VALUE CRAFTING

ROYAL CERAMICS LANKA PLC
ANNUAL REPORT 2014 - 2015

Rocell
Eternal elegance

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For over 20 years, Royal Ceramics Lanka PLC has grown in skills, strength and corporate value to become one of Sri Lanka's most respected diversified group of companies. We have grown our portfolio to include some of the nation's key economic growth drivers; wall and floor tiles, bathware, aluminium extrusions, plantations, packaging, paints and financial services.

Our primary businesses remain walltile, floortile and bathware manufacture and over the years we have streamlined our processes and refined our tile portfolio to be elegant, cost effective and functional. The benchmarks we set remain unchallenged as we continue to be a key player in the many industry sectors we operate, contributing to the national economy, generating employment and creating wealth across the multiple stakeholder segments we impact.

We are proud to see the results of our many synergies of success that have led to the strong balance sheet and value we describe in this report today. We are confident that our offering will remain unmatched for industry resources, expertise and infrastructure, as we continue to craft enduring value into all that we do, now and into the future.

VALUE CRAFTING

- **Revenue tops :** Rs 22 billion
- **Wider customer choice :** With over 700 products designs available at 49 state-of-the-art showroom network across the country
- **Realised synergies :** almost all the companies acquired have shown improved results

DRIVING GROWTH

- **Partnership with Grohe AG of Germany :** world's largest design portfolio of single branded sanitary fittings
- **Going International :** acquired an Australian tile retail business
- **LMD top hundred companies in Sri Lanka :** 37th place
- **Investor returns :** Rs. 5/- per share dividend for 2014/15

Our pledge

Rocell is in the business of enhancing the quality of life by adding colour, style, and elegance to life. It creates a sense of aspiration, expectation, fashion and style always stirring aspirations around good living. Creating sensorial pleasures of an aesthetically appealing living ambience.

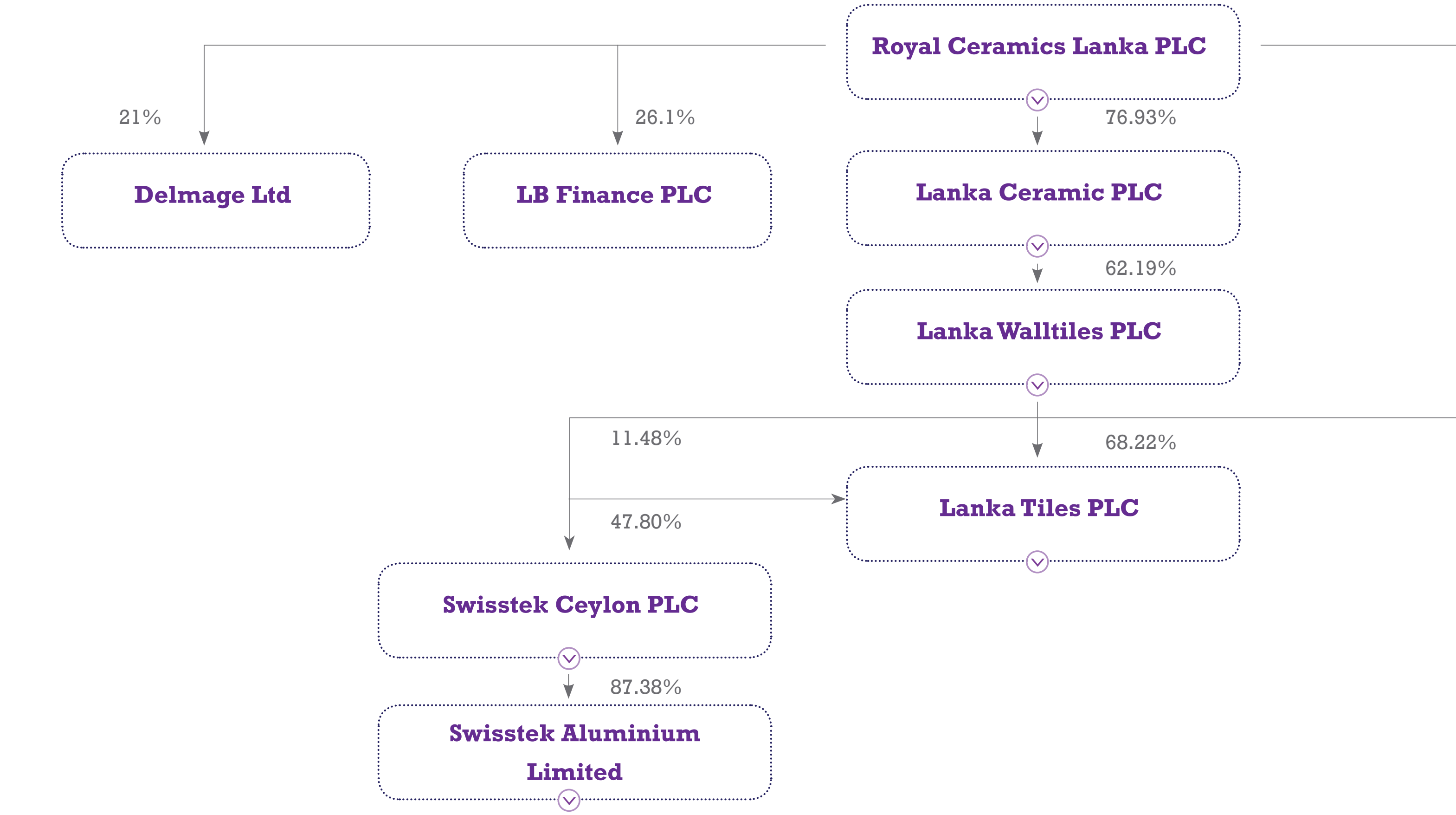
A Market Leader in the Floor and Walltile Industry in Sri Lanka

Royal Ceramics Lanka PLC is a public quoted company listed in the Colombo stock exchange, and a true market leader. Delivering the best in state-of-the-art and elegant surfacing solutions, the company has come a long way from producing porcelain tiles to offering a portfolio of diverse surfacing and bathware products that own a significant market share of the industry today.

