Management (IRM) process, which incorporates clearly defined risk parameters. The IRM approach centralises the management of risks and provides a robust framework that can be applied to each distinct business within the Group's portfolio. This integration and alignment of risk management processes throughout the Ambeon Group facilitates efficient and flexible decision-making at a strategic level.

At Ambeon Group level, significant strategic risks are monitored, while risks specific to each business (operational risks) are managed by the respective Business Heads in collaboration with the CEO. This approach ensures a focused and tailored approach to risk management at both the corporate and business levels.

To address the identified material risks and their potential impacts, we have developed a risk mitigation plan that recognises the interconnected dependencies among stakeholders who are involved in the progress and growth of the Dankotuwa Group. We have also considered measures that enhance our ability to respond effectively to disruptions in our production process, supply chain, and markets. Additionally, we are mindful of the dynamic challenges that arise from macroeconomic and social changes.

As a manufacturer and exporter, we have identified a wide range of material risks that directly affect our operations. These encompass strategic and operational risks, which have the potential to significantly impact on the stability of our business. Such risks can emerge from both internal factors within our organisation and external factors present in the business environment.

ENTERPRISE RISK MANAGEMENT

The entire framework incorporates a crucial tool known as the Ambeon Group's Enterprise Risk Management (ERM) system, specifically the 'CAMMS ERM.' This system is an online automated risk management solution of international significance, which has been instrumental in implementing necessary practices and processes for the smooth functioning of our Integrated Risk Management (IRM) approach. The CAMMS ERM system adheres to the COSO Enterprise Risk Management Framework and complies with the ISO 31000 (2008) International Risk Management Standards. Since its implementation in 2017, the CAMMS solution has greatly aided the Group in adopting an efficient and methodical approach to risk management.

STRATEGIC AND OPERATIONAL RISKS

The CAMMS ERM system effectively recognises and classifies risks into three categories: strategic, operational and project-related risks. This classification enables the Board of Directors to implement precautionary measures to mitigate strategic risks. The CEO and management team are responsible for devising appropriate strategies to mitigate risks, allocating necessary resources, and establishing a timeline for the overall mitigation process.

Operational risks encompass potential disruptions arising from regular business operations. These risks originate from internal factors such as physical resources and can be triggered by human errors, machinery malfunctions, or software disruptions. According to the Group's IRM Framework, the senior management of DPL and RFPL is accountable for identifying operational risks within their respective companies. They are required to develop strategies to mitigate or bring these risks within acceptable tolerance levels.

The CAMMS ERM Risk Register is regularly updated with both operational and strategic risks. The Audit Committee conducts quarterly reviews of the key risk factors within the cluster, analyzing heatmaps and other relevant information.

Introduction

Our Strategy

Business Context

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RISK MANAGEMENT REVIEW

INTERNAL AUDIT

Throughout the year, the internal auditors conducted audits based on the agreed-upon scope. Additionally, multiple meetings were held with the internal auditors to address any deficiencies within the risk control mechanisms and to discuss measures aimed at strengthening Dankotuwa Group's internal control environment and risk management framework.

The Group Risk Division conducted a comprehensive risk analysis that focused on sales, inventories, debtors, and production. This analysis took on even greater significance following the emergence of the adverse macro-economic factors, allowing for a more accurate assessment of the associated risk exposures. To facilitate ongoing monitoring, the Group Risk Division developed a risk dashboard that is updated on a monthly basis. Any identified exceptions are promptly escalated for attention. A summary of significant exceptions, along with the corresponding remedial actions taken, is presented to the Audit Committee on a quarterly basis.

INTERNAL AND STATUTORY AUDITS

As an integral part of the risk management process, the Company relies on reputable audit firms to conduct both internal and statutory audits on a quarterly and annual basis. The internal audit is performed in accordance with the agreed-upon scope, while the Audit Committee thoroughly examines the outcomes of both types of 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 Porcelain PLC escalates matters to the ultimate parent's Board via the Group Audit Committee.



AUDIT COMMITTEE

Regarding risk management, the primary focus of the Audit Committee is to thoroughly assess the adequacy and effectiveness of the implemented risk management controls. Their goal is to identify, prevent, and mitigate potential risks.

Operating on behalf of the Board of Directors and carrying out assigned duties, the Audit Committee conducts regular evaluations of the risk profile specific to the porcelain cluster. They review reports concerning operational, strategic, and project-related risks, engaging in in-depth discussions regarding key risks and corresponding mitigation plans. After conducting a thorough review and discussion, the Audit Committee presents their findings, recommendations, and guidance to the Group Audit Committee for further consideration.

RISK MANAGEMENT PROCESS

Equipped with a robust and comprehensive risk management system that aligns with the overarching strategic objectives of the Group and its subsidiaries, the online risk management framework offers a transparent and comprehensive risk dashboard for the Organisation. This system effectively captures and identifies existing risks or those that may potentially impact future operations of the organisation.

By automatically generating rankings and evaluations based on the likelihood and potential impact of each risk, the CAMMS IRM system enables the identification of significant risks and allows sector-level businesses to assess the potential consequences of their exposure.



Once risks are identified, they are communicated to the management, enabling the formulation of suitable risk mitigation strategies under the guidance of the CEO.

The risk management process, encompassing risk identification, analysis, evaluation, and mitigation, undergoes continuous monitoring and review through the system. This ensures that appropriate controls are in place to manage and mitigate potential occurrences and to respond effectively to risk exposures. Moreover, the system's primary objective lies in integrating risk management with organisational plans, performance measurement frameworks, and key business processes.

RISK MANAGEMENT STRATEGIES

The circumstances experienced throughout the year gave rise to extraordinary risks within the risk landscape. The table presented below offers a broad summary of these risk exposures. It is important to note that the listed risks are not exhaustive but rather highlight the key risks that demanded the Group's focus and are expected to have a significant impact on the Group's risk landscape in the upcoming year.

Material Risks	Impact	Mitigation Plan
International market competition	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.	- Expand the customer base through an effective marketing strategy. - Evaluate the possibility of offering more capacity to current customers. - Register on e-commerce platforms such as Amazon and Next-Trade. - Enhance the quality and diversity of the product offering. - Design new products to cater in to emerging trends in the international market. - Strengthen design, R&D and new product development capabilities by increasing internal resources, introducing latest designing tools and collaborating with renowned international designers.
Erosion of export markets and shift in demand levels	The post pandemic issues and the global financial challenges have had an impact on the export market. 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	- Develop new export markets focused on volume production - Focus attention to grow international market. - Continuous research into the latest trends in the global porcelain industry. - Higher concentration on Indian market and emerging markets.
Competitive rivalry in Sri Lankan Market	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.	- Introduce more innovative products to the local market. - Improving visual merchandising. - Aggressive advertising. - Introduce Sales Force Automation (SFA). - Introduce special sales programs. - Strengthen dealer relationships. - Introduce Shop-In-Shop concept. - Capitalising on the brand name of Dankotuwa Porcelain.
High cost of energy / raw materials	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. However, we are venturing into cost minimization strategies to maintain margins.	- Supply rationalization for better prices and credit terms. - Capitalising on the combined purchase volume of DPL and RFPL to reduce cost. - Identify substitute raw materials suppliers at competitive cost. - Test new body mixes. - Achieve operational efficiency in all areas of production. - Increase capacity utilization in Kilns by improved production planning.

RISK MANAGEMENT REVIEW

Material Risks	Impact	Mitigation Plan
High Production Costs / Capital intensive infrastructure	This impacts the overall profitability levels of the Group. Furthermore, it is important to maintain the machinery to ensure uninterrupted manufacturing process.	- Dankotuwa Porcelain has developed a phased CAPEX plan aiming at improving the machinery, over a period of time. - Improve process efficiency. - Better supply chain management and workforce optimization aimed at reducing the raw material and payroll costs. - Strategic execution of the production plan. - Reduce reject rates. - Prioritize larger repetitive orders.
Adverse movement in forex	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.	- Managing exchange rate movements through hedging techniques. - Obtain insights from the Group treasury advising unit. - Consistently monitoring the forex rates.
Working capital management	Impacts liquidity and profitability levels of the Group.	- Close monitoring and forecasting of cash flows - Building strong relationship with banks. - Close monitoring of maturity mismatch between current assets and liabilities
Credit risk	Impacts liquidity and profitability levels of the Group.	- Introducing more efficient credit verification and granting procedure. - Implementing a stringent credit policy. - Set up efficient recovery practices and follow up.
Data security	Impacts business continuity and protection of information.	- Implement a cyber security control framework. - Introduce Business Continuity Plan (BCP), firewalls and IT protocols. - Establish a mechanism to protect and recover from cyber-attacks.
Health and safety	The manufacturing sector is particularly vulnerable to the risks of health and safety issues given the relatively large number of employees operating in a single location.	- Stringent health and safety guidelines implemented across all operations with strict adherence to all relevant health guidelines. - High level of engagement with Employees - Ongoing awareness sessions on importance of safety and hygiene

RISK ENVIRONMENT OF 2022/23

Despite the unfavourable macro-economic conditions, the Group has managed to maintain a commendable position at present. We anticipate a strong performance from the Group in the upcoming 2023/24 period. Despite these difficulties, the Group has effectively navigated through them, experiencing minimal disruption to operations, and achieving satisfactory top-line performance. The Risk Division of the Group has played a crucial role by providing timely recommendations that have enabled our business units to strengthen

and sustain their operations, ensuring the porcelain cluster maintains an effective risk management framework.

COMPLIANCE

Compliance is a significant aspect of the Group's Integrated Risk Management (IRM) and corporate governance frameworks. To mitigate or eliminate risks arising from non-compliance with laws and regulations, we make diligent efforts to adhere to legal standards, governance ordinances, regulations, and any modifications to existing frameworks. By implementing

these measures, we ensure the smooth and prosperous continuation of operations across DPL and RFPL.

A culture of compliance is fostered throughout DPL and its subsidiary, where adherence to these requirements is integrated into daily operations through systematic processes, professional behaviour, ethical conduct, and unwavering integrity.

REPORT OF THE AUDIT COMMITTEE

I take this opportunity to present to you the 2022/23 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 of two (2) Independent Non- Executive Directors and one (1) Non independent Non- Executive Director. The members of the Board Audit Committee are;

Mr. Shalike Karunasena – Chairman –Independent Non-Executive Director

Mr. Niranjana Wijesekara – Independent Non-Executive Director
(ceased to be a member w.e.f. 31st March 2023)

Mr. Yudhishtan Kanagasabai – Non Independent Non-Executive Director and

Mr. Rohan Peris – Independent Non- Executive Director (appointed w.e.f. 01 April 2023)

Brief profiles of the present Committee members are given in pages 27 to 29 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 7 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	7/7
Mr. Yudhishtan Kanagasabai	7/7
Mr. Niranjana Wijesekara	7/7

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 assists 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 and 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 2023 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 Standard and Sri Lanka Financial Reporting 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.

REPORT OF THE AUDIT COMMITTEE

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. The internal auditors conducted several audits throughout the financial year. The results of these audits were regularly shared with the Audit Committee on a quarterly basis, in order to facilitate any required actions.

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 2024, 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

28 August 2023

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 comprises of two (2) Independent Non- Executive Directors and one (1) Non- Independent Non- Executive Director and is Chaired by an Independent Non- Executive Director. The members of the Board Remuneration Committee are;

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

Mr. N Wijesekera – Independent Non-Executive Director (Ceased w.e.f 31st March 2023)

Mr. R T Devasurendra – Non- Independent Non- Executive Director

Mr. Shalike Karunasena – Independent Non-Executive Director (appointed w.e.f. 01 April 2023)

Brief profiles of the Committee Members are given in pages 27 to 29 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 four times during the financial year. Attendance by the Committee Members at these meetings are given below;

Name of the Director	Attendance at meetings
Mr. R P Peris	4/4
Mr. N Wijesekera	4/4
Mr. R T Devasurendra	4/4

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
 The Remuneration Committee

28 August 2023

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 interest of the shareholders as a whole is taken in to account when entering in to related party transactions (RPTs) and to prevent Directors, Key Management Personnel, substantial shareholders taking advantage of their positions.

COMPOSITION

The Committee comprise of two (2) independent Non-Executive Directors and one (1) Non-Executive Director and Chaired by an Independent Non-Executive Director.

Mr. Niranjan Wijesakera - Chairman - Independent Non-Executive Director (ceased to be a member w.e.f. 31 March 2023)

Mr. Shalike Karunasena - Independent Non-Executive Director (appointed as Chairman w.e.f. 01 April 2023)

Mr. Yudhishtan Kanagasabai - Non Independent Non-Executive Director

CHARTER OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

- 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. A total of four (4) 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 meetings are given below.

Name of the Director	Attendance at meetings
Mr. Niranjan Wijesakera	4/4
Mr. Shalike Karunasena	4/4
Mr. Yudhishtan Kanagasabai	4/4

The Chief Executive Officer and the Chief Financial Officer attended all Related Party Transaction 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 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 185 to 186 of this Annual Report.

DECLARATION

The Committee in its review process, recognised 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.

The 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 130 of this Annual Report.

(Sgd.)

Shalike Karunasena

Chairman

The Related Party Transaction Review Committee

28 August 2023





Financial Information

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 2023, conforming to the requirements of the Companies Act No. 07 of 2007, Sri Lanka Accounting Standard and Sri Lanka Financial Reporting 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.

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 135 to 191 of this Annual Report.

GROUP STRUCTURE

The Group Structure is demonstrated on page 15 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, management discussion and analysis on pages 17 to 18, 20 to 25 and pages 58 to 59 of this Annual Report.

FINANCIAL STATEMENTS

The Financial Statements of the Company for the year ended 31 March 2023 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 132 to 191 of this Annual Report.

SUMMARISED FINANCIAL STATEMENTS

	GROUP		COMPANY	
	2022/2023	2021/2022	2022/2023	2021/2022
	LKR '000	LKR '000	LKR '000	LKR '000
Revenue	5,913,133	3,762,106	3,362,472	2,356,373
Profit/(Loss) Before Tax	869,250	210,692	896,909	491,260
Income Tax Reversal/ (Expense)	(189,918)	(21,210)	(274,842)	(69,068)
Profit/(Loss) After Tax	679,332	189,482	622,067	422,192

ACCOUNTING POLICIES AND CHANGES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 140 to 151 as required by Section 168 (1)(d) of the Companies Act.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

BOARD OF DIRECTORS

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

Mr. 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 (Ceased to be a Director w.e.f. 31 March 2023)

Mr. Shalike Karunasena – Independent Non-Executive Director

Dr. Sajeeva Narangoda – Non-Independent, Non-Executive Director

In accordance with the provisions of Article 24 (6) of the Articles of Association, Mr. Yudy Kanagasabai retires by rotation and being eligible to offer himself for re-election with the unanimous support of the Board.

