

Corporate Governance

The Group manages its affairs in accordance with appropriate standards for good corporate governance. The Board is committed to enhancing stakeholder value whilst ensuring that proper internal control systems are in place by complying with generally accepted corporate governance practices as well as specific requirements under the listing rules of the Colombo Stock Exchange and the Code of Best Practices issued by the Institute of Chartered Accountants of Sri Lanka on matters relating to the financial aspect of corporate governance as a useful guideline.

Board of Directors

The Board comprises professional and experienced business leaders of high repute who together provide strategic direction to the company.

Core Duties of the Board

Set strategies, direction and establish goals for Management

Monitor performance against these goals and objectives

Ensure that adequate internal controls and the highest ethical standards are maintained

Appoint key officers, determine the remuneration of senior executives and report to shareholders on their stewardship

Composition of the Board

The Board comprises of eight non-Executive Directors and two Executive Directors being the Managing Director - Mr. Nimal Perera and the Director Marketing & Business Development - Mr. Tharana Thoradeniya.

There is a balance of Executive and Non Executive Directors to ensure that the decisions taken by the Board are collective decisions. The Non-executive Directors do not have any business interest that could materially interfere with the exercise of their independent judgment.

Each Non-Executive Director has submitted a Declaration of his independence or non-independence as required under the Listing Rules of the Colombo Stock Exchange.

The Board has determined that Mr. M.T.L Fernando, Mr.B.M Amarasekera, and Mr.F.P De Alwis are independent directors in spite of being on the Board for more than 9 years and being directors of other subsidiary companies of Royal Ceramics Lanka PLC (RCL) in which majority of the other Directors of the Board are also directors , since they are not directly involved in the management of the company. The Board is of the view that Mr.L.T Samarawickrama also can be classified as an independent, Non-executive Director although he serves on the boards of other subsidiary companies of RCL in which majority of the other Directors of the Board are also directors.

Board Meetings

Regular Board Meetings are scheduled once in two months to consider among other matters, the performance and financial statements for the period and to approve routine capital expenditure. Special Board meetings are held as and when required to discuss urgent matters.

Audit Committee

The Audit Committee is responsible for monitoring the integrity of financial statements of the Company by ensuring compliance with relevant financial reporting regulations and requirements. The Audit committee also oversees the relationship between the Company and the Auditor and reviews the Company's financial reporting system.

The Board has appointed an Audit Committee consisting of three non-executive - Independent Directors . Report of the Audit Committee appears on Page 27.

The names of the members of the Audit Committee are as follows.

Mr. M.T.L Fernando - Chairman
Mr. B.M Amarasekera
Mr. L.T Samarawickrama

Remuneration Committee

The Remuneration Committee consisting of three non-executive-Independent directors meets when required to review the remuneration of the Senior Management.

The names of the members of the Remuneration Committee are as follows.

Mr.B.M Amarasekera - Chairman
Mr. M.T.L Fernando
Mr. L.T Samarawickrama

The Report of the Remuneration Committee appears on Page 28.

Relationship with Shareholders

The Shareholders have the opportunity of meeting the Board and forwarding their questions at the Annual General Meeting. However, this does not limit their communication with the Board, and they are free to communicate with the Managing Director, Company Secretaries or any of the senior managers depending on the matter to be addressed.

Internal Control

The Board places a high priority on internal controls to manage the day-to-day affairs of the company.

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. This is ensured from the system being designed to safeguard assets from unauthorized use or disposal and to ensure that proper records are maintained and reliable information is produced including financial, operational, compliance controls and risk management.

However, the Board is of the view that the company's system of internal controls provides only reasonable and not absolute assurance that material errors and irregularities are either prevented or detected within a reasonable time period.

Disclosure

The Board's policy is to disclose all relevant information to stakeholders, within the bounds of prudent commercial judgment, in addition to preparing the financial statements in accordance with Sri Lanka Accounting

Standards, the Companies Act. 7 of 2007 and in conformity with Stock Exchange disclosure requirements.

Going Concern

The Board of Directors after reviewing the financial position and cash flow of the Group is confident that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly the " Going Concern basis" has been adopted in the preparation of the financial statements.

Compliance Report

The Directors confirm that to the best of their knowledge all taxes and duties payable by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues payable as at the Balance Sheet date have been paid or provided for in the accounts.

Other Information

The Annual Report contains statements from the Board including the responsibilities of the Directors for the preparation of the Financial Statements and the Directors are of the view that they have discharged their responsibilities as set out in this statement. The performance of the company and its subsidiaries during the year under review and the future prospects of the Group are covered in the Managing Director's review of operations.