WHO WE ARE

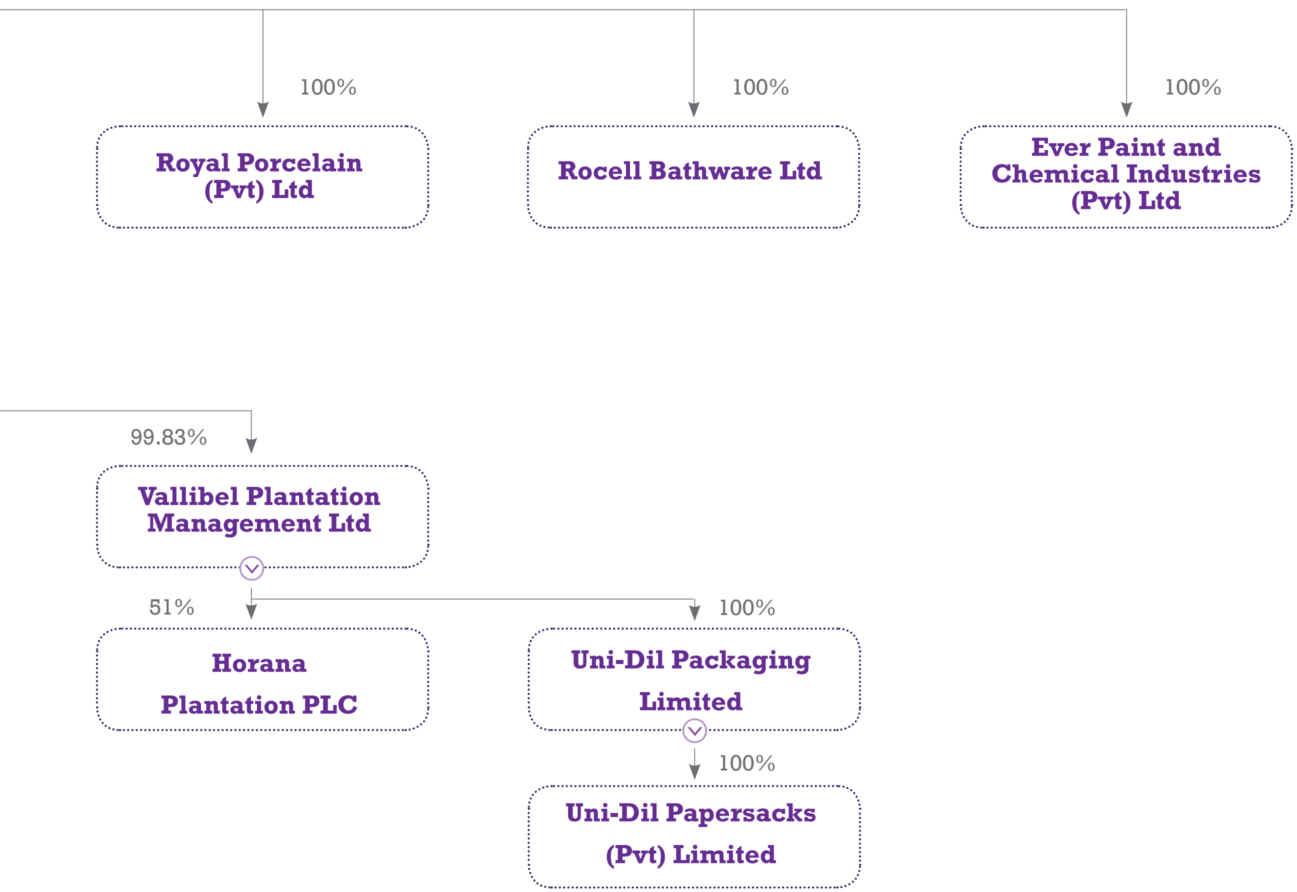
THE SYNERGIES AT THE HEART OF OUR SUCCESS

The Royal Ceramics Lanka PLC Group Structure



“Value creations by realizing synergies”

2014/15 was a year of realized synergies across the value chain to deliver performance that is exceptional



THE FACTS & FIGURES BEHIND OUR SUCCESS

SEE THE GROUP FINANCIAL HIGHLIGHTS FOR MORE DETAILS

Your Company: At a Glance

Market Capitalisation Rs. 12.3Bn
Industry: Construction
Founded: 1990
Employees: 10,264
Gross Sales: Rs. 24.5Bn

Forbes Lists
Asia's 200 Best Under A Billion (2012)

LMD Top 100 Companies (2013/14)