In terms of Section 210 of the Companies Act No. 07 of 2007, Mr. Rohan Peris, who has reached the age of 70 years vacates his office, at the conclusion of the Annual General Meeting. In compliance with Section 211 of the Companies Act No. 7 of 2007, a resolution will be tabled for the re-appointment of Mr. Rohan Peris 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 Board Compensation and Remuneration Committee, to ensure oversight and control over certain affairs of the Company.

The Board approved Terms of References of these Sub Committees conform to the recommendations made by various regulatory bodies such as the 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 185 to 186.

DIRECTORS' REMUNERATION

The Directors' Remuneration is disclosed in Note 21 to the Financial Statements on page 180.

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. Niranjana Wijesekera (ceased to be a Director w.e.f. 31 March 2023) – Nil
 Mr. Shalike Karunasena – Nil
 Dr. Sajeeva Narangoda – Nil

CORPORATE GOVERNANCE

The Board is committed to maintain 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 110 to 116 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 121 to 122 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 117 to 120 of this Annual Report.

DONATIONS

The Group and the Company haven't made significant 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 181 to 183 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 72,118,851 and LKR 136,972,349 respectively.

Value of owner occupied area of the investment property of the company and Group were LKR 629,700,002 and LKR 769,945,602 respectively and are disclosed separately under Investment Property Note 7 to the Financial Statements on pages 159 to 160 of this Annual Report.

Extents, locations, number of buildings and the valuation of the properties of the Company and the Group are given in Note 5.5.1 and 5.5.2 to the Financial Statements on pages 154 to 155 of this Annual Report.

All freehold land of the Company and the Group were 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 and 7.2 to the Financial Statements. Details of revaluation of land are given in Note 5.5.1 and 5.5.2. the Financial Statements.

EMPLOYMENT

The Company's and Group's strength of manpower as at 31 March 2023 is 730 and 1,500 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 2023 was LKR 1,402,101,647 represented by 162,552,920 fully paid Ordinary Shares.

SHARE INFORMATION

There were 5,122 registered shareholders as at 31 March 2023.

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

The distribution of shareholdings is shown on page 194 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 10 of this Annual Report.

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

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 195 of the Annual Report.

Disclosures required under section 7.6 (iv) of the Listing Rules of the Colombo Stock Exchange is indicated on page 194 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 2023, 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 185 to 186 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

On 13th July 2023 Ambeon Holdings PLC disposed 81,439,013 ordinary shares, being 50.10% of the total issued shares of the Company at a price of LKR 28.30 per share which was acquired by Ceyline Investments (Private) Limited. Consequent to the said transaction, on 19th July 2023 Ceyline Investments (Private) Limited (offeror) made an offer in terms of the Takeovers and Mergers Code to purchase 44,685,798 ordinary shares, being 27.49% of the total issued shares of the Company at a price of LKR 28.30 per share. 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 2023 have been audited by M/s. Ernst & Young, Chartered Accountants and the Independent Auditors' Report thereon is given on pages 132 to 134 of this Annual Report as required by the Section 168(1)(c) of the Companies Act No. 07 of 2007.

A sum of LKR 2,132,000 and LKR 3,351,000 paid / payable by Company and Group respectively 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 2023. The notice of the Annual General Meeting appears on page 199 of this Annual Report.

ACKNOWLEDGMENT 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

28 August 2023

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 132 to 134.

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 2023, 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 2023; and
- Financial performance of the Company for the financial year ended 31st March 2023.

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.)
Yudhishtan Kanagasabai
Chairman

28 August 2023

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
201, De Saram Place
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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 2023, 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 2023, and of their financial performance

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most

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

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

Key audit matter

How our audit addressed the key audit matter

Assessment of Fair value of land and buildings

Property, plant & equipment, and investment property include land and buildings carried at fair value as detailed in notes 2.3.9 and 2.3.10.

This was a key audit matter due to:

- Materiality of the reported land and buildings balances which amounted to LKR 2.8 Bn and represent 46% of total assets.
- The degree of assumptions, judgements and estimation uncertainties associated with fair valuation of land and buildings.

Key areas of significant judgments, estimates and assumptions used in the valuation of the land and buildings included the following:

- Estimate of per perch value of the land
- Estimate of the per square foot value of the buildings

Our audit procedures included the following:

- Assessed the competency, capability and objectivity of the external valuer engaged by the Group.
- 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 land and building.
- Assessed the reasonableness of the significant judgements made by the valuer and valuation techniques, per perch price and value per square foot used by the valuer in the valuation of each land and building.

We have also assessed the adequacy of the disclosures made in notes 5 and 7 to the financial statements relating to the significant judgements, valuation techniques and estimates used by the external valuer.

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

Principals: T P M Ruberu FCCA MBA (US-JSL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakhthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited



OTHER INFORMATION INCLUDED IN THE GROUP'S 2023 ANNUAL REPORT

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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. We have nothing to report in this regard.

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,

INDEPENDENT AUDITOR'S REPORT

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 1697.

28 August 2023
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March		GROUP		COMPANY	
		2023	2022	2023	2022
	Note	LKR	LKR	LKR	LKR
Revenue	4	5,913,132,541	3,762,106,290	3,362,472,253	2,356,372,591
Cost of Sales		(3,856,000,797)	(2,557,390,117)	(1,916,921,102)	(1,429,542,254)
Gross Profit		2,057,131,744	1,204,716,173	1,445,551,151	926,830,337
Other Income	19	21,214,674	14,756,482	18,497,342	12,159,094
Selling and Distribution Expenses		(665,571,890)	(435,213,310)	(479,938,237)	(328,639,410)
Administrative Expenses		(311,979,542)	(480,626,359)	(256,433,136)	(156,559,966)
Change in Fair Value Gain of Investment Property	7	67,202,388	-	49,671,688	-
Operating Profit		1,167,997,374	303,632,986	777,348,808	453,790,055
Finance Cost	20	(339,151,015)	(112,931,774)	(144,339,599)	(64,745,043)
Finance Income	20	40,403,403	19,990,615	42,799,030	19,527,005
Change in Fair Value Gain of Investment in Subsidiary	9	-	-	221,101,000	82,688,000
Profit Before Tax	21	869,249,762	210,691,827	896,909,239	491,260,017
Income Tax Expense	22	(189,917,772)	(21,210,159)	(274,841,796)	(69,067,865)
Profit for the year		679,331,990	189,481,668	622,067,443	422,192,152
Attributable to:					
Equity Holders of the Parent		670,673,974	196,304,022		
Non-Controlling Interest		8,658,016	(6,822,354)		
		679,331,990	189,481,668		
Basic/Diluted Earnings Per Share	23	4.13	1.21	3.83	2.60

Figures in brackets indicate deductions

The accounting policies and notes on pages 140 through 191 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March		GROUP		COMPANY	
		2023	2022	2023	2022
	Note	LKR	LKR	LKR	LKR
Profit for the Year		679,331,990	189,481,668	622,067,443	422,192,152
Other Comprehensive Income					
Other Comprehensive Income/(Loss) to be reclassified to Profit or Loss in subsequent periods					
Effect of Cash Flow Hedges		-	41,086,698	-	7,581,072
Tax impact on Cash Flow Hedges	22	-	(6,556,435)	-	(1,195,535)
Translation of Foreign Operations	13	(1,711,973)	1,395,618	(1,711,973)	1,395,618
Net Other Comprehensive Income/(Loss) to be reclassified to Profit or Loss in subsequent periods		(1,711,973)	35,925,881	(1,711,973)	7,781,155
Other Comprehensive Income/(Loss) not to be reclassified to Profit or Loss in subsequent periods					
Actuarial Gain	15	42,557,727	7,400,940	39,645,448	9,280,968
Tax impact on Actuarial Gain	22	(12,767,318)	(1,194,471)	(11,893,634)	(1,476,476)
Revaluation of Land and Buildings		232,701,442	167,803,684	119,803,746	101,761,034
Tax impact on Revaluation Gain	22	(321,057,280)	(25,775,245)	(205,829,006)	(15,868,848)
Net Other Comprehensive Income/(Loss) not to be reclassified to Profit or Loss in subsequent periods		(58,565,429)	148,234,908	(58,273,446)	93,696,678
Other Comprehensive Income/(Loss) for the year-Net of Tax		(60,277,402)	184,160,789	(59,985,419)	101,477,833
Total Comprehensive Income - Net of Tax		619,054,588	373,642,457	562,082,024	523,669,985
Attributable to:					
Equity Holders of the Parent		610,409,157	376,901,176		
Non-Controlling Interest		8,645,431	(3,258,719)		
		619,054,588	373,642,457		

Figures in brackets indicate deductions

The accounting policies and notes on pages 140 through 191 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March		GROUP		COMPANY	
		2023	2022	2023	2022
	Note	LKR	LKR	LKR	LKR
Non-Current Assets					
Property, Plant and Equipment	5	2,364,694,695	2,105,875,672	1,541,854,074	1,410,758,078
Right to Use Asset	6	31,825,760	27,415,139	31,825,760	27,415,139
Investment Property	7	769,945,602	702,743,214	629,700,002	580,028,314
Intangible Assets	8	42,608,000	51,015,905	9,822,897	16,813,563
Investment in Subsidiaries	9	-	-	1,187,926,187	966,591,253
		3,209,074,057	2,887,049,930	3,401,128,920	3,001,606,347
Current Assets					
Inventories	10	1,455,477,536	918,744,033	688,020,455	511,884,451
Trade and Other Receivables	11	1,010,608,936	787,449,681	769,914,367	500,274,270
Income Tax Receivable		-	6,833,825	-	6,833,825
Cash and Cash Equivalents	16	458,663,517	424,219,194	440,902,153	381,451,418
		2,924,749,989	2,137,246,733	1,898,836,975	1,400,443,964
Total Assets		6,133,824,046	5,024,296,663	5,299,965,895	4,402,050,311
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	1,499,801,922	1,589,869,733	1,137,804,247	1,225,541,480
Retained Earnings / (Losses)		336,205,316	(364,271,651)	1,033,776,970	383,957,714
Equity Attributable to Equity Holders of the Parent		3,238,108,885	2,627,699,729	3,573,682,864	3,011,600,841
Non Controlling Interest		17,447,490	8,802,059	-	-
Total Equity		3,255,556,375	2,636,501,788	3,573,682,864	3,011,600,841
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	14	439,152,136	217,552,898	116,652,136	104,870,898
Lease Liability	18	18,068,651	15,234,451	18,068,651	15,234,451
Retirement Benefit Liability	15	177,414,076	191,488,590	145,049,580	162,402,339
Deferred Tax Liability	22	572,303,015	190,635,840	553,546,617	203,057,373
		1,206,937,878	614,911,779	833,316,984	485,565,061
Current Liabilities					
Interest Bearing Loans and Borrowings	14	763,609,177	1,148,416,789	299,990,567	538,073,562
Lease Liability	18	14,694,188	14,694,188	14,694,188	14,694,188
Trade and Other Payables	17	819,168,696	609,772,119	504,423,560	352,116,659
Income Tax Liabilities		73,857,732	-	73,857,732	-
		1,671,329,793	1,772,883,096	892,966,047	904,884,409
Total Equity and Liabilities		6,133,824,046	5,024,296,663	5,299,965,895	4,402,050,311

Figures in brackets indicate deductions

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

(Sgd.)

Saroj Ranathunga

Chief Financial Officer - Porcelain Cluster

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

(Sgd.)

Yudhishtan Kanagasabai

Chairman

(Sgd.)

Shalike Karunasena

Director

The accounting policies and notes on pages 140 through 191 form an integral part of the Financial Statements.

28 August 2023
Colombo

STATEMENT OF CHANGES IN EQUITY

Group	Attributable to Equity holders of the Parent						Non-Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserve	Hedge Reserve	Exchange Fluctuation Reserve	Retained Earnings	Total		
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 01 April 2021	1,402,101,647	1,447,201,521	(33,882,238)	(755,845)	(563,866,533)	2,250,798,552	12,060,778	2,262,859,329
Profit/(Loss) for the Year	-	-	-	-	196,304,022	196,304,022	(6,822,354)	189,481,668
Other Comprehensive Income	-	142,028,439	33,882,238	1,395,618	3,290,859	180,597,155	3,563,635	184,160,791
Total Comprehensive Income/(Loss)	-	142,028,439	-	1,395,618	199,594,881	376,901,177	(3,258,719)	373,642,459
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
Profit for the Year	-	-	-	-	670,673,974	670,673,974	8,658,016	679,331,990
Other Comprehensive Income/(Loss)	-	(88,355,838)	-	(1,711,973)	29,802,993	(60,264,818)	(12,584)	(60,277,402)
Total Comprehensive Income/(Loss)	-	(88,355,838)	-	(1,711,973)	700,476,967	610,409,157	8,645,431	619,054,588
Balance as at 31 March 2023	1,402,101,647	1,500,874,122	-	(1,072,200)	336,205,316	3,238,108,885	17,447,490	3,255,556,375

Figures in brackets indicate deductions

Company	Stated Capital	Revaluation Reserve	Exchange Fluctuation Reserve	Hedge Reserve	Amalgamation Reserve	Retained Earnings	Total Equity
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 01 April 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 for the Year	-	-	-	-	-	422,192,152	422,192,152
Other Comprehensive Income	-	85,892,186	1,395,618	6,385,537	-	7,804,493	101,477,834
Total Comprehensive Income	-	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
Profit for the Year	-	-	-	-	-	622,067,443	622,067,443
Other Comprehensive Income/(Loss)	-	(86,025,260)	(1,711,973)	-	-	27,751,813	(59,985,419)
Total Comprehensive Income/(Loss)	-	(86,025,260)	(1,711,973)	-	-	649,819,256	562,082,024
Balance as at 31 March 2023	1,402,101,647	1,262,238,167	(1,072,200)	-	(123,361,720)	1,033,776,970	3,573,682,864

Figures in brackets indicate deductions

The accounting policies and notes on pages 140 through 191 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March

	Note	GROUP		COMPANY	
		2023	2022	2023	2022
		LKR	LKR	LKR	LKR
Cash Flows from / (Used in) Operating Activities					
Profit Before Tax		869,249,762	210,691,827	896,909,239	491,260,017
Adjustments for					
Depreciation	5	109,896,440	101,858,567	59,868,279	64,531,163
Amortization of Right to Use Assets	6.1	19,092,112	22,265,889	19,092,112	22,265,889
Change in Fair Value of Investment Property	7	(67,202,388)	-	(49,671,688)	-
Change in Fair Value of Investment in Subsidiary	9.1	-	-	(221,101,000)	(82,688,000)
Amortization of Intangible Assets	8.1	8,407,906	7,334,946	6,990,667	6,990,670
Provision for Defined Benefit Plans	15.1	42,758,543	23,621,023	34,598,106	18,966,746
Interest Income	20.1	(40,403,403)	(19,990,615)	(42,799,030)	(19,527,005)
Finance Cost	20.2	339,151,015	112,931,774	144,339,599	64,745,042
Provision for Bad Debts	11.3	5,868,797	13,783,939	4,864,025	1,491,285
Inventory Write-off	10.1	(13,312,800)	(191,223,626)	(10,246,158)	-
Bad Debts Write-off	11.3	(38,434,758)	(720,381)	(12,287,256)	(720,381)
Reversal / (Charged) from Exchange Fluctuation Reserve	13.2	(1,711,973)	1,395,618	(1,711,973)	1,395,618
Unrealized Foreign Exchange Difference		(28,204,954)	74,507,437	-	7,581,074
Impairment of PPE		958,331	1,219,594	958,331	1,219,594
Provision / (Reversal) for Slow Moving Inventories	10.1	(159,420,749)	193,244,305	(36,650,226)	12,936,378
Operating Profit before Working Capital Changes		1,046,691,880	550,920,297	793,153,027	590,448,090
(Increase) / Decrease in Inventories		(363,999,954)	127,902,756	(129,239,620)	(53,606,260)
Increase in Trade and Other Receivables		(190,593,294)	(281,047,073)	(262,216,866)	(128,322,035)
Increase / (Decrease) in Trade and Other Payables		209,396,577	(63,500,073)	152,306,902	(76,323,361)
Cash generated from Operations		701,495,208	334,275,907	554,003,443	332,196,434
Defined Benefit Plan Cost Paid	15	(14,275,330)	(19,212,031)	(12,305,418)	(14,547,582)
Finance Cost Paid		(326,336,722)	(100,980,126)	(131,759,245)	(52,793,398)
Income Tax Paid		(61,383,499)	-	(61,383,499)	
Net Cash Flow from Operating Activities		299,499,657	214,083,750	348,555,281	264,855,454
Cash Flows from / (Used in) Investing Activities					
Interest Income	20.1	40,403,403	19,990,615	42,799,030	19,527,005
Acquisition of Property, Plant and Equipment	5.1.2	(136,972,349)	(69,757,223)	(72,118,851)	(19,741,075)
Acquisition of Intangible Asset	8.1	-	(7,084,896)	-	-
Net Cash Flows from / (Used in) Investing Activities		(96,568,946)	(56,851,504)	(29,319,821)	(214,070)
Cash Flows from / (Used in) Financing Activities					
Repayment of Leases	18	(26,040,697)	(18,894,682)	(26,040,697)	(18,894,682)
Proceeds from Interest Bearing Loans and Borrowings	14	1,397,023,512	1,864,655,247	282,079,517	1,179,000,000
Repayment of Interest Bearing Loans and Borrowings	14	(1,438,606,209)	(2,024,654,984)	(476,125,883)	(1,402,924,144)
Net Cash Flows from / (Used in) Financing Activities		(67,623,394)	(178,894,419)	(220,087,063)	(242,818,825)
Net Increase / (Decrease) in Cash and Cash Equivalents		135,307,317	(21,662,173)	99,148,397	21,822,559
Cash and Cash Equivalents at the Beginning of the Year	16	(37,521,876)	(15,859,703)	91,756,961	69,934,402
Cash and Cash Equivalents at the End of the Year	16	97,785,441	(37,521,876)	190,905,358	91,756,961

Figures in brackets indicate deductions

The accounting policies and notes on pages 140 through 191 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 2023, 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 2023 was authorized for issue in accordance with a resolution of the Board of Directors on 28 August 2023.

1.4 DIRECTORS' RESPONSIBILITY STATEMENT

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

1.5 PARENT ENTERPRISE AND ULTIMATE PARENT ENTERPRISE

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

1.6 PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

HOLDING COMPANY-DANKOTUWA PORCELAIN PLC

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

SUBSIDIARIES

ROYAL FERNWOOD PORCELAIN LIMITED

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

DPL SINGAPORE PTE LTD

The principal activities of the Company are those of general wholesale trade (Including general importers and exporters). There have been no significant changes in the nature of these activities during the financial year. However, the Company was dormant during the financial year.

SUB-SUBSIDIARY THROUGH ROYAL FERNWOOD PORCELAIN LIMITED - LANKA DECALS (PRIVATE) LIMITED

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

SUB-SUBSIDIARY THROUGH ROYAL FERNWOOD PORCELAIN LIMITED - FERNWOOD LANKA (PRIVATE) LIMITED

The principal activity of the Company was selling porcelain tableware to domestic markets. However, there were no operations during the year.

2. BASIS OF PREPARATION

2.1.1 STATEMENT OF COMPLIANCE

The consolidated Financial Statements (Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes) as at 31 March 2023 are prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRSs and LKASs (hereafter referred as SLFRSs), as laid down by the 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.

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 2023. 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 acquire. For each business combination, the Group elects whether to measure the non-controlling interest in the acquire at fair value or at the proportionate share of the acquire 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 acquire.

If the business combination is achieved in stages, the previously held equity interest is premeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date.

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire 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

NOTES TO THE FINANCIAL STATEMENTS

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 LIFETIME 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.

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 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 2023.

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. CASH FLOW 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 entries that controlled by the Company. Investment in subsidiary are accounted at fair value through profit or loss in accordance with SLFRS 09. They are initially recognised at fair value. Subsequent to initial recognition, the fair value gains or losses are recognized in the statement of profit or loss in the statements until the date on which the control is lost.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES.

2.3.1 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

2.3.2 FOREIGN CURRENCY TRANSLATION

The Company's financial statements are presented in Sri Lankan Rupees, which is also the parent Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Company uses the direct method of consolidation and has elected to recycle the gain or loss arises from this method.

(A) TRANSACTIONS AND BALANCES

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

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

All differences are taken to the income statement with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss.

Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

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

(B) FOREIGN OPERATIONS

The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

2.2.3 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.

NOTES TO THE FINANCIAL STATEMENTS

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 22 to the Financial Statements.

B) DEFERRED TAXATION

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

C) SALES TAX

Revenues, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of asset or service is not recoverable from the taxation authorities in which case the sales tax is recognized as a part of the cost of the asset or part of the expense item as applicable and receivable and payable that are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Balance Sheet.

2.3.4 BORROWING COSTS

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

2.3.5 GOVERNMENT GRANTS

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

2.3.6 INTANGIBLE ASSETS

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

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

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

2.3.7 INVENTORIES

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

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

RAW MATERIALS	At weighted average cost
WORK-IN-PROGRESS	At factory cost. Cost is determined by accruing all direct material, direct labour and appropriate apportionment of fixed production overheads based on normal operating capacity
CONSUMABLES & SPARES	At purchase cost on weighted average basis
FINISHED GOODS	At the cost of direct material, direct labour and appropriate Apportionment of fixed production overheads, based on normal operating capacity
GOODS IN TRANSIT	At purchase price

2.3.8 CASH AND CASH EQUIVALENTS

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

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

2.3.9 PROPERTY, PLANT AND EQUIPMENT

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

Land and buildings are subsequently measured at fair value, less accumulated depreciation on buildings, and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

2.3.10 INVESTMENT PROPERTY

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition investment properties are stated at fair 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 derecognised 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.

NOTES 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, 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 is 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.

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

NOTES TO THE FINANCIAL STATEMENTS

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.

2.3.18 ACCOUNTING FOR INVESTMENTS IN SUBSIDIARIES

Investments in Subsidiaries are those entities that is controlled by the Company. Investments in subsidiaries are accounted at fair value through profit or loss in accordance with SLFRS 9. They are initially recognized at fair value, Subsequent to initial recognition, the fair value gains or losses are recognized in the statement of profit or loss in the separate financial statements until the date on which the control is lost. The dividends received from the Subsidiary are treated as income in the

statement of profit or loss of the separate financial statements.

2.3.19 HEDGE ACCOUNTING

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

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

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

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

The Company designated its identified foreign currency loans as a hedging instrument against its highly probable, specifically identified future revenue in foreign currency, through which the Company hedged the risk of changes in value of the identified foreign currency loans, caused by the fluctuations in foreign exchange rates

2.3.20 REVENUE RECOGNITION

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

The following specific criteria are used for recognition of revenue:

A. REVENUE FROM CONTRACT WITH CUSTOMERS

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

B. GOODS TRANSFERRED AT A POINT IN TIME

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

C. DIVIDEND

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

D. FINANCE INCOME

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

Interest income or expense is recorded as it accrues using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

E. RENTAL INCOME

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

F. GAINS AND LOSSES

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

G. OTHER INCOME

Other income is recognized on an accrual basis.

2.3.21 EXPENDITURE RECOGNITION

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

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

2.3.22 FINANCE COSTS

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, 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.

NOTES TO THE FINANCIAL STATEMENTS

2.3.23 SEGMENTAL INFORMATION

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

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

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

2.4 GOING CONCERN

The Group has prepared the financial statements for the year ended 31 March 2023 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 2023, 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.

3 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 Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The Company is currently assessing the impact the amendments will have on current practice.

DEFINITION OF ACCOUNTING ESTIMATES - AMENDMENTS TO LKAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION - AMENDMENTS TO LKAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

**DISCLOSURE OF ACCOUNTING POLICIES
- AMENDMENTS TO LKAS 1 AND IFRS
PRACTICE STATEMENT 2**

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

**CLASSIFICATION OF LIABILITIES
AS CURRENT OR NON-CURRENT -
AMENDMENTS TO LKAS 1**

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify –

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

NOTES TO THE FINANCIAL STATEMENTS

4. REVENUE

4.1 REVENUE

Year ended 31 March	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Exports	3,172,015,481	2,123,444,647	1,609,638,520	1,232,007,743
Local	2,741,117,060	1,638,661,643	1,752,833,733	1,124,364,848
	5,913,132,541	3,762,106,290	3,362,472,253	2,356,372,591

4.2 Revenue from Local Sales of the Group, includes of Revenue generated from showrooms for the year ended 31 March 2023 amounting to LKR 423,575,486 (2022 - LKR. 259,832,327).

4.3 Revenue from Local Sales of the Company, includes of Revenue generated from showrooms for the year ended 31 March 2023 amounting to LKR 375,757,292 (2022 - LKR 241,842,000).

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 cost of raw material, packing material and indirect material for the year ended 31 March 2023 amounting to LKR 1,350,889,989 (2022 - LKR 843,246,766).

4.6 Cost of Sales of the Company includes of cost of raw material, packing material and indirect material for the year ended 31 March 2023 amounting to LKR 728,105,213 (2022 - LKR 559,265,893).

5. PROPERTY, PLANT & EQUIPMENT

Group	Balance as at 01.04.2022	Additions	Disposals / Transfers	Revaluation/ (Impairment)	Balance as at 31.03.2023
	LKR	LKR	LKR	LKR	LKR

5.1 GROSS CARRYING AMOUNTS

5.1.1 AT COST

Building - Leasehold	52,878,501	-	-	-	52,878,501
Roadways & Fence	2,687,404	37,149,162	-	-	39,836,566
Plant & Machinery	1,481,611,128	69,473,624	-	(80,014,598)	1,471,070,154
Motor Vehicles	12,244,935	3,733,119	-	-	15,978,054
Office Equipment	104,894,339	2,873,367	-	(2,065,865)	105,701,841
Furniture & Fittings	40,172,973	2,066,093	-	(197,538)	42,041,528
Computer Equipment	63,538,782	11,507,027	-	(121,500)	74,924,309
Capital WIP	10,135,102	63,978,104	(54,489,087)	-	19,624,119
	1,768,163,163	190,780,496	(54,489,087)	(82,399,501)	1,822,055,072

5.1.2 AT VALUATION

Land -Freehold	1,025,373,150	-	-	110,528,400	1,135,901,550
Building - Freehold	862,147,002	680,940	-	77,124,060	939,952,002
	1,887,520,152	680,940	-	187,652,460	2,075,853,552
	3,655,683,316	191,461,436	(54,489,087)	105,252,959	3,897,908,624

GROUP	Balance as at 01.04.2022	Charge for the Year	Disposals/ Transfers	Impairment	Balance as at 31.03.2023
	LKR	LKR	LKR	LKR	LKR
5.2 DEPRECIATION					
5.2.1 AT COST					
Building - Leasehold	29,775,171	5,428,691	-	-	35,203,862
Roadways & Fence	2,158,905	225,728	-	-	2,384,633
Plant & Machinery	1,354,014,390	43,603,552	-	(79,728,486)	1,317,889,456
Motor Vehicles	10,014,005	154,004	-	-	10,168,009
Office Equipment	72,517,925	7,134,430	-	(1,523,286)	78,129,069
Furniture & Fittings	30,293,404	3,818,074	-	(90,353)	34,021,125
Computer Equipment	51,033,845	4,482,977	-	(99,046)	55,417,776
	1,549,807,645	64,847,456	-	(81,441,171)	1,533,213,930

	Balance as at 01.04.2022	Charge for the Year	Disposals/ Transfers	Revaluation	Balance as at 31.03.2023
	LKR	LKR	LKR	LKR	LKR
5.2.2 AT VALUATION					
Building - Freehold	-	45,048,984	-	(45,048,984)	-
	-	45,048,984	-	(45,048,984)	-
	1,549,807,645	109,896,440	-	(126,490,155)	1,533,213,930

5.3 NET BOOK VALUES

As at 31 March	GROUP	
	2023	2022
	LKR	LKR
5.3.1 AT COST		
Building - Leasehold	17,674,639	23,103,330
Roadways & Fence	37,451,933	528,499
Plant & Machinery	153,180,698	127,596,729
Motor Vehicles	5,810,045	2,230,930
Office Equipment	27,572,770	32,376,414
Furniture & Fittings	8,020,403	9,879,569
Computer Equipment	19,506,533	12,504,937
Capital WIP	19,624,119	10,135,102
	288,841,143	218,355,520
5.3.2 AT VALUATION		
Land	1,135,901,550	1,025,373,150
Building - Freehold	939,952,002	862,147,002
	2,075,853,552	1,887,520,152
	2,364,694,695	2,105,875,672

NOTES TO THE FINANCIAL STATEMENTS

5.3.3 The Group acquired Property, Plant and Equipment to the aggregate value of LKR 191,461,436 during the financial year (2022 - LKR. 115,502,705). Cash payments amounting to LKR 136,972,349 (2022 LKR. 69,757,223) were made during the year for purchase of Property, Plant and Equipment.