3.1Bn
PROFIT AFTER TAX

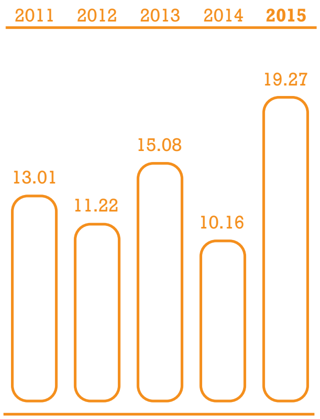
4.4Bn
NET OPERATING CASH FLOW

22Bn
TURNOVER

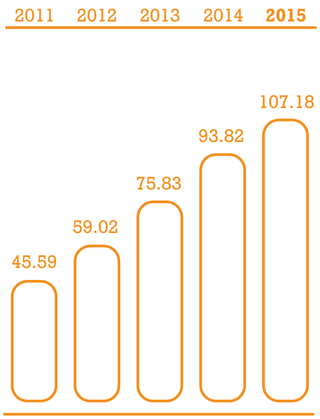
3.6Bn
PROFIT BEFORE TAX

GROUP FINANCIAL HIGHLIGHTS

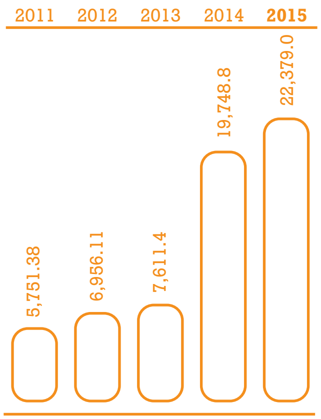
	2015 Rs.'000	2014 Rs.'000	Change (%)
For the year ended 31st March			
Turnover - Gross	24,498,207	21,711,453	12.84
- Net	22,379,069	19,748,800	13.32
Profit before tax	3,643,582	2,293,814	58.84
Profit after tax	3,066,907	1,975,283	55.26
Gross dividends	553,947	110,789	400.00
Interest cover (No of times)	4.75	2.63	80.50
Dividend cover (No of times)	3.85	10.16	(62.11)
Return on Equity (%)	17.03	12.67	34.41
As at 31st March			
Shareholder's Funds	11,874,800	10,394,413	14.24
Total Assets	35,096,532	33,331,604	5.29
Group employment (No of Employees)	10,264	10,863	(5.5)
Current Ratio (Current assets : Current liabilities)	1.3:1	1.22:1	6.55
Per share			
(Issued and fully paid shares 110,789,384)			
Earnings (Rs.)	19.27	10.16	89.6
Dividend (Rs.)	5.00	1.00	400.00
Net assets (Rs.)	107.18	93.82	14.24
Market value (Rs.)	111.00	79.30	39.97



EARNINGS PER SHARE (Rs)



NET ASSETS PER SHARE (Rs)



SALES (Rs. Mn)

CHAIRMAN'S STATEMENT

Dear Shareholders,

"Value Crafting by realizing synergies"

As another year of accomplishments come to an end, it gives me great pleasure to present to you, our shareholders, the audited Financial Statements and Annual Report for the financial year 2014/15. I am confident that our shareholders will be more than pleased with the performance of Royal Ceramics Lanka PLC this financial year.

Your company has once again proven the adage that "the whole is greater than the sum of its parts". This is truly the case with Royal Ceramics, time and time again over the past decade; it has realized synergies across the value chain to deliver performance that is exceptional. But in 2014/15, your Company has outdone itself, to garner wealth across all parts of its Group components to not only create value but to truly craft value. Despite challenging market and operative conditions, your Company posted a Net Profit attributable to the Parent of Rs. 2.1 billion in 2014/15, up from Rs. 1.1 billion in the previous financial year.

For Royal Ceramics crafting is nothing new. Its whole business philosophy is centered on "crafting". As the leader in the surface covering industry, Royal Ceramics has created a platform of success through creative disruption. Over the past decade or more, the Group has continued to reinvent the sector through innovation. It has not only questioned its own design ethos but has continuously reinvented it, by doing so it has created an upheaval, pushing the industry players and customers into a continued state of creative re-thinking. I believe that your Company catalyzed a movement towards greater awareness, desire and action towards the crafting of design in Sri Lanka. We have made design relevant to customers and in doing so; we have crafted not only design but also crafted the art of delivering value across all angles.

2.1 Bn

NET PROFIT

Attributable to the Parent

This philosophy of creative disruption and value crafting saw your Company acquire businesses that are complimentary over the past five years. Growth through acquisition well defines our forward strategy and we are more than confident that this strategy will continue to deliver value over the course of the medium term. We will continue to refine and re-engineer these new components of the business to add sustained value to our Group operations.

As we move forward, we are well aware of the changing context of the operative environment. We are cognizant of the fact that change is imminent and that the market situation is fluid. As we look to the future, we will do so, with a resolute strategy to innovate our business to a new paradigm – one that will see Royal Ceramics craft value on the global stage with greater vigour.

To our customers, shareholders, employees and valued partners across the world, I say thank you. I ask for your support to overcome future challenges, let us live up to our inimitable spirit of achievement at all odds, and let us craft value and create greater wealth for all our stakeholders.

Dhammika Perera
Chairman

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Rocell has completed an year of consolidation, demonstrating that our Group's most significant milestone, the acquisition of a controlling stake in Lanka Ceramic PLC, was a move that not only gave us an unparalleled advantage in the market; but was also an opportunity to prove that our formidable business and consumer expertise could be used to increase productivity and profitability across our subsidiaries. This was an important part of our mandate during the year under review, and our results prove that we successfully achieved it.

Group revenues increased to Rs 22.4billion from Rs.19.7billion in the previous year. The Net Profit of the Group rose from 2 billion to 3.1 billion. With a 13% topline growth, and a 55% increase in the bottom line, improved results have been achieved in almost every subsidiary within the Group.

However, the year was not without challenges, the Sri Lankan Plantation sector was plagued by falling tea prices, a rubber market at an all-time low and high production costs, which had overall estates suffering Rs. 2.85 billion in losses. Horana Plantations was also affected, and ended the year with a 55% drop in PAT.

Additionally, disposable income fell in the first six months of the year, resulting in a downturn in the market which compelled us to slow our production rate in order to compensate. However falling interest rates in the subsequent six months immediately benefitted the Group. Industry showed a return to record form in terms of square meters sold, breaking 2011/12 record of 16million square meters, to achieve 17million square meters during the year under review. We expect this successful run to continue gaining momentum throughout 2015/16.

These positive results have been directly translated into greater benefits for our shareholders; with a decision taken that 26% of the Group profit be allocated as dividends for the year under review. This is a 400% increase on the previous year.

Value Crafting

The phrase 'Value Crafting', not only serves as our theme for this years' report, but also perfectly expresses what we do in every sphere of our business. We are committed to consistently creating efficiently implementable, highly sustainable processes within all areas of operation which ultimately make a positive impact on all our stakeholders. The various sections in this report will give you an indepth insight into the way we go about 'value crafting' for our customers, partners, shareholders, employees and the broader communities in which we operate.

Maximising the Positives

2014/15 saw the ceramic tile and sanitary ware industries benefit from tariff reductions which lowered the hitherto high expenditure on fuel and electricity, that have long been industry bugbears. The lowering of electricity tariffs and LPG gas prices resulted in a significant reduction in production expenditure.

Another boon came in the form of decreasing interest rates, which allowed for an noticeable 31% reduction in Finance Costs.

The steady decline of the Euro meant further savings, as we were able to take advantage of competitive exchange rates to secure high quality raw materials from Europe.

We are committed to consistently creating efficiently implementable, highly sustainable processes within all areas of operation which ultimately make a positive impact on all our stakeholders. The various sections in this report will give you an indepth insight into the way we go about 'value crafting' for our customers, partners, shareholders, employees and the broader communities in which we operate.

We also focused our energies on driving a market shift towards larger, higher value tiles. This shift allows for the ideal margins to be maintained, while also keeping our prices steady for the benefit of our consumers.

The year also saw the entrant of our first locally based competitor in the arena of tile manufacture. While this entrant is still in its' fledgling stage, it is interesting to note that our groundbreaking work in this sector has inspired others to enter the fray.

Mitigating the Negatives

The biggest threats to the local tile industry continue to be the lack of streamlining of the mining and quarrying sector, and the inadequately governed imported tile market.

The mining sector contribution to the GDP saw a growth of 11% in the year under review. This sector still lags behind in terms of productivity, and better regulation is mandatory if an efficient system is to be put in place. Driving this positive change will be our subsidiary Lanka Ceramic PLC; via our mining and quarrying interests we intend to create the blueprint for how the sector could maximize its potential.

Despite negative BOI concessions, the imported tiles sector continues to flourish, accounting for a significant 30% of market share. Threatening local businesses and causing a drain of foreign exchange; this poorly regulated sector requires that stringent measures be put into place. Countries like India, China and those in Europe, have very strict 'anti dumping' laws that safeguard their local tiling and sanitary ware industries. We strongly advocate that similar laws be put into place in Sri Lanka.

The Industry sector contributed 32.2% to the GDP in 2014/15, with the Construction sub sector recording the highest contribution to this growth. Given the trend towards urbanization it is no surprise that there is a boom in the property and condominium markets; in addition, investors are turning away from an uncertain stock market to sink money into property. The growth of the tourism sector, which experienced a record 1.5million visitors in 2014, has also resulted in a spate of international hotel chains and new locally managed properties. These factors combined, signal a phenomenal potential for the growth of the tile and ceramics industry in Sri Lanka. With the right Government interventions and regulations, this industry could go on to function at its optimum level, making a larger and more positive contribution to the national economy.

Innovating and Expanding

Meeting the highest international standards of quality, creativity and value via the introduction of the latest technologies, continued to be a focus in 2014/15.

Key investments in innovation included the construction of new warehouse facilities in Horana and Eheliyagoda. A new sorting

3.1Bn

PROFIT AFTER TAX

22.4Bn

TURNOVER

LEADERSHIP

Rocell was ranking 37th place in the LMD top hundred companies published in December 2014.

line for the Squaring and Polishing operation which also features automatic Unloading and RED LINE machine for warpage measurement, represents the very latest in advanced technology; while a top of the line Dust Suction plant at Eheliyagoda was also installed.

In order to give every consumer an unmatched customer experience, we continued to expand our reach, and make ourselves easily accessible to more of the population. Thus we opened one franchised showroom in Avissawella, along with two second grade sales locations in Thalawathugoda and Wattala during the year under review, which served as valuable additions to our network of 49 showrooms, and list of over 350 direct and sub dealers across Sri Lanka. Our outlets in Malabe, Moratuwa, Kurunegala, Nittambuwa and Nawala have been refurbished, and the construction of new showrooms is underway in Kadawatha and Batticaloa, with upgrades already taking place in Seeduwa, Katugastota and Kottawa. Our expansion plans will continue apace in 2015/16 with six new showrooms due to begin construction, in addition to a further nine showrooms to be upgraded, and five to be relocated.

Going International

In 2014/15 we decided to take our investment in the international markets one step further by investing in acquiring an established Australian tile retail business. Having acquired the company's residual stock and a full fleet of staff, we now have a firm footing on that continent. The Australian market values quality and standards, making it an ideal one for our superior quality products. We look forward to expanding this business and establishing our brand in Australia during 2015/16.

Crediting the team

Human capital is our most valuable asset. Thankful to the hard work and dedication of the Group's employees that we achieved the levels of success reached during the year under review. Every member of our team has worked with focus to grow this business, thereby contributing to the economy.