5.4 As at 31 March 2023, Group Property, Plant and Equipment with a cost of have been fully depreciated and continue to be in use by the Group LKR 1,048,514,408 (2022 - LKR 1,004,971,890).

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 2023 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	867,185,000	FRT Valuation Services (Private) Limited	31 March 2023
	Freehold Building	Dankotuwa	Value Method	509,153,000		
Royal Fernwood Porcelain Ltd	Freehold Land	Kosgama	Open Market	268,716,550	FRT Valuation Services (Private) Limited	31 March 2023
	Freehold Building	Kosgama	Value Method	430,799,002		

5.5.1 FAIR VALUE HIERARCHY AND SIGNIFICANT UNOBSERVABLE VALUATION INPUT AS AT 31 MARCH 2023

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.275,000	Positively Correlated
Freehold Buildings - Dankotuwa	267,801 Sq feet	36	Level 3	Estimated price per square Foot LKR 1,780 to LKR 7,360	Positively Correlated
Royal Fernwood Porcelain Ltd					
Freehold Land - Kosgama	2,161.05 perches	-	Level 3	Estimated price per perch LKR 75,000 to 200,000	Positively Correlated
Freehold Buildings - Kosgama	141,368 Sq feet	25	Level 3	Estimated price per Square Foot LKR 1,580 to 7,900	Positively Correlated

5.5.2 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	267,801 Sq feet	36	Level 3	Estimated price per square Foot LKR 1,500 to 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	141,368 Sq feet	25	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	Cumulative Depreciation If assets were carried at cost	Net Carrying Amount 2023	Net Carrying Amount 2022
	LKR	LKR	LKR	LKR
Land - Freehold	250,000	-	250,000	250,000
Building - Freehold	165,081,657	137,627,774	27,453,883	36,614,804
	165,331,657	137,627,774	27,703,883	36,864,804

5.6.2 ROYAL FERNWOOD PORCELAIN LTD

Type of property	Cost	Cumulative Depreciation If assets were carried at cost	Net Carrying Amount 2023	Net Carrying Amount 2022
	LKR	LKR	LKR	LKR
Land - Freehold	3,462,294	-	3,462,294	3,462,294
Building - Freehold	20,206,175	3,065,108	17,141,067	16,578,079
	23,668,469	3,065,108	20,603,361	20,040,373

NOTES TO THE FINANCIAL STATEMENTS

COMPANY	Balance as at 01.04.2022	Additions	Disposals / Transfers	Revaluation/ Impairment	Balance as at 31.03.2023
	LKR	LKR	LKR	LKR	LKR

5.7 GROSS CARRYING AMOUNTS

5.7.1 AT COST

Building - Leasehold	52,878,501	-	-	-	52,878,501
Roadways & Fence	2,687,404	37,149,162	-	-	39,836,566
Plant & Machinery	912,878,578	5,214,792	-	(80,014,598)	838,078,772
Motor Vehicles	10,944,935	783,119	-	-	11,728,054
Office Equipment	67,625,550	1,709,204	-	(2,065,865)	67,268,889
Furniture & Fittings	25,251,398	903,719	-	(197,538)	25,957,579
Computer Equipment	43,806,010	8,424,710	-	(121,500)	52,109,220
Capital WIP	-	55,083,307	(37,149,161)	-	17,934,146
	1,116,072,376	109,268,013	(37,149,161)	(82,399,501)	1,105,791,727

5.7.2 AT VALUATION

Land - Freehold	788,350,000	-	-	78,835,000	867,185,000
Building - Freehold	498,028,000	-	-	11,125,000	509,153,000
	1,286,378,000	-	-	89,960,000	1,376,338,000
	2,402,450,376	109,268,013	(37,149,162)	7,560,499	2,482,129,727

	Balance as at 01.04.2022	Charge for the Year	Disposals	Impairment	Balance as at 31.03.2023
	LKR	LKR	LKR	LKR	LKR

5.8 DEPRECIATION

5.8.1 AT COST

Building - Leasehold	29,775,171	5,428,691	-	-	35,203,862
Roadways & Fence	2,158,905	225,727	-	-	2,384,632
Plant & Machinery	852,714,647	15,319,572	-	(79,728,486)	788,305,731
Motor Vehicles	8,714,005	-	-	-	8,714,005
Office Equipment	40,509,225	5,282,238	-	(1,523,286)	44,268,177
Furniture & Fittings	17,743,766	1,526,237	-	(90,353)	19,179,650
Computer Equipment	40,076,580	2,242,066	-	(99,046)	42,219,600
	991,692,299	30,024,531	-	(81,441,171)	940,275,657

	Balance as at 01.04.2022	Charge for the Year	Disposals	Revaluation	Balance as at 31.03.2023
	LKR	LKR	LKR	LKR	LKR

5.8.2 AT VALUATION

Building - Freehold	-	29,843,748	-	(29,843,748)	-
	-	29,843,748	-	(29,843,748)	-
	991,692,299	59,868,279	-	(111,284,919)	940,275,657

	2023	2022
	LKR	LKR
5.9 NET BOOK VALUES		
5.9.1 AT COST		
Building - Leasehold	17,674,639	23,103,330
Roadways & Fence	37,451,934	528,499
Plant & Machinery	49,773,041	60,163,931
Motor Vehicles	3,014,049	2,230,930
Office Equipment	23,000,714	27,116,325
Furniture & Fittings	6,777,929	7,507,633
Computer Equipment	9,889,620	3,729,430
Capital WIP	17,934,145	-
	165,516,074	124,380,078
5.9.2 AT VALUATION		
Land - Freehold	867,185,000	788,350,000
Building - Freehold	509,153,000	498,028,000
	1,376,338,000	1,286,378,000
Total Carrying Amount of Property, Plant and Equipment	1,541,854,074	1,410,758,078

5.10 The Company acquired Property, Plant and Equipment to the aggregate value of LKR 109,268,013 during the financial year (2022 - LKR.30,180,109). Cash payments amounting to LKR 72,118,851 (2022 - LKR 19,741,075) 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 803,235,756 (2022 - LKR 772,107,095).

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	
	2023	2022	2023	2022
Buildings Leasehold	Over the Lease Period	Over the Lease Period	Over the Lease Period	Over the Lease Period
Buildings Freehold				
Buildings Freehold	25-40 years	25-40 years	40 years	40 years
Roadways & Fence	15-40 years	40 years	15-40 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	6-25 years	6-25 years
Furniture & Fittings	5-10 years	5-10 years	10 years	10 years
Computer Equipment	4 years	4 years	4 years	4 years

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 01.04.2022	Additions	Transferred	As At 31.03.2023
	LKR	LKR	LKR	LKR
Right to Use Asset – Building (Note 6.2)	48,555,313	23,502,731	(21,376,079)	50,681,965
Right to Use Asset Motor Vehicle	8,623,478	-	-	8,623,478
	57,178,791	23,502,731	(21,376,079)	59,305,443

	GROUP/COMPANY			
	Amortization			
	As At 01.04.2022	Charge for the period	Transferred	As At 31.03.2023
	LKR	LKR	LKR	LKR
Right to Use Asset – Building (Note 6.2)	25,991,987	16,937,717	(21,376,079)	21,553,624
Right to Use Asset Motor Vehicle	3,771,665	2,154,395	-	5,926,060
	29,763,652	19,092,112	(21,376,079)	27,479,684

6.2 NET BOOK VALUE

As at 31 March	GROUP/COMPANY	
	2023	2022
	LKR	LKR
Right to Use Asset – Building (Note 6.3)	29,128,341	22,563,326
Right to Use Asset Motor Vehicle	2,697,419	4,851,813
	31,825,760	27,415,139

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.

7. INVESTMENT PROPERTY

	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
As at 01 April	702,743,214	702,743,214	580,028,314	580,028,314
Change in fair value of Investment Property	67,202,388	-	49,671,688	-
As at 31 March	769,945,602	702,743,214	629,700,002	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 2023 by FRT Valuation Services (Pvt) Ltd, who has previous valuation experience for similar properties.

NOTES TO THE FINANCIAL STATEMENTS

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	629,700,002	F.R.T Valuation Services (Private) Limited	31 March 2023
Royal Fernwood Porcelain Ltd	Freehold Land	Kosgama	Open Market Value Method	140,245,600		31 March 2023
				769,945,602		

7.2 FAIR VALUE HIERARCHY AND SIGNIFICANT UNOBSERVABLE VALUATION INPUT AS AT 31 MARCH 2023

Company	Property	Location	Method of Valuation	Significant Unobservable Inputs	Area	Sensitivity of fair value to unobservable Inputs
Dankotuwa Porcelain PLC	Freehold Land	Dankotuwa	Level 3	Market value per perch LKR 150,000 to LKR 350,000	3,899.35 p	Positively Correlated
Royal Fernwood Porcelain Ltd	Freehold Land	Kosgama	Level 3	Market value per share LKR 70,000 to LKR 100,000	1,753.07 p	Positively Correlated

7.3 FAIR VALUE HIERARCHY AND SIGNIFICANT UNOBSERVABLE VALUATION INPUT AS AT 31 MARCH 2022

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

8. INTANGIBLE ASSETS

	Carrying Amount			
	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Summary				
Computer Software (Note 8.1)	15,146,279	23,554,184	9,822,897	16,813,563
Goodwill on Consolidation (Note 8.2)	12,673,968	12,673,968	-	-
Brand Name (Note 8.3)	14,787,753	14,787,753	-	-
	42,608,000	51,015,905	9,822,897	16,813,563

8.1 COMPUTER SOFTWARE

Cost	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
As at the beginning of the year	72,437,668	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	72,437,668	65,352,772	65,352,772
Amortisation				
As at the beginning of the year	48,883,484	41,548,540	48,539,209	41,548,540
Amortisation for the year	8,407,906	7,334,946	6,990,667	6,990,670
As at the end of the year	57,291,389	48,883,484	55,529,875	48,539,209
Net book value as at the end of the year	15,146,279	23,554,184	9,822,897	16,813,563

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 has not acquired any Intangible Assets during the 2023 financial year (2022 - LKR 7,084,896).

8.2 GOODWILL ON CONSOLIDATION

	GROUP	
	2023	2022
	LKR	LKR
Balance at the beginning of the year	12,673,968	12,673,968
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.

8.3 BRAND NAME

As at 31 March	GROUP	
	2023	2022
	LKR	LKR
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

NOTES TO THE FINANCIAL STATEMENTS

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

As at 31 March	Goodwill		Brand Name	
	2023	2022	2023	2022
	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% 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, 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 As at 31 March	Country of Incorporation	No of Ordinary Shares	Direct Holding		Fair Value		Cost	
			2023	2022	2023	2022	2023	2022
					LKR	LKR	LKR	LKR
Royal Fernwood Porcelain Ltd	Sri Lanka	2,137,512,160	95.69%	95.69%	837,373,000	616,272,000	391,381,586	391,381,586
Royal Fernwood Porcelain Ltd (Note 9.1) - Preference Shares					350,319,253	350,319,253	350,319,253	350,319,253
DPL Singapore Pte Ltd (Note 9.1)	Singapore	1,000	100%	100%	233,934	-	233,934	-
Total Non-Quoted Investment in Subsidiary (Note 9.1)					1,187,926,187	966,591,253	741,934,773	741,700,839

* Terms and condition

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

9.1 TOTAL NON-QUOTED INVESTMENT IN SUBSIDIARIES AT FAIR VALUE

	2023	2022
	LKR	LKR
At the beginning of the Year (Note 29)	966,591,253	883,903,253
Change in Fair Value	221,101,000	82,688,000
DPL Singapore PTE Ltd - Investment	233,934	-
At the end of the Year	1,187,926,187	966,591,253

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 Assumption	FV Level	2023	2022	Effective date
Royal Fernwood Porcelain Ltd	Discounted Cash flow Method	Cost of Equity	Level 3	17.20%	17.10%	31 March 2023
		Growth Rate	Level 3	3.0%	3.50%	31 March 2023

NOTES TO THE FINANCIAL STATEMENTS

9.3 SENSITIVITY ANALYSIS

Royal Fernwood Porcelain Ltd

		2023		2022	
		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%	(94,018,474)	(94,018,474)	(141,706,898)	(141,706,898)
	-1%	108,289,990	108,289,990	167,379,172	167,379,172
If one percentage point change in the assumed terminal growth rate , would have the following effects	1%	59,344,594	59,344,594	118,726,496	118,726,496
	-1%	(55,301,046)	(55,301,046)	(102,424,119)	(102,424,119)

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

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	
	2023	2022	2023	2022	2023	2022
	LKR	LKR	LKR	LKR	LKR	LKR
Non-Controlling Interests material individually						
Royal Fernwood Porcelain Ltd	4.31%	4.31%	17,447,490	8,802,059	8,645,431	(3,258,719)

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

9.4.2 SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	2023	2022
	LKR	LKR
Revenue	2,558,467,920	1,419,270,064
Operating Costs	(2,170,426,737)	(1,568,274,421)
Other Income	6,768,428	5,686,064
Finance Costs	(211,708,974)	(55,025,505)
Finance Income	628,023	463,608
Fair Value Gain from Investment Property	17,530,700	-
Tax (Expense) / Reversal	(377,328)	39,588,906
Profit or Loss from Continuing Operations	200,882,031	(158,291,286)
Other Comprehensive Income/(Loss)	(291,983)	82,682,954
Total Comprehensive Income/(Loss)	200,590,047	(75,608,332)

9.4.3 SUMMARISED STATEMENT OF FINANCIAL POSITION

As at 31 March	2023	2022
	LKR	LKR
Current Assets	1,157,368,984	813,889,226
Non-Current Assets	968,409,601	827,509,120
Total Assets	2,125,778,585	1,641,398,346
Current Liabilities	902,364,258	945,213,589
Non-Current Liabilities	468,407,771	141,768,251
Total Liabilities	1,370,772,029	1,086,981,840

9.4.4 SUMMARISED CASH FLOW INFORMATION

Year ended 31 March	2023	2022
	LKR	LKR
Operating	(52,079,274)	(50,771,703)
Investing	(64,225,475)	(56,637,437)
Financing	152,463,669	63,924,407
Net increase/(decrease) in Cash and Cash Equivalents	36,158,920	(43,484,733)

NOTES TO THE FINANCIAL STATEMENTS

10. INVENTORIES

As at 31 March	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Raw Materials	411,494,723	383,024,648	130,852,718	151,240,795
Indirect Materials	33,564,534	24,594,451	33,564,534	24,594,451
Packing Materials	23,685,066	35,165,755	13,427,517	14,245,323
Spare Parts	44,550,579	32,339,419	44,550,579	32,339,419
General Inventory	13,997,593	14,300,924	13,997,593	14,300,924
Consumables	33,621,605	21,191,119	33,621,605	21,191,119
Semi Finished Goods	185,545,272	159,532,247	185,545,272	159,532,247
Work in Progress	222,826,921	143,083,891	33,534,676	27,425,078
Finished Goods	636,428,605	436,524,103	258,080,689	181,107,820
Others	30,825,280	32,804,099	30,825,280	32,804,100
Less : Allowance for Obsolete & Slow Moving Inventories (Note 10.1)	(191,294,704)	(364,028,253)	(100,212,071)	(147,108,456)
	1,445,245,474	918,532,403	677,788,393	511,672,820
Goods in Transit	10,232,062	211,631	10,232,062	211,631
Total Inventories at the Lower of Cost and Net Realizable Value	1,455,477,536	918,744,033	688,020,455	511,884,451

10.1 PROVISION FOR INVENTORIES

As at 31 March	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Balance as at the Beginning of the Year	364,028,253	362,007,574	147,108,456	134,172,078
Provision Made / (Reversal) During the Period	(159,420,749)	193,244,305	(36,650,226)	12,936,378
Stock Write-off during the Period	(13,312,800)	(191,223,626)	(10,246,159)	-
Balance as at the End of the Year	191,294,704	364,028,253	100,212,071	147,108,456

11. TRADE AND OTHER RECEIVABLES

As at 31 March

	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Trade Debtors - Related Party (11.1)	564,311	1,452,335	-	-
-Other	908,727,949	725,717,939	629,328,087	414,426,951
Less: Impairment for Doubtful Debtors (11.3)	(32,661,983)	(65,227,944)	(27,224,072)	(34,647,302)
	876,630,277	661,942,331	602,104,015	379,779,649
Other Debtors - Related Party (11.2)	-	-	83,859,250	63,458,736
-Other	15,907,402	7,986,498	15,907,405	7,986,498
Provision for Other Receivable	(5,760,349)	(5,760,349)	(5,760,349)	(5,760,349)
	1,886,777,330	664,168,479	696,110,321	445,464,534
Advances and Prepayments	123,831,606	123,281,203	73,804,046	54,809,736
	1,010,608,936	787,449,681	769,914,367	500,274,270

11.1 TRADE RECEIVABLES - RELATED PARTIES

As at 31 March

		GROUP		COMPANY	
		2023	2022	2023	2022
		LKR	LKR	LKR	LKR
	Relationship				
Ambeon Holdings PLC	Immediate Parent	96,688	11,250	-	-
Ceylon Leather Products (Pvt) Limited	Group Company	407,869	938,312	-	-
Taprobane Investments (Pvt) Ltd	Group Company	3,351	3,351	-	-
Millenum I.T.E.S.P (Pvt) Ltd	Group Company	56,403	499,422	-	-
		564,311	1,452,335	-	-

11.2 OTHER RECEIVABLES - RELATED PARTIES

As at 31 March

		GROUP		COMPANY	
		2023	2022	2023	2022
		LKR	LKR	LKR	LKR
	Relationship				
Royal Fernwood Porcelain Ltd	Subsidiary	-	-	83,859,250	63,458,736
		-	-	83,859,250	63,458,736

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March

	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
11.3 IMPAIRMENT OF DOUBTFUL DEBTORS				
Balance as at the Beginning of the Year	65,227,944	52,164,387	34,647,302	33,876,398
Write-off	(38,434,758)	(720,381)	(12,287,256)	(720,381)
Provision Made During the Period	5,868,797	13,783,939	4,864,025	1,491,285
Balance as at the End of the Year	32,661,983	65,227,944	27,224,072	34,647,302

11.4 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					
2023	342,073,267	212,859,639	79,095,413	242,601,958	876,630,277
2022	512,427,509	96,098,261	1,027,198	70,665,313	680,218,281
Company					
2023	155,035,511	161,126,153	46,591,412	239,350,939	602,104,015
2022	296,204,497	31,513,683	1,027,198	51,034,271	379,779,649

	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
11.5 LOANS TO COMPANY EMPLOYEES				
Summary				
Balance as at the Beginning of the Year	-	63,725	-	63,725
Less: Repayments During the Year	-	(63,725)	-	(63,725)
Balance as at the End of the Year	-	-	-	-

12. STATED CAPITAL

	2023		2022	
	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

As at 31 March	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Revaluation Reserve (13.1)	1,500,874,122	1,589,229,960	1,262,238,167	1,348,263,427
Foreign Currency Translation Reserve (13.2)	(1,072,200)	639,773	(1,072,200)	639,773
Amalgamation Reserve (13.3)	-	-	(123,361,720)	(123,361,720)
Hedge Reserve (13.4)	-	-	-	-
	1,499,801,922	1,589,869,733	1,137,804,247	1,225,541,480

13.1 REVALUATION RESERVE

As at 31 March	GROUP*		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Balance as at the Beginning of the Year	1,589,229,960	1,447,201,521	1,348,263,427	1,262,371,241
Revaluation Reserve Identified During the Year	(88,355,838)	142,028,439	(86,025,260)	85,892,186
Balance as at the End of the Year	1,500,874,122	1,589,229,960	1,262,238,167	1,348,263,427

*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

	COMPANY	
	2023	2022
	LKR	LKR
Balance as at Beginning of the year	639,773	(755,845)
Reversal /(Addition) during the year	(1,711,973)	1,395,618
Balance as at the End of the year	(1,072,200)	639,773

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.

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13.3 AMALGAMATION RESERVE

	COMPANY	
	2023	2022
	LKR	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	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Balance as at the Beginning of the Year	-	(33,882,238)	-	(6,385,538)
Identified during the period	-	40,438,673	-	7,581,072
Deferred Taxation Adjustment on Hedge Reserve	-	(6,556,435)	-	(1,195,535)
Balance as at the End of the Year	-	-	-	-

*Attributable to Equity Holders of the parent

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

14. INTEREST BEARING LIABILITIES

	2023			2022		
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total
	LKR	LKR	LKR	LKR	LKR	LKR
14.1 SUMMARY - GROUP						
Loans from Related Party (Note 14.2)	-	-	-	78,984,355	-	78,984,355
Bank Loans (Note 14.4)	402,731,101	439,152,136	841,883,237	607,691,364	217,552,898	825,244,262
Bank Overdrafts (Note 16.2)	360,878,076	-	360,878,076	461,741,070	-	461,741,070
	763,609,177	439,152,136	1,202,761,313	1,148,416,789	217,552,898	1,365,969,687
14.1.1 SUMMARY - COMPANY						
Loans from Related Party (Note 14.2)	-	-	-	78,984,355	-	78,984,355
Bank Loans (Note 14.4)	49,993,772	116,652,136	166,645,908	169,394,750	104,870,898	274,265,648
Bank Overdrafts (Note 16.2)	249,996,795	-	249,996,795	289,694,457	-	289,694,457
	299,990,567	116,652,136	416,642,703	538,073,562	104,870,898	642,944,460

14.2 INTERCOMPANY LOANS

	Relationship	As at 01.04.2022	Loan Obtained	Interest Accrued	Repayments	As at 31.03.2023
		LKR	LKR	LKR	LKR	LKR
Ambeon Holdings PLC	Immediate Parent	78,984,355	-	7,442,271	(86,426,626)	-
		78,984,355	-	7,442,271	(86,426,626)	-

14.3

Security: None

Loan Repayment Terms: Loan together with the interest accrued is repayable within the year.

Interest Rate : AWPLR+0.5% p.a

14.4 BANK LOANS

	Notes	As at 01.04.2022	Loans Obtained	Repayment	Accrued Interest	Exchange (Gain) / Loss	As at 31.03.2023
Bank Loans - Company		LKR	LKR	LKR	LKR	LKR	LKR
Bank of Ceylon - Packing Credit Loan	14.4.2	-	92,079,517	(92,079,517)	-	-	-
Sampath Bank PLC - Packing Credit Loan	14.4.4	25,000,000	-	(25,000,000)	-	-	-
National Development Bank - Short Term Loan	14.4.8	71,391,358	136,000,000	(207,391,358)	-	-	-
Nation Trust Bank PLC	14.4.9	164,110,929	54,000,000	(51,465,021)	-	-	166,645,908
People's Bank-Short Term Loan	14.4.10	13,763,361	-	(13,763,361)	-	-	-
Total Bank Loans - Company		274,265,648	282,079,517	(389,699,256)	-	-	166,645,908

NOTES TO THE FINANCIAL STATEMENTS

14.5 BANK LOANS

	Notes	As at 01.04.2022	Loans Obtained	Repayment	Accrued Interest	Exchange (Gain) / Loss	As at 31.03.2023
Bank Loans - Subsidiary		LKR	LKR	LKR	LKR	LKR	LKR
Term Loan - HNB Bank - LKR	14.4.11	8,678,000	-	(8,678,000)	-	-	-
Term Loan - HNB Bank - LKR	14.4.12	162,000,000	-	(162,000,000)	-	-	-
Import Loan - HNB Bank - USD	14.4.13	5,699,855	39,433,591	(45,133,477)	-	31	-
Import Loan - HNB Bank - LKR	14.4.13	7,890,023	-	(7,890,023)	-	-	-
PCL Loan - HNB Bank - LKR	14.4.14	79,000,000	-	(79,000,000)	-	-	-
Term Loan 1 NTB Bank LKR	14.4.15	-	250,000,000	(3,000,000)	-	-	247,000,000
Term Loan 2 NTB Bank LKR	14.4.16	-	175,000,000	(22,500,000)	-	-	152,500,000
Import Loan NTB Bank USD	14.4.17	-	231,270,937	(160,567,296)	-	(3,865,288)	66,838,354
PCL Loan NTB Bank USD	14.4.18	-	110,467,383	(15,616,965)	-	(4,127,097)	90,723,321
PCL Loan NTB Bank LKR	14.4.19	-	49,200,000	(49,200,000)	-	-	-
Import loan DFCC- USD	14.4.20	68,300,317	7,391,155	(55,478,872)	-	(20,212,601)	-
PCL Loan - DFCC Bank - USD	14.4.22	-	4,794,971	(4,794,971)	-	-	-
Term Loan - DFCC Bank - LKR	14.4.13	10,666,664	-	(10,666,664)	-	-	-
Short Term Loan DFCC Bank LKR	14.4.16	-	157,685,958	(39,510,305)	-	-	118,175,653
PCL Loan - DFCC Bank - LKR	14.4.22	208,743,755	89,700,000	(298,443,755)	-	-	-
		550,978,614	1,114,943,995	(962,480,326)	-	(28,204,955)	675,237,328
Total Bank Loans - Group		825,244,262	1,397,023,512	(1,352,179,582)	-	(28,204,955)	841,883,237

SECURITY, REPAYMENT TERMS AND OTHER SIGNIFICANT DETAILS OF FACILITIES

DANKOTUWA PORCELAIN PLC - COMPANY

	Lending Institution	Nature of Facility	Facility Amount	Purpose of the Facility	Interest Rate	Repayment Terms	Security	Carrying value of the assets pledged	
								2023	2022
14.4.1	Bank of Ceylon	Packing Credit Loans	LKR 20 Mn	To finance local orders	*AWPLR+2.5% p.a	Maximum 3 Months	Floating hypothecation over stocks and book debts of the Company	1,290 Mn	893 Mn
14.4.2	Bank of Ceylon	Packing Credit Loans	USD 0.75 Mn	To finance working capital relating to export orders	3 Months LIBOR +5.5% 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		
14.4.3	Bank of Ceylon	Hypothecation Loan	LKR 10 Mn	To retire bills under sight letter of credit & Collection bills	AWPLR+2.5% p.a	Maximum 4 months	Floating hypothecation over stocks and book debts of the Company		
14.4.4	Bank of Ceylon	Overdraft Facilities	LKR 25 Mn	To finance working capital requirements	AWPLR+2.5% p.a	Maximum 4 Months	Mortgage over stock & assignment over the book debts		
14.4.5	Sampath Bank PLC	Packing Credit Loans	LKR 180 Mn	To finance working capital relating to export orders	AWPLR +2.0% p.a	Maximum 3 months	Hypothecation Bond for \$ 500K over Stocks and Book Debts of the Company	100 Mn	100 Mn
14.4.6	Sampath Bank PLC	Packing Credit Loans	LKR 50 Mn or USD 1 Mn	To finance working capital relating to export orders	LIBOR +3.5% subject to minimum of 5.25% p.a	Maximum 3 months	Hypothecation Bond for \$ 500K over Stocks and Book Debts of the Company		
14.4.7	Sampath Bank PLC	Overdraft Facilities	LKR 75 Mn	To finance working Capital requirements	AWPLR +2.0% p.a	Maximum 3 months	Hypothecation Bond for LKR 100 Mn over stock & book debts of the Company		
14.4.8	National Development Bank	Short Term Loan	LKR 325 Mn	To finance working Capital requirements	AWPLR +1.25% p.a	Maximum 3 months	Primary Mortgage over Factory premises Situated in Dankotuwa for LKR 400,000,000/-	867 Mn	788 Mn
14.4.9	Nations Trust Bank	Long-term Loan	LKR 250 Mn	To clear related party payables	AWPLR +1.5% p.a	60 months	Mortgage bond over 1.08Bn unquoted share of Royal Fernwood Porcelain Limited.	464 Mn	464 Mn
14.4.10	Peoples Bank	Term Loan	LKR 25 Mn	To finance working Capital requirements	4% p.a.	24 months	Corporate Guarantee of Ambeon Holdings PLC	-	-

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ROYAL FERNWOOD PORCELAIN LTD