Nimal Perera
Managing Director

THE BOARD OF DIRECTORS

We have the ability to share ideas across silos inside and outside the company. Internally, we have always excelled at best-practice sharing. Outside the company, systems thinking requires "horizontal" innovation, connecting technology, public policy, social trends and people across all our operations.

Mr. Dhammika Perera - Chairman

Mr. Dhammika Perera is the quintessential business leader, with interests in a variety of key industries including Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. He enriches the Board with over 25 years of experience in building formidable businesses through unmatched strategic foresight.

Mr. Perera is the Chairman of Sampath Bank PLC, Vallibel One PLC, Vallibel Power Erathna PLC, Royal Ceramics Lanka PLC,The Fortress Resorts PLC , Delmege Limited and Sun Tan Beach Resorts Ltd. He is the Co- Chairman of Hayleys PLC, Executive Deputy Chairman of LB Finance PLC and Deputy Chairman of Horana Plantations PLC, and Lanka Ceramic PLC. He is the Executive Director of Vallibel Finance PLC. He also serves on the Boards of Amaya Leisure PLC, Lanka Tiles PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, The Kingsbury PLC, Dipped Products PLC & Hayleys Global Beverages (Pvt) Ltd.

Mr A M Weerasinghe - Deputy Chairman

Founder of Royal Ceramics Lanka PLC in 1990. A Gem Merchant by profession. Has been in the business field for more than 30 years involved in Real Estate, Construction, Transportation & Hospital Industry. Has been a Landed Proprietor. In addition to the above, also the Chairman of the Singhe Hospitals Ltd and Weerasinghe Property Development (Pvt) Ltd.

Mr. Nimal Perera - Managing Director

In the director panel since 2002, Mr. Nimal Perera serves on boards of Pan Asia Banking Corporation PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramic PLC, Horana Plantations PLC, Swisstek Ceylon PLC, N P Capital Limited and N Capital (Pvt) Ltd as the Chairman, Vallibel One PLC as the Deputy Chairman, LB Finance PLC as an Executive Director, Vallibel Power Erathna PLC and The Fortress Resorts PLC as an Alternate Director. He also holds directorships in Hayleys PLC, Kingsbury PLC, Haycarb PLC, Talawakelle Tea Estates PLC and Amaya Leisure PLC. He is a renowned business magnate, stock trader and shareholder of many companies in the country.

Mr. Tharana Thoradeniya - Director Marketing and Business Development/ CEO - Rocell Bathware Ltd

Tharana Thoradeniya has over two decades of senior management experience in multi- industry scenarios. He sits on the Boards of several public quoted and privately held companies in Sri Lanka, including Pan Asia Banking Corporation PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Hayleys Fibre PLC, Delmege Limited, Uni-Dil Packaging Limited, Vallibel Plantation Management Limited, Dipped Products (Thailand) Limited, and several others. He is a Group Director of Royal Ceramics Lanka PLC and CEO/Director of Rocell Bathware Ltd. Tharana has been credited as a proven business innovator across industries. A marketer by profession, Tharana was in the pioneering batch of Chartered Marketers of the Chartered Institute of Marketing (UK).

Mr M D S Goonatilleke

Mr Goonatilleke is a Financial Professional with over 30 years post qualification experience. He has held senior managerial positions in leading Public, Multinational and Private Companies during his career. He is an Associate Member of the Institute of Chartered Management Accountants (UK), since 1987 as well as a Certified Global Management Accountant (CGMA). He is a passed finalist of the Institute of Chartered Accountants (Sri Lanka). Mr Goonatilleke has obtained a Post Graduate Diploma in Management from PIM of University of Sri Jayawardenapura as well. He currently services as a Group Executive Director of DSL Group of Companies. Mr Goonatilleke also serves as an independent Director of Hayleys PLC, Colombo Land & Development Company PLC and Pan Asia Banking Corporation PLC.

Mr. L T Samarawickrama

An internationally qualified Hotelier having gained most of his Management experience in UK, working for large international hotel chains over a long period of time. The first Sri Lankan Manager to be appointed by the Beaufort International Chain of Hotels to run the first seaside boutique resort. He is a member of the Institute of Hospitality, UK (formerly HCIMA) and of the Royal Society of Health, London. He has several years of experience in the trade, having specialized in Hotel designs and development, he has been responsible for the careful planning and execution of Amaya Resorts & Spas refurbishment and rehabilitation programmes.

Director of Royal Ceramics Lanka PLC since 2003, Mr Samarawickrama is an Executive Director of Hayleys PLC and serves as the Managing Director of Amaya Leisure PLC, The Kingsbury PLC, Hunas Falls and Sun Tan Beach Resorts. He is also a Director of The Fortress Resorts PLC, and Kelani Valley Plantations PLC, Royal Porcelain (Private) Limited, Royal Ceramics Distributors (Pvt) Ltd, Rocell Bathware Limited, Culture Club Resorts (Pvt) Ltd and Kandyan Resorts (Pvt) Ltd.

Mr R B Thambiayah

Mr Ravi Thambiayah holds a degree in Economics from the University of Madras. He is a well known and highly respected figure in the Sri Lankan Hotel industry. He was the President of Colombo City Tourist Hotels Association and Vice President of the Tourist Hotels Association of Sri Lanka. He is the Chairman of several companies in the Renuka Hotels Group, Cargo Boat Development Company PLC and a Director of Rocell Bathware Limited and Royal Porcelain (Private) Limited. He is fellow of the Chartered Management Institute (UK).