	Lending Institution	Nature of Facility	Facility Amount	Purpose of the Facility	Interest Rate	Repayment Terms	Security	Carrying value of the assets pledged	
								2023	2022
14.4.11	Hatton National Bank PLC	Term Loan (LKR)	LKR 20 Mn	To finance working capital requirements	AWPLR + 3.0% (Weekly Review)	59 Equal monthly Installments of LKR 333,000/-.	Primary mortgage bond over immovable property in the factory at Kosgama	699 Mn	601 Mn
14.4.12	Hatton National Bank PLC	Term Loan (USD)	USD 1.25 Mn	Reschedule of Over due Outstanding	LIBOR +4.5% (Monthly Review)	59 Equal monthly Installments of USD 20,833/-.			
14.4.13	Hatton National Bank PLC	Import Loan	LKR 125 Mn	To finance working capital requirements	AWPLR 1.5% (Weekly Review) or LIBOR 5.5% (Monthly Review)	Settlement through sales proceeds	Secondary mortgage bond over Land & Building at Kosgama for LKR 40 Mn	40 Mn	40 Mn
14.4.14	Hatton National Bank PLC	Packing Credit Loan	LKR 125 Mn	To finance working capital requirements	LIBOR 5.5% (Monthly Review)	Settlement through sales proceeds	Primary mortgage bond over immovable property in the factory at Kosgama	699 Mn	601 Mn
14.4.15	Nations Trust Bank PLC	Long Term Loan	LKR 250 Mn	To restructure existing loans	AWPLR + 1.5% p.a	6 moths grace period, 50 Monthly Instalments	Primary mortgage bond over immovable property in the factory at Kosgama	699 Mn	-
14.4.16	Nations Trust Bank PLC	Term Loan	LKR 175 Mn	To finance working capital requirements	AWPLR + 1.5% p.a	38 Variable monthly instalments	Primary mortgage bond over immovable property in the factory at Kosgama	699 Mn	-
14.4.17	Nations Trust Bank PLC	Over Draft	LKR 75 Mn	To finance working capital requirements	AWPLR + 1.0% p.a	Settlement through sales proceeds	Primary mortgage bond over immovable property in the factory at Kosgama	699 Mn	-
14.4.18	Nations Trust Bank PLC	Import Loan	USD 500,000	To finance working capital requirements	LIBOR + 5% p.a	Settlement through sales proceeds. (120 days)	Primary mortgage bond over immovable property in the factory at Kosgama	699 Mn	-
14.4.19	Nations Trust Bank PLC	Packing Credit Loan	USD 1 Mn	To finance working capital requirements	AWPLR + 1.25% or LIBOR + 5% p.a	Settlement through sales proceeds. (120 days)	Primary mortgage bond over immovable property in the factory at Kosgama	699 Mn	-
14.4.20	DFCC Bank PLC	Overdraft Facility	LKR 30 Mn	To finance working capital requirements	AWPLR+4.5%				
14.4.21	DFCC Bank PLC	Import Loans	USD 1.2 Mn	To finance working capital requirements	LIBOR+11% p.a	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.	1,140 Mn	771 Mn
14.4.22	DFCC Bank PLC	Export Loans		To finance working capital requirements	AWPLR+4.5% and LIBOR+11%	Maximum 4 months			

15. RETIREMENT BENEFIT LIABILITY

	Balance 01.04.2022	Charge for the Year	Payments during the Year	Balance 31.03.2023
	LKR	LKR	LKR	LKR
Retirement Benefits Obligation - Group	191,488,590	200,816	(14,275,330)	177,414,076
	191,488,590	200,816	(14,275,330)	177,414,076

	Balance 01.04.2022	Charge for the Year	Payments during the Year	Balance 31.03.2023
	LKR	LKR	LKR	LKR
Retirement Benefits Obligation - Company	162,402,339	(5,047,341)	(12,305,418)	145,049,580
	162,402,339	(5,047,341)	(12,305,418)	145,049,580

15.1 EXPENSE ON DEFINED BENEFIT PLAN

	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Interest Cost on Benefit Obligation	14,568,842	13,334,929	10,205,904	11,429,781
Current Service Cost	28,189,701	10,286,094	24,392,202	7,536,965
Recognition in the statement of Profit or Loss	42,758,543	23,621,023	34,598,106	18,966,746
Actuarial (Gain)/Loss for the year	(42,557,727)	(7,400,940)	(39,645,448)	(9,280,968)
Recognition in the Other Comprehensive Income	(42,557,727)	(7,400,940)	(39,645,448)	(9,280,968)
Recognition in the Total comprehensive Income	200,816	16,220,083	(5,047,341)	9,685,778

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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 2023. 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	
	2023	2022
Discount Rate	22% per annum.	15% per annum.
Future Salary Increase Rate	14%	12%
Normal Retirement Age	60 Years	60 Years

15.3 MATURITY PROFILE OF THE DEFINED BENEFIT PLAN

	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Within Next 12 Months	46,577,465	40,743,085	36,101,220	31,678,686
Between 1-2 Years	43,751,441	62,860,362	36,254,386	51,787,707
Between 2-5 Years	52,808,706	42,620,705	42,638,017	36,223,862
Between 5-10 Years	29,039,967	29,380,139	25,251,130	27,104,193
Beyond 10 years	5,236,497	15,884,299	4,804,827	15,607,891
	177,414,076	191,488,590	145,049,580	162,402,339

	GROUP		COMPANY	
	2023	2022	2023	2022
Weighted Average Duration of Defined Benefit Obligation (Years)	2.84	3.52	3.16	4.42

15.4 BREAK UP OF THE ACTUARIAL GAIN

	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Actuarial Gain Resulting from Changes in Experience Adjustments	(42,557,727)	(7,400,940)	(39,645,448)	(9,280,968)
	(42,557,727)	(7,400,940)	(39,645,448)	(9,280,968)

15.5 SENSITIVITY ANALYSIS

			GROUP		COMPANY	
			2023	2022	2023	2022
			LKR	LKR	LKR	LKR
Actuarial Assumptions						
If a one percentage point change in the assumed discount rate would have the following effects.	Change in Discount Rate	+1%	(9,824,531)	(5,776,186)	(3,469,003)	(5,137,385)
		-1%	10,528,896	6,185,146	3,668,576	5,512,764
If a one percentage point change in the assumed salary increment rate would have the following effects.	Salary Increment Rate	+1%	10,816,933	6,601,886	3,576,302	5,906,828
		-1%	(10,254,125)	(6,258,230)	(3,426,949)	(5,587,307)

16. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

		GROUP		COMPANY	
		2023	2022	2023	2022
		LKR	LKR	LKR	LKR
16.1 FAVORABLE CASH AND CASH EQUIVALENTS BALANCE					
Cash and Bank Balances		90,148,908	92,943,796	72,387,544	50,176,020
Short Term Deposits		368,514,609	331,275,398	368,514,609	331,275,398
		458,663,517	424,219,194	440,902,153	381,451,418
16.2 UNFAVORABLE CASH AND CASH EQUIVALENTS BALANCES					
Bank Overdraft (Note 14)		(360,878,076)	(461,741,070)	(249,996,795)	(289,694,457)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement		97,785,441	(37,521,876)	190,905,358	91,756,961

16.3 Short Term deposit of LKR 368,514,609 includes the balance amount of right issue funds raised.

17. TRADE AND OTHER PAYABLES

		GROUP		COMPANY	
		2023	2022	2023	2022
		LKR	LKR	LKR	LKR
Trade Payables - Related Parties (Note 17.1)		411,011	404,729	2,830,418	2,830,418
- Others		323,128,053	139,524,381	129,776,232	98,765,834
Other Payables - Related Parties (Note 17.2)		34,491,282	104,251,114	53,046,987	22,641,261
- Others*		461,138,350	365,591,895	318,769,923	227,879,146
		819,168,696	609,772,119	504,423,560	352,116,659

*Others has included Sundry Creditors and Accrued Expenses

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17.1 TRADE PAYABLES - RELATED PARTIES

		GROUP		COMPANY	
		2023	2022	2023	2022
	Relationship	LKR	LKR	LKR	LKR
Royal Fernwood Porcelain Ltd	Subsidiary	-	-	2,830,418	2,830,418
Ceylon Leather Products Ltd	Group Company	411,011	404,729	-	-
		411,011	404,729	2,830,418	2,830,418

17.2 OTHER PAYABLES - RELATED PARTIES

		GROUP		COMPANY	
		2023	2022	2023	2022
	Relationship	LKR	LKR	LKR	LKR
Ambeon Holdings PLC	Immediate Parent	24,768,805	93,782,309	2,718,915	-
Royal Fernwood Porcelain Ltd	Subsidiary	-	-	42,352,015	12,172,456
Ceylon Leather Products Ltd	Group Company	112,857	756,395	-	756,395
Taprobane Investments (Pvt) Ltd	Group Company	1,049,051	1,049,051	1,049,051	1,049,051
Lexinton Holdings (Pvt) Ltd	Group Company	655,683	-	598,758	-
Taprobane Capital (Pvt) Ltd	Group Company	54,205	54,205	54,205	54,205
Millennium I.T.E.S.P (Pvt) Ltd	Group Company	7,850,681	8,609,154	6,274,043	8,609,154
		34,491,282	104,251,114	53,046,987	22,641,261

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 are increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities are 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 2023.

	2023	2022
	LKR	LKR
Balance as at 01 April	29,928,639	38,959,533
Additions	23,502,731	16,375,303
Disposal	-	(10,425,500)
Interest Cost	5,372,166	3,913,985
Repayment	(26,040,697)	(18,894,682)
Balance as at 31 March	32,762,839	29,928,639

	2023			2022		
	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	17,061,696	(2,367,508)	14,694,188
Amount Payable more than one year	19,183,036	(1,114,385)	18,068,651	16,348,836	(1,114,385)	15,234,451
Total	36,244,732	(3,481,893)	32,762,839	33,410,532	(3,481,893)	29,928,639

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

19. OTHER INCOME

	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Miscellaneous Income	17,755,194	11,297,002	15,037,862	8,699,614
Asset utilization Fee	3,459,480	3,459,480	3,459,480	3,459,480
	21,214,674	14,756,482	18,497,342	12,159,094

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

20. FINANCE COST / INCOME

20.1 FINANCE INCOME

	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Interest on Short Term Investments	40,295,664	18,692,832	39,667,639	18,229,224
Interest on Loans given to Subsidiaries	-	-	3,023,652	-
Interest on Foreign Currency Savings Accounts	107,739	1,297,783	107,739	1,297,781
	40,403,403	19,990,615	42,799,030	19,527,005

20.2 FINANCE COST

	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Overdraft Interest	101,755,369	27,042,000	71,827,200	18,333,115
Interest on Bank Loan	222,240,261	70,244,581	57,357,014	30,766,735
Interest on Intercompany Loans	7,442,272	10,145,630	7,442,272	10,145,630
Interest on Packing Credit Loan	2,340,946	1,585,578	2,340,946	1,585,578
Interest on Lease	5,372,167	3,913,985	5,372,167	3,913,985
	339,151,015	112,931,774	144,339,599	64,745,043

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21. PROFIT / (LOSS) BEFORE TAX

Stated after Charging / (Crediting)	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
- Included under Cost of Sales				
- Depreciation	82,834,295	76,186,958	39,405,234	45,287,398
- Salaries	658,464,020	533,002,624	336,052,794	319,384,951
- Employee Benefits Liability	28,283,713	14,518,819	23,609,276	11,984,558
- Defined Contribution Plan Costs - EPF & ETF	62,946,364	49,456,403	38,010,830	34,624,898
- Other Staff Costs	281,856,014	141,234,621	168,011,859	93,689,729
- Included under Administration Expenses				
- Depreciation	18,845,595	13,691,918	12,248,024	7,264,072
- Amortization of Intangible Assets	8,407,906	7,334,946	6,990,667	6,990,670
- Directors' Remuneration	13,323,000	17,051,763	12,423,000	9,000,000
- Salaries	128,716,653	104,867,727	78,731,345	66,506,710
- Employee Benefits Liability	8,325,030	3,703,885	5,934,945	2,349,385
- Defined Contribution Plan Costs - EPF & ETF	14,732,803	12,268,525	8,955,563	7,333,161
- Other Staff Costs	48,999,043	26,737,976	27,454,260	16,122,810
- Legal Fees	956,651	869,924	887,051	430,568
- Auditors' Fee and Expenses - Current Year	3,351,000	5,410,110	2,132,000	2,635,000
- Auditors' Fee and Expenses - Other Services and Branch	1,081,216	610,726	1,081,216	610,726
- Allowances for Obsolete & Slow Moving Inventories	(159,420,749)	193,244,305	(36,650,226)	12,936,378
- Included under Selling & Distribution Expenses				
- Depreciation	2,794,227	11,979,691	2,794,227	11,979,691
- Amortization	5,428,691	2,154,394	5,428,691	2,154,394
- Salaries	67,786,940	49,552,152	44,984,603	31,831,649
- Employee Benefits Liability	6,263,311	2,699,275	5,500,765	2,267,128
- Defined Contribution Plan Costs - EPF & ETF	6,729,479	5,598,042	4,545,849	3,732,761
- Other Staff Costs	61,573,491	29,029,015	46,265,171	21,865,188
- Impairment for Doubtful Debts	5,446,797	1,491,285	4,442,025	1,491,285

22. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year (22.1)	132,623,314	6,028,255	132,623,314	6,028,255
Under / (Over) Provision of Current Taxes in respect of Prior Years	3,763,417	-	3,763,417	-
Current Tax Expense relating to branch operation in India, Chennai	5,688,461	1,732,520	5,688,461	1,732,520
Deferred Income Tax				
Deferred Taxation Charge (22.2)	47,842,577	13,449,384	132,766,601	61,307,090
Income Tax Expense/(Reversal) Reported in the Statement of Profit or Loss	189,917,772	21,210,159	274,841,796	69,067,865

22.1 RECONCILIATION BETWEEN TOTAL TAX EXPENSE AND THE PRODUCT OF ACCOUNTING PROFIT.

	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Accounting Profit / (Loss) Before Tax	869,249,761	210,691,827	896,909,236	491,260,017
Income Exempt from tax	(331,730,443)	(154,029,349)	(313,571,719)	(153,561,740)
Aggregate Disallowed items	301,786,689	453,105,608	134,807,868	132,942,598
Aggregate Allowable Items	(162,931,413)	(283,731,915)	(92,401,294)	(61,859,844)
Trade Profit	676,374,595	226,036,171	625,744,091	408,781,030
Taxable Business Profit	676,374,595	226,036,171	625,744,091	408,781,030
Other Sources of income				
Interest on Loan given to subsidiaries	-	-	3,023,652	-
Interest on Deposit	40,295,663	18,696,832	39,667,639	18,229,224
Total Statutory Income	716,670,259	244,733,003	668,435,383	427,010,254
Less- Carried forward tax loss utilized (Note 22.1.1)	(51,258,528)	(389,584,889)	-	(389,114,939)
Taxable Income / (Loss)	665,411,731	(144,851,886)	668,435,383	37,895,315
Income Tax attributable to Taxable Income - April to September 2022-18% (2022-18%)	75,348,452	3,254,576	75,348,452	3,254,576
Income Tax attributable to Export Sales - October 2022 to March 2023-30% (2022-14% and 18%)	57,274,862	2,773,679	57,274,862	2,773,679
Current Income Tax Expense	132,623,314	6,028,255	132,623,314	6,028,255
Recognition on Deferred Tax on Temporary Difference (Note 22.2)	47,842,577	13,449,384	132,766,601	61,307,090
Current Tax Expense relating to branch operation in India, Chennai	5,688,463	1,732,520	5,688,463	1,732,520
Under / (Over) Provision of Current Taxes in respect of Prior Years	3,763,417	-	3,763,417	-
Total Income Tax Expense	189,917,772	21,210,159	274,841,796	69,067,865