Mr R N Asirwatham

Mr Rajan Asirwatham was the Senior Partner and Country Head of KPMG Ford Rhodes Thornton & Company from 2001 to 2008. Further, he was the Chairman of the Steering Committee for the Sustainable Tourism Project funded by the World Bank for the Ministry of Tourism and also a member of the Presidential Commission on Taxation, appointed by His Excellency the President.

As at present, Mr Asirwatham, a fellow member of the Institute of Chartered Accountants of Sri Lanka. He is also a member of the Ceylon Chamber of Commerce Advisory Council. He also serves on the Boards of Fentons Ltd, Vallibel One PLC, Ceylon Tea Services PLC, CIC Holdings PLC, Brown & Company PLC, Aitken Spence PLC, Aitken Spence Hotels PLC, Dial Tex Industries Private Limited, Renuka Hotels Private Limited, Rajawella Holdings Private Limited, Mercantile Merchant Bank, Dankotuwa Porcelain PLC, Colombo City Holdings (Pvt) Ltd, Peninsular Properties (Pvt) Ltd and Yaal Hotels Private Limited.

BOARD OF DIRECTORS

Mr. Harsha Amarasekera

Mr. Harsha Amarasekera, President Counsel is a leading Lawyer in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Courts, specializing in Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law.

He also serves as an Independent Director in several leading listed companies in the Colombo Stock Exchange including CIC Holdings PLC (Chairman) , Chemanex PLC (Chairman), Vallibel One PLC, Expo Lanka Holdings PLC, Chevron Lubricants Lanka PLC, Amana Bank PLC, Keells Food Products PLC, Amaya Leisure PLC, & Vallibel Power Erathna PLC. He is also the Chairman of CIC Agri Business (Private) Limited.

Mr. G A R D Prasanna

Mr. Prasanna was appointed to the Royal Ceramics Board on 29 May 2009. He is the Managing Director of Wise Property Solutions Pvt Ltd and also serves as Director on the Boards of Pan Asia Banking Corporation PLC, Delmage,&Grand Mark Pvt Ltd.

Arnila Lakshmi Thambiayah

Alternate Director to Mr. R B Thambiayah

Arnila Lakshmi Thambiayah holds a Bachelor of Arts (Hons.) in Management Studies from the University of Nottingham, UK and a Master of Science in International Business and Management from Manchester Business School, University of Manchester, UK. She has worked at Keells Hotel Management Services Ltd and John Keells Holdings – New Business Development and Group Initiatives. She is the Jt. Managing Director of Renuka Hotels Ltd and Renuka City Hotels PLC and a Director of Cargo Boat Development Company PLC.

A KEY DRIVER OF GROWTH

MANAGEMENT DISCUSSION & ANALYSIS

"Expansion through innovation has always been at the core of our business, with every investment made in the latest technology serving to increase productivity, improve quality and create a wider product portfolio."

BIG IDEAS

In May 2013 Royal Ceramics Lanka PLC gained a controlling stake in Lanka Ceramic PLC and its subsidiaries, and as a result Lanka Walltiles PLC and Lanka Tiles PLC came under the Rocell umbrella, giving Royal Ceramics a dominant share in both the local wall and floor tile markets.

Royal Ceramics Lanka PLC is a public Limited liability company quoted on the Colombo Stock Exchange. The company operates four fully owned subsidiaries, Royal Porcelain (Private) limited, Rocell Bathware Limited and Ever Paint and Chemical Industries (Private) limited and Rocell Pty limited (Australia).

The manufacture and retail of porcelain and ceramic tiles under the brand name "Rocell" forms the core of the Group's business. The Group's sanitary ware products are marketed under "Rocell Bathware" and its paint and allied products are marketed under the brand name "ColorBrite".

In May 2013 Royal Ceramics Lanka PLC gained a controlling stake in Lanka Ceramic PLC and its subsidiaries, including Lanka Wall tiles, Lanka Tiles, Horana Plantations, Swisstek and Uni-Dil Packaging. As a result of this landmark acquisition, Lanka Wall tiles and Lanka Floor tiles came under the Rocell umbrella, giving Royal Ceramics a dominant share in both the local wall and floor tile markets.

Industry Overview

The country recorded a GDP of 7.4% in 2014. The Industry sector contribution within the GDP rose to 32.2%, with the fast expanding Construction sub sector recording the highest contribution to this growth.

Sri Lanka is an island rich in minerals such as kaolin, ball clay, feldspar, silica sand, quartz and dolomite; and is renowned for producing exquisite porcelain tableware, porcelain ornamental-ware and glazed wall and floor tiles for both the local and export markets.

This highly conducive environment ensures excellent potential for the further growth of the local tile and sanitary ware sectors. 2014/15 saw a degree of relief for the industry in the form of a reduction in LPG prices and electricity tariffs, which helped lower high production expenditure; in addition to this the lowering of interest rates also had a positive effect decreasing the Groups' finance costs.

However two key challenges remain. The first is the inadequately governed import of tiles from India, China, Indonesia and Europe which should be answered with stricter regulations and stringent anti dumping laws. Second is the need for the local mining and quarrying sector to be streamlined and regulated so that it runs more efficiently and with better productivity. These two factors must be addressed if detrimental effects to the local tile and ceramics industry are to be avoided.

Financial Performance

During 2014/15 Group revenues increased to Rs. 22.4 billion from Rs.19.7 billion in the previous year. Company revenue increased to Rs. 2.6 billion from Rs. 2.4 billion in 2013/14.

Company profit after tax was Rs. 779.5 million compared to Rs. 854.6 million in the previous year, and the group profit after tax stood at Rs. 3.1 billion against Rs. 2 billion in the previous year.