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22.1.1 TAX LOSSES CARRIED FORWARD

	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Tax Losses Brought Forward	329,493,396	536,463,354	-	389,114,939
Tax Losses Incurred During the Year	-	182,614,931	-	-
Tax Losses Utilized	(51,258,528)	(389,584,889)	-	(389,114,939)
Tax Losses Carried Forward	278,234,868	329,493,396	-	-

22.2 DEFERRED TAX LIABILITY

22.2.1 GROUP

	Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2023	2022	2023	2022	2023	2022
	LKR	LKR	LKR	LKR	LKR	LKR
Deferred Tax Liabilities						
Capital Allowances for Tax Purposes	76,599,780	60,292,929	16,329,963	(10,448,635)	-	-
Revaluation of Land and Buildings	565,551,021	244,493,741	-	-	321,057,279	25,775,245
Fair Value Gain from Investment Property	146,708,340	42,182,541	104,525,799	-	-	-
Unrealized Exchange Gain	513,592	-	513,592	-	-	-
Right to use Assets	(281,124)	(399,863)	118,739	(526,355)	-	-
	789,091,610	346,569,348	121,488,093	(10,974,990)	321,057,280	25,775,245
Deferred Tax Assets						
Hedge Reserve	-	-	-	-	-	6,556,435
Defined Benefit Plans - Comprehensive Income	53,201,112	31,675,411	(34,316,130)	(2,137,704)	12,767,318	1,194,471
Impairment for doubtful debts	9,798,595	7,357,617	(2,440,978)	910,769	-	-
Unrealized Exchange Loss	11,913,021	-	(11,913,021)	-	-	-
Inventory Provision	57,388,411	55,940,920	(1,447,491)	1,671,697	-	-
Chennai Branch Differed Tax	2,397,995	-	(2,397,995)	-	-	-
Carry Forward of Unused Tax Losses	82,089,461	60,959,560	(21,129,901)	23,979,612	-	-
	216,788,595	155,933,508				
Deferred Income Tax - Expense/(Income)			47,842,577	13,449,384	333,824,598	33,526,151
Net Deferred Tax Liability	572,303,015	190,635,840				

The effective Tax rate used is 30% for the Group (Company 15.77% and Royal Fernwood 15% in 2022).

22.2.2 COMPANY

	Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2023	2022	2023	2022	2023	2022
	LKR	LKR	LKR	LKR	LKR	LKR
Deferred Tax Liabilities						
Capital Allowances for Tax Purposes	24,281,209	14,473,429	9,807,780	(2,973,769)	-	-
Revaluation of Land and Buildings	404,631,296	198,802,290	-	-	205,829,006	15,868,848
Fair Value Gain from Investment Property	125,671,500	36,923,331	88,748,169	-	-	-
Unrealized Exchange Gain	513,592	-	513,592	-	-	-
Fair Value Gain from Investment in Subsidiary	94,786,876	9,485,525	85,301,351	8,268,800	-	-
Right to use Assets	(281,124)	(399,862)	118,740	(526,355)	-	-
	649,603,350	259,284,711	184,489,632	4,768,676	205,829,006	15,868,848
Deferred Tax Assets						
Defined Benefit Plans - Comprehensive Income	43,514,873	27,312,474	(28,096,035)	(2,411,394)	11,893,634	1,476,476
Cash Flow Hedge	-	-	-	-	-	1,195,535
Impairment for doubtful debts	8,167,222	5,511,914	(2,655,308)	(169,606)	-	-
Unrealized Exchange Loss	11,913,021	-	(11,913,021)	-	-	-
Inventory Provision	30,063,622	23,402,950	(6,660,671)	(2,244,013)	-	-
Chennai Branch Differed Tax	2,397,995	-	(2,397,995)	-	-	-
Carry Forward of Unused Tax Losses	-	-	-	61,363,426	-	-
	96,056,733	56,227,338			-	-
Deferred Income Tax - Expense/(Income)			132,766,601	61,307,090	217,722,640	18,540,859
Net Deferred Tax Liability	553,546,617	203,057,373				

The average Tax rate used is 30% (15.77% in 2022) for the purpose of deferred tax computation

	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Balance as at 01 April	190,635,840	143,660,304	203,057,375	123,209,427
Charge/ (Reversal) to Profit or Loss				
- Due to Change in Tax Rate	(21,269,720)	-	51,586,661	-
- Due to Change in Temporary Differences	69,112,298	13,449,384	81,179,940	61,307,090
Charge/ (Reversal) to Other Comprehensive Income				
- Due to Change in Tax Rate	261,516,631	-	176,092,730	-
- Due to Change in Temporary Differences	72,307,966	33,526,152	41,629,911	18,540,858
Balance as at 31 March	572,303,015	190,635,840	553,546,617	203,057,375

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23. EARNINGS PER SHARE

Earnings 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.

Amount Used as the Numerator:	GROUP		COMPANY	
	2023	2022	2023	2022
	LKR	LKR	LKR	LKR
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	670,673,974	196,304,022	622,067,443	422,192,152
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 Per Share	4.13	1.21	3.83	2.60

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

On 13th July 2023 Ambeon Holdings PLC disposed 81,439,013 ordinary shares, being 50.10% of the total issued shares of the Company at a price of LKR 28.30 per share which was acquired by Ceyline Investments (Private) Limited.

Consequent to the said transaction, on 19th July 2023 Ceyline Investments (Private) Limited (offeror) made an offer in terms of the Takeovers and Mergers Code to purchase 44,685,798 ordinary shares, being 27.49% of the total issued shares of the Company at a price of LKR 28.30 per share.

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
As at 1 April	(78,984,357)	(192,160,050)	398,775,117	397,000,206	(10,468,804)	(13,153,797)	-	-	309,321,956	191,686,359
Sale of Goods / Services	10,631	23,959	19,037,111	-	-	(14,489,830)	-	-	19,047,742	(14,465,871)
Purchase of Goods / Services	(25,378,152)	(23,286,045)	(60,283,766)	(23,858,820)	(13,310,411)	(935,181)	-	-	(98,972,329)	(48,080,046)
Cost Apportionment	(13,629,529)	(18,967,651)	86,484,211	25,633,731	-	-	-	-	72,854,682	6,666,080
(Receipt)/Payment of good or Services	46,121,596	142,057,666	(55,016,601)	-	13,084,242	18,110,004	-	-	4,189,237	160,167,670
Loan Settlements / Transfers	76,312,230	23,493,395	-	-	-	-	-	-	76,312,230	23,493,395
Interest	(7,171,336)	(10,145,631)	-	-	-	-	-	-	(7,171,336)	(10,145,631)
As at 31 March	(2,718,917)	(78,984,357)	388,996,071	398,775,117	(10,694,972)	(10,468,803)	-	-	375,582,182	309,321,956

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
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

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.

NOTES TO THE FINANCIAL STATEMENTS

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;

	2023	2022
Group	LKR	LKR
Short-Term employee benefits	47,284,208	35,618,500
	47,284,208	35,618,500

	2023	2022
Company	LKR	LKR
Short-Term employee benefits	46,384,208	28,090,000
	46,384,208	28,090,000

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 favour of the Group at the appropriate time when there is an unfavourable 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			
2023	}	+5	14,402,240
		-5	(14,402,240)
2022	}	+5	9,954,058
		-5	(9,954,058)
Company			
2023	}	+5	12,375,835
		-5	(12,375,835)
2022	}	+5	6,166,568
		-5	(6,166,568)

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			
2023	}	+1	(3,694,759)
		-1	3,694,759
2022	}	+1	13,659,697
		-1	(13,659,697)
Company			
2023	}	+1	4,166,427
		-1	(4,166,427)
2022	}	+1	6,429,445
		-1	(6,429,445)

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.

CREDIT RISK

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Cash and cash equivalents, trade and other receivables and loans granted to related parties are the main instruments that are exposed to the risk of non-payment or payment delays.

28.1.1 RISK EXPOSURE

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Following table shows the maximum risk positions.

Risk Exposure	Notes	Group				Company			
		2023 LKR	% of allocation	2022 LKR	% of allocation	2023 LKR	% of allocation	2022 LKR	% of allocation
Trade and Other receivables	11	886,777,331	66%	664,168,478	61%	696,110,321	61%	445,464,534	54%
Cash and Short Term Deposits	16	458,663,517	34%	424,219,194	39%	440,902,153	39%	381,451,418	46%
Total credit risk exposure		1,345,440,848	100%	1,088,387,672	100%	1,137,012,474	100%	826,915,952	100%

28.1.2 TRADE AND OTHER RECEIVABLES

The Group has set a clear credit policy in which guidelines are given for evaluating the credit worthiness, setting credit limits and credit periods for each customer and measures to be taken to ensure the recoverability such as Irrevocable Letters of Credit, Advance payments etc. The Group regularly monitors the customer outstanding balances each month and take appropriate actions where necessary in respect of long outstanding amounts. The Group does not hold collateral as security against trade and other receivables.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by Letter of Credit or other forms of credit insurance.

The requirement for an impairment is analysed 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 11.4.

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 as at 31 March 2023 LKR 458,663,517 (2022 - LKR 424,219,194) as explained in Note 16.1.

The Company held cash & short term deposits as at 31 March 2023 LKR 440,902,153 (2022 - LKR 381,451,418) as explained in Note 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 unutilised facilities are available to maintain the liquidity level.

28.2 MATURITY ANALYSIS OF FINANCIAL LIABILITIES - GROUP

As at 31 March 2023	Total	Less than 3 months	3-12 months	1-5 Years
	LKR	LKR	LKR	LKR
Trade & Other Payables	819,168,696	819,168,696	-	-
Interest Bearing Loans & Borrowings	1,202,761,312	665,618,402	97,990,774	439,152,136
	2,021,930,008	1,484,787,098	97,990,774	439,152,136

As at 31 March 2022	Total	Less than 3 months	3-12 months	1-5 Years
	LKR	LKR	LKR	LKR
Trade & Other Payables	609,772,119	609,772,119	-	-
Interest Bearing Loans & Borrowings	1,365,969,687	1,069,432,433	78,984,356	217,552,898
	1,975,741,806	1,679,204,552	78,984,356	217,552,898

28.2.1 MATURITY ANALYSIS OF FINANCIAL LIABILITIES - COMPANY

As at 31 March 2023	Total	Less than 3 months	3-12 months	1-5 Years
	LKR	LKR	LKR	LKR
Trade & Other Payables	504,423,560	504,423,560	-	-
Interest Bearing Loans & Borrowings	416,642,703	262,499,793	37,490,774	116,652,136
	921,066,263	766,923,353	37,490,774	116,652,136

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2022

	Total	Less than 3 months	3-12 months	1-5 Years
	LKR	LKR	LKR	LKR
Trade & Other Payables	352,116,659	352,116,659	-	-
Interest Bearing Loans & Borrowings	642,944,460	289,694,457	248,379,105	104,870,898
	995,061,119	641,811,116	248,379,105	104,870,898

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	
	2023	2022	2023	2022
Debt/Equity	38.16%	53.12%	12.58%	22.34%

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	2023				2022	
		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	5.1.2	Level 3	1,135,901,550	1,135,901,550	Level 3	1,025,373,150	1,025,373,150
Freehold Buildings	5.1.2	Level 3	939,952,002	939,952,002	Level 3	862,147,002	862,147,002
Investment Properties	7	Level 3	769,945,602	769,945,602	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	2023			2022		
		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	867,185,000	867,185,000	Level 3	788,350,000	788,350,000
Freehold Buildings	5.5	Level 3	509,153,000	509,153,000	Level 3	498,028,000	498,028,000
Investment Properties	7.1	Level 3	629,700,002	629,700,002	Level 3	580,028,314	580,028,314
Investment in Subsidiaries	9	Level 3	1,187,926,187	1,187,926,187	Level 3	966,591,253	966,591,253
Financial Instrument at Amortised Cost	16.1	Level 2	368,514,609	368,514,609	Level 2	331,275,398	331,275,398

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 2023 there is no transfer from level 1 to level 2 in the fair value hierarchy.

DECADE AT A GLANCE

Period ended (LKR'000)
Except ratios

	GROUP			
	Year ended 31 March			
	2023*	2022*	2021*	2020*
SUMMARY OF OPERATING RESULTS				
Turnover (Net of Taxes)	5,913,133	3,762,106	2,432,418	2,233,871
Cost of Sales	(3,856,001)	(2,557,390)	(1,796,931)	(1,544,012)
Gross Profit	2,057,132	1,204,716	635,487	689,859
Other Income/(Expenses)	21,215	14,756	3,779	13,191
Distribution Costs	(665,572)	(435,213)	(341,601)	(354,437)
Administrative Expenses	(311,980)	(480,626)	(580,857)	(596,885)
Finance Costs	(339,151)	(112,932)	(146,335)	(155,129)
Finance Income	40,403	19,991	19,265	24,763
Fair Value Gain from Investment Property	67,202	-	14,307	114,489
Net Profit/(Loss) before Tax	869,250	210,692	(395,955)	(264,148)
Tax(Expense)/ Reversal	(189,918)	(21,210)	(1,839)	40,038
Net Profit/(Loss) after Tax	679,332	189,482	(397,793)	(224,110)
Other Comprehensive Income Net of Taxes	(60,277)	184,161	174,376	94,962
Total Comprehensive Income for the Year After Tax	619,055	373,642	(223,417)	(129,148)
Dividends for the previous period				
Retained Profit/(Loss) for the period	619,055	373,642	(223,417)	(129,148)
SUMMARY OF FINANCIAL POSITION				
Stated/Issued Capital	1,402,102	1,402,102	1,402,102	1,402,102
Reserves/Other Components of Equity	1,499,802	1,589,870	1,412,563	1,219,307
Retained Earnings	336,205	(364,272)	(563,866)	(156,671)
Non-Controlling Interest	17,447	8,802	12,061	21,539
Total Equity	3,255,556	2,636,502	2,262,860	2,486,277
ASSETS & LIABILITIES				
Current Assets	2,924,750	2,137,247	2,064,222	2,418,880
Current Liabilities	(1,671,330)	(1,772,883)	(2,071,702)	(2,027,795)
Net Current Assets	1,253,420	364,364	(7,480)	391,085
Non Current Assets	3,209,074	2,887,050	2,765,164	2,714,093
Non Current Liabilities	(1,206,938)	(614,912)	(494,824)	(618,901)
Net Non Current Assets	2,002,136	2,636,502	2,262,860	2,486,277
FACTORY OUTPUT (Pcs)				
Production Quantity				
White ware (Pcs)	9,774,634	8,754,335	7,671,929	8,916,561
Decorated ware (Pcs)	6,125,839	5,929,671	4,450,551	5,719,804
Sales Quantity				
Export (Pcs)	4,071,169	4,357,926	3,154,042	3,551,882
Local (Pcs)	6,036,762	5,179,706	4,066,930	4,525,604
KEY RATIOS				
Earnings per Share (LKR)	4.13	1.21	(2.39)	(1.39)
Net Assets per Share (LKR)	19.92	16.17	13.85	15.16
Dividend per Share (LKR)	-	-	-	-
Annual Sales Growth(%)	57%	55%	9%	3%
Current Ratio(Times)	1.75	1.21	1.00	1.19
Market Value Per Share (at year end)	20.50	9.80	10.30	4.50

*Presented/Restated in line with SLFRS/LKAS

The above summarized financial information is extracted from audited financial statements

2019* Restated	2018*	2017*	2016* Restated	2015* Restated	2014*
2,173,202	2,083,446	2,366,324	2,379,158	2,317,598	1,800,947
(1,519,539)	(1,597,816)	(1,803,868)	(1,873,994)	(1,964,508)	(1,482,005)
653,662	485,630	562,456	505,163	353,090	318,941
13,080	5,978	16,077	21,991	12,128	8,367
(278,539)	(318,107)	(211,415)	(238,935)	(208,661)	(155,726)
(197,495)	(238,231)	(214,409)	(201,842)	(234,443)	(150,939)
(92,737)	(45,876)	(35,377)	(63,091)	(78,071)	(49,123)
36,701	33,232	29,517	7,331	1,088	1,499
293,029	-	-	-	-	-
427,701	(77,373)	146,848	30,617	(154,868)	(26,981)
(61,445)	80,851	(25,945)	(25,456)	7,973	(1,276)
366,256	3,478	120,904	5,161	(146,895)	(28,257)
269,653	246,021	91,744	254,733	277	(3,269)
635,909	249,499	212,648	259,893	(146,618)	(31,526)
-	-	(40,638)	-	-	(28,898)
635,909	249,499	172,010	259,893	(146,618)	(60,424)
1,402,102	1,402,102	1,402,102	1,402,102	679,644	679,644
1,115,254	851,568	589,377	507,703	248,824	502,360
78,029	(278,740)	(260,579)	(280,734)	(261,920)	(150,688)
20,041	13,688	8,220	3,059	(11,867)	23,599
2,615,425	1,988,618	1,739,119	1,632,130	654,681	1,054,915
1,993,191	1,606,646	1,444,364	1,260,604	1,023,477	1,131,421
(1,496,260)	(944,436)	(694,493)	(532,183)	(642,571)	(754,002)
496,931	662,211	749,872	728,420	380,906	377,419
2,605,641	2,006,856	1,605,605	1,569,831	1,306,630	1,625,043
(487,147)	(680,449)	(616,358)	(666,121)	(1,032,855)	(947,547)
2,615,425	1,988,618	1,739,119	1,632,130	654,681	1,054,915
9,279,180	9,050,904	9,112,165	9,755,324	9,302,570	9,411,737
5,661,866	6,627,888	7,682,267	7,932,158	6,702,737	7,669,636
3,983,187	4,982,908	4,938,857	5,112,899	5,424,802	6,462,284
4,401,695	3,467,824	4,797,240	6,390,460	5,352,911	4,643,717
2.22	0.02	0.74	0.15	(1.70)	(0.22)
15.97	12.15	10.65	10.02	12.83	14.28
-	-	0.65	-	-	0.40
4%	(12%)	(1%)	3%	29%	18%
1.33	1.70	2.08	2.37	1.60	1.50
5.30	6.90	6.00	6.80	11.20	11.50

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 2023

Range of Shareholding	No. of Shareholders	No. of Shares	%
1 upto 1,000 shares	3,694	928,695	0.57
1,001 to 10,000 shares	1,107	4,076,870	2.51
10,001 to 100,000 shares	286	7,914,701	4.87
100,001 to 1,000,000 shares	31	9,034,000	5.56
Above 1,000,000 shares	4	140,598,654	86.49
TOTAL	5,122	162,552,920	100.00

PUBLIC SHAREHOLDING

Information pertaining to public shareholding is as follows;

	2023	2022
Number of public shares	44,446,906	36,539,720
Public holding percentage	27.34	22.48
Number of public shareholders	5,116	4,945
Float adjusted market capitalization (LKR)	888,839,367	361,764,775

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)	20.50 (31.03.2023)	9.90 (31.03.2022)
Highest value per share recorded during the period (LKR)	37.50 (06.10.2022)	20.80 (07.01.2022)
Lowest value per share recorded during the period (LKR)	6.80 (27.04.2022)	8.70 (29.03.2022)

SHARE TRADING

No. of transactions	27,663	26,941
No. of shares traded	68,699,899	83,496,509
Value of shares traded (LKR)	1,723,106,179	1,251,396,387

There were 5,122 registered shareholders as at 31 March 2023 (4,949 as at 31 March 2022).

RATIO ANALYSIS – COMPANY

Earnings per Share (LKR)	3.83	2.60
Net Assets Value per Share (LKR)	21.98	18.53
Dividend per Ordinary Share (LKR)	-	-
Dividend Payout Ratio	-	-
Quick Assets Ratio	1.36 : 1	0.6 : 1

Twenty Largest Shareholders as at

Name of shareholder	31 March 2023		31 March 2022	
	No. of shares	%	No. of shares	%
1. Seylan Bank PLC/Ambeon Holdings PLC (Collateral)	116,972,354	71.96	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	117,861,584	72.51	125,989,230	77.51
2. Hatton National Bank PLC/Almas Holdings (Private) Limited	17,165,176	10.56	5,284,923	3.25
Almas Holdings (Private) Limited	256,510	0.16	-	-
TOTAL	17,421,686	10.72	5,284,923	3.25
3. Kokyo Tatemono Co. Ltd	5,394,036	3.32	5,394,036	3.32
4. Mr. H G Balasuriya	1,067,088	0.66	-	-
5. Hatton National Bank PLC/Almas Capital (Private) Ltd	897,781	0.55	248,044	0.15
6. J.B. Cocoshell (Private) Limited	780,159	0.48	-	-
7. Mr. M A Jafferjee	563,404	0.35	563,404	0.35
8. Rosewood (Private) Limited - Account No. 1	511,789	0.31	-	-
9. Mr. D L B C Perera	501,727	0.31	395,289	0.24
10. Mr. A K Palliya Guruge Don (Deceased)	334,600	0.21	334,600	0.21
11. Seylan Bank PLC/Senthilveri Holdings (Private) Limited	315,552	0.19	-	-
12. Dr. A A M Dharmadasa	281,856	0.17	156,804	0.10
13. Mrs. E B H A Perera	270,000	0.17	270,000	0.17
14. Mr. S M Nazeer	264,825	0.16	250,000	0.15
15. Mr. A M Mansoor	262,081	0.16	332,649	0.20
16. Mr. M H A Kamil	247,344	0.15	286,844	0.18
17. Mr. R E Rambukwelle	235,000	0.14	295,000	0.18
18. Rubber Investment Trust Limited Account No. 1	214,020	0.13	-	-
19. Seylan Bank PLC/Anuja Chamila Jayasinghe	213,754	0.13	-	-
20. Mr. I D Bandarigodage	200,000	0.12	-	-

DIRECTORS' SHAREHOLDINGS AS AT

Name	31 March 2023	31 March 2022
1. Mr. R T Devasurendra	Nil	Nil
2. Mr. R P Peris	50,000	24,000
3. Mr. N S Wijesekera (ceased to be a Director w.e.f. 31 March 2023)	Nil	Nil
4. Mr. Y Kanagasabai	Nil	Nil
5. Mr. C S Karunasena	Nil	Nil
6. Dr. K S Narangoda	Nil	Nil
7. Mr. R P Pathirana (appointed w.e.f. 01 July 2022)	182,500	N/A

Chief Executive Officer's Shareholding as at

Name	31 March 2023	31 March 2022
Mr. Channa Gunawardena	11,930	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%	133,397,209	60%	Proposals have been obtained from Suppliers, which are being evaluated. The funds have been invested currently on Fixed Deposit with Hatton National Bank PLC.
	722,457,424		722,457,424		633,397,209		

On 26 November 2020 shareholder approval was obtained to utilize the sum of LKR 166,980,664 out of the sum of LKR 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

GLOSSARY OF FINANCIAL TERMINOLOGY

ACCRUAL BASIS

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

CAPITAL EMPLOYED

Shareholders' funds plus minority interest and total debt.

CONTINGENT LIABILITIES

A condition or situation existing at the reporting date due to past events, where the financial effect is not recognized, because:

1. The obligation is crystallized by the occurrence or non-occurrence of one or more future events, or
2. A probable outflow of economic resources is not expected, or
3. It is unable to be measured with sufficient reliability.

GROSS PROFIT RATIO

Gross profit as a percentage of total revenue.

OPERATING PROFIT MARGIN

Operating profit as a percentage of total sales.

NET PROFIT MARGIN BEFORE TAX

Profit before tax divided by total revenue.

NET PROFIT MARGIN AFTER TAX

Profit after tax divided by total revenue.

RETURN ON EQUITY

Profit/(Loss) attributable to shareholders as a percentage of shareholders' funds including minority interest.

RETURN ON CAPITAL EMPLOYED

Profit before interest and tax as a percentage of capital employed.

INTEREST COVER

Profit before interest and tax over net finance expenses.

DEBT-EQUITY RATIO

Debt as a percentage of shareholders' funds, excluding minority interest.

INVENTORY DAYS

Average inventory divided by cost of goods sold multiply by 365 days.

DEBTOR DAYS

Average receivables divided by total revenue multiply by 365 days.

PAYABLE DAYS

Average payables divided by cost of goods sold multiply by 365 days.

CASH CONVERSION CYCLE

Inventory days + Debtor days – Payable days.

CURRENT RATIO

Current assets to current liabilities.

QUICK RATIO

Current assets minus inventory to current liabilities.

NET CURRENT ASSETS

Current assets minus current liabilities.

RETURN ON ASSETS

Profit before interest and tax divided by the total assets.

EQUITY TO ASSETS

Total equity divided by total assets.

NET DEBT (CASH) TO EQUITY

Total debt – Cash and cash equivalent divided by equity.

DEBT TO TOTAL ASSETS

Total debt divided by total assets.

EBIT

Earnings before interest and tax (includes other operating income).

EARNINGS/(LOSS) PER SHARE

Net profit/(Loss) attributable to equity holders of the parent divided by the weighted average number of ordinary shares.

PRICE EARNINGS RATIO

Market share price as of balance sheet date divided by earnings per share.

NET ASSETS

Total assets minus current liabilities, minus long-term liabilities, minus minority interest.

NET ASSETS VALUE 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.

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

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 Wednesday, 27th September 2023 at 9.30 a.m. centered at the Boardroom of the registered office of the company at No. 10, 5th Floor, Gothami Road, Colombo 8, Sri Lanka, for the following business:

- 1. To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31 March 2023 together with the Report of the Auditors thereon (Resolution 1).
- 2. To re-elect Mr. Y Kanagasabai, Director who retires by rotation in terms of Article No. 24 (6) of the Articles of Association (Resolution 2).
- 3. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. R P Peris who has reached the age of 70 years (Resolution 3).
"IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. R P Peris, who has reached the age of 70 years prior to the Annual General Meeting and that he shall accordingly be re-appointed."
- 4. To re-appoint M/s. Ernst & Young, Chartered Accountants, the retiring auditors and to authorize the Directors to determine their remuneration (Resolution 4).
- 5. To authorise the Directors to determine donations for charitable and other purposes for the year 2023/2024 as set out in the Companies' Donation Act [CAP147] (Resolution 5).

By Order of the Board

(Sgd.)
Nexia Corporate Consultants (Pvt) Ltd
Secretaries

Colombo
28 August 2023

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.

NOTES

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. 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 27th September 2023 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 2023		
2. To re-appoint Mr. Y Kanagasabi		
3. To re-appoint Mr. R P Peris		
4. To re-appoint auditors		
5. To authorize Directors to make donations		

Mark your preference with "X"

Signed on this day of 2023.

.....
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 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 an "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 dplagm2023@dankotuwa.com or by facsimile to +94 11 2680225 by 9.30 a.m. on 25th September 2023.

CORPORATE INFORMATION

NAME OF COMPANY

Dankotuwa Porcelain PLC

COMPANY REGISTRATION NO.

PQ 79

NATURE OF BUSINESS

Manufacturing and marketing of Porcelain Tableware targeted to export and domestic markets.

LEGAL FORM

A Public Quoted Company with limited liability incorporated under the provisions of Companies Act No. 17 of 1982 (Registered as a Private Limited Company in Sri Lanka on 06 January 1984 and converted to a Public Company by a special resolution on 08 July 1994). Re-registered under the Companies Act No. 07 of 2007.

DATE OF INCORPORATION AND COUNTRY

06 January 1984 in Sri Lanka

HEAD OFFICE & FACTORY

Kurunegala Road, Dankotuwa, Sri Lanka
Telephone: +94-31-550 0500
Fax: +94-31-550 0599
Email: info@dankotuwa.com
Website: www.dankotuwa.com

REGISTERED OFFICE

No. 10, 5th Floor, Gothami Road, Colombo 8, Sri Lanka
Telephone: +94-11 5700700
Fax: +94-11-2680225

SHOWROOMS

No. 194, High Level Road
(Opposite Siebel Avenue)
Colombo 6, Sri Lanka
Telephone: +94-11 566 5000

No. 47, Guildford Crescent
Colombo 7, Sri Lanka
Telephone: +94-11 5630 5555

Kurunegala Road, Dankotuwa, Sri Lanka.
Telephone: +94-31-550 0545,
+94-31-550 0500 (Ext. 345)

No. 389 C, Main Street
Negombo, Sri Lanka
Telephone: +94-31 5205205

Shangri-La Shopping Mall
One Galle Face
Shop No. L3-51
Colombo 03
Telephone: +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
Telephone: +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
DFCC Bank 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