Finance costs decreased from Rs. 1405 million in 2013/14 to Rs. 971 million during the year under review. The share price ended this year at Rs. 111.00 compared to a price of Rs. 79.3 per share as at March 31, 2014.

Operational Highlights

Expansion through innovation has always been at the core of our business, with every investment made in the latest technology serving to increase productivity, improve quality and create a wider product portfolio.

During the year under review the company invested in the construction of New Warehouse with the capacity of 2700 pallets. A new sorting line for the Squaring and Polishing operation which also features automatic unloading and a RED LINE machine for warpage measurement, was installed along with a new dust suction unit and a new Powder Mixing control unit. Apart from the productivity gains that will result from this state of the art machinery, increases in energy efficiency will serve as a further advantage.

'Crefa' Digital Printing Machine at Eheliyagoda plant

Key goals for 2015/16 include the implementation of TPM (Total Productivity Management) across the factories in the Group. New methodology to reduce staining of polished tiles has been developed in house, and will be put into place.

The decision to shift to LPG to power the duel fuel kiln proved immensely beneficial, which gave the company an impressive savings. The Average Cumulative Yield improved from 84% to 85.5% and kiln efficiency improved from 94.5% to 96.6% during the year under review.

Energy efficiency was further increased by the replacement of Speed variators with inverter controlled gear motors; and via the reduction of KVA Units in the Squaring and Polishing plant.

Manufacturing changes were made in order that production costs could be reduced. The use of locally available materials to develop economical white bodies allowed the company to dispense with the use of expensive Zirconium. The new bodies not only add value but also meet stringent technical standards.

The development of fast firing bodies and a green base body for products in the darker colour range, led to significant savings, with the latter initiative resulting in a 70% reduction in body cost, resulting in significant savings per month.

The Groups' paints and allied products are marketed under the 'ColorBrite' brand. Thanks to investments made in technical knowhow, ColorBrite is now a high quality product on par with its international counterparts. Proof of this lies in the achievement of SLS certification for both ColorBrite's emulsion and enamel paints. The range is now available exclusively via the Lanka Tiles direct dealer and distributors network. The local paint market is a lucrative one for our high volume competitors. However a small volume high cost outfit like ColorBrite, demands further investment and expansion. Discussion as to ColorBrites future will take place during 2015/16.

Internal Control Systems

The Group introduced a Business Intelligence tool for report generation and detailed analysis during the year under review. The tool is available to staff across the various subsidiaries and it also open to showrooms staff. This is particularly useful since showrooms now have access to performance scorecards enabling them to accurately judge their progress and provide innovative solution that will help them reach a specified goal. The system is simple and transparent and allows for greater clarity, efficiency and streamlining across the group.

Human Resource Development

The personal and professional development of our staff is a priority, and investment in regular training and development programs were a key aspect of the Groups' Human Resource mandate for the year 2014/15.

Royal ceramics' Human resource development initiatives for 2014/15 included safety training programs for operators, as well as international training for selected executive staff members in various specialized subjects.

In addition, the Group also placed emphasis on recreational activities. The annual Trip for all staff and Shop floor employees took place during 2014/15. They spent a fun filled day, building relationships and strengthening their professional and personal bonds.

Annual family days were also organized for the staff of every factory within the Group. The Annual Get Together for employees and their family members of head office staff was also a great success.

Future Outlook

In 2014 GDP per capita increased to US dollars 3,625 from US dollars 3,280 in the previous year. This figure is expected to rise, a fact that can only serve as a positive for the tile and ceramic industries, since tile consumption is directly linked to per capital Income.

At Royal Ceramics we are ready to make the most of this positive environment. Key goals for 2015/16 include the implementation of TPM (Total Productivity Management) across the factories in the Group. New methodology to reduce staining of polished tiles has been developed in house, and will be put into place.

2014/15 was a positive year for the Group and 2015/16 is expected to exceed that performance.

As a successful group with a market Leadership in many of the areas in which we operate, Royal Ceramics Lanka PLC and its subsidiaries are all committed to one ultimate goal - crafting enduring value into everything we do, and delivering positive results and clear advantages to all our stakeholders. Be they investors, customers, employees, suppliers or members of the local communities in which we operate, we are focused on making a positive, sustainable impact in their lives. We extend that same philosophy to our environment, seeking to renew, preserve, and mitigate wherever possible. In this way, via careful and consistent value crafting, we will ensure not just our own success, and that of our stakeholders; but we will also contribute to the development and progress of our nation.

Subsidiary companies

Royal Porcelain (Private) Ltd

Technology and innovation are the watchwords of Royal Porcelain Lanka Ltd, a company that for over a dozen years has been engaged in the design and manufacture of superior quality tiles for walls and floor under the 'Rocell' brand name. Rocell's commitment to advancement is at the very core of its brand equity, with a business philosophy built on continuous modernization, new machinery and state of the art infrastructure.

History and Achievements

Perfection is the goal through every stage of the process, starting with the selection of the raw materials that are used to form the body of each Rocell tile. These materials are generally homogenized to ensure consistency in composition.

The company's high capacity modern plant in Horana, has a production capability of 10,000 Sq.m. of tiles per day. A series of demanding tests and certifications are applied at every turn. All tiles are compatible to ISO 13,006 Standard and EN Standard and are Classified under GPB 1 and B2

The company's manufacturing arm operates 3 production lines, with all dedicated to state of the art digital printing technology, most advanced selection lines with redline measuring technologies guarantee the production of defect minimized and design optimized Glazed Ceramic and Vitrified Glazed Porcelain tiles.

Situated in Meegoda and Nawala are Rocell's ultramodern warehouses. The internationally renowned 'Schaefer' racking system from Germany ensures accuracy and efficiency, while German engineered 'Still' reach trucks handle the transportation of the tiles insuring against bruising and damages.

Design novelty and creativity are mainstays of the brand, and are maintained via collaborations with the best Italian designers in the industry. The company's high quality products are available via a strong network of concept centres stores, state of the Art showrooms, as well as dealer and franchise outlets across the island.

Growth and Development in 2014/15

Over Rs.20Mn was invested in warehouse capacity expansion during the year under review. The new finished goods warehouse has a 100,000 sqm capacity, while projects to upgrade our water treatment and processing plant, and develop a road network and new car park at our factory complex were also completed.

2014/15 saw an expansion in terms of new product delivery, with the introduction of the value added 450x900mm tile, as well as two new collections – a 600x600 mm new glazed polished range and the 150x900mm wood plank range. These new products offer customers increased value as well as greater versatility and creative freedom.

A significant investment was also made in mitigating negative environmental impacts via a SLR 1.2Mn investment in increasing the height of the factory boundary walls in order to reduce noise pollution. The skylight laying project increases day light usage within the factory thereby contributing to its energy saving drive, and the development of natural water drain streams around the factory boundaries contributed to avoid spillage of rain water during the rainy season and benefited farmers in the neighbouring villages.

Our commitment to our employees was manifest in 2014/15 via a series of training programs and workshops. 5S training was conducted for all staff, and a fork lift driving program enabled workers to improve their driving skills. The company also facilitated workers to obtain NVQ level 3 certificates in heavy machines driving.

Royal Porcelain also continued its employee engagement initiatives with an annual family day organized for all staff, shop floor employees and their family members, as well as a company outing to Passikudah. Shop floor employees with school going children also received school supplies for every child. The annual pirith ceremony was also held; this benefited not just the staff but also the greater community living in close proximity to the factory.

More emphasis was placed on serving the community in which we operate with the introduction of a death donation scheme for low income families within the neighbouring villages, as well as an award scheme for students who pass the Grade v scholarship exam, GCE O/L exam and GCE A/L exam. Company also provided financial assistance to obtain water supply for neighbouring villagers.

Royal Porcelain revenues stood at Rs.3.8 billion during the current financial year, compared to the revenue of Rs. 3.5 billion in the previous year. Overall contribution to group revenue rose to 17%.

Future Outlook

The company will continue its expansion drive both here and overseas in 2015/16. The desire to deliver the highest standards of quality in every area of our production process will be further enhanced this year as we pursue obtaining the SLS mark, CE Certificate and Green Certificate for our range of products, as well as the ISO 9001 certificate for quality management system.

More focus will be given to increasing exports and developing market in Australia through Rocell (Pty) Limited in Melbourne as well as UK, USA and Canada.

Rocell Bathware Limited

A subsidiary of Royal Ceramics Lanka PLC, Rocell Bathware Limited specialises in bath ware and accessories, adhering to the highest international standards and manufacturing products that can effectively compete with any of the world's leading brands.

Since its inception in 2009, Rocell Bathware has been phenomenally successful; proving itself a top performer, capturing 50% of the local market, as well as making its mark in the international arena. With

2014/15 saw an expansion in terms of new product delivery, with the introduction of the value added 450x900mm tile, as well as two new collections – a 600x600 mm new glazed polished range and the 150x900mm wood plank range.

a stellar reputation for high quality standards, creativity, technical expertise and vision, Rocell Bathware is on course to gain the very pinnacle of the local bath ware and accessories market.

History and Achievements

The Rocell Bathware Facility in Panagoda supports a capacity of approximately 250,000 units of cultured vitreous China sanitary-ware and Fire Clay sanitary-ware, and is among the best of its kind in Asia.

On par with the world's most sophisticated sanitary-ware production endeavours, the technology and expertise used to create Rocell's bathware masterpieces comes all the way from leading Italian sanitary ware experts Sacmi.

This state-of-the-art production plant includes robots for glazing, and high-pressure casting machines, semi-pressure casting lines,

Subsidiary companies

automated dryers and high performance kilns. The brand conforms to British Standard-BS 3402:1969 and European CE certification, a key guarantee of consumer safety, health and environmental ideals. The production process is endorsed under the ISO 9001: 2008 quality management system and adheres to ISO 14001 : 2004 environmental standards.

Rocell Bathware draws its design inspiration from the beauty of nature, a muse that provides designers with an infinite and rich source of inspiration and creativity.

This creativity extends to the Rocell Bathware concept stores. These experiential stores allow customers to not only view Rocell's fine products, but to also see them within a suitable and aesthetically pleasing context

Growth and Development in 2014/15

During the year under review, Rocell Bathware generated a revenue of Rs.1.35 billion, compared to Rs. 1.12 billion registered in 2013/14. The company contributed 6% of the Group's Revenue in 2014/15.

Rocell Bathware was proud to have its production process endorsed under the ISO 9001:2008 quality management system. The factory's ISO 14001:2004 environmental standards certification was also renewed in recognition of its commitment to Green Initiatives.

The company invested in the installation of a sewerage treatment plant at a cost of Rs. 8.5 million. This was deemed necessary in order that the company could meet its social and environmental protection goals. Rocell Bathware now recycles all its sewerage water after biologically treated via this Plant.

Several new benefit schemes were introduced for employees during the year under review. These included the implementation of a death donation scheme and an insurance scheme for staff members. Training and development was also high on the agenda, and the company carried out a Trade Test for Fork Lift Operators

In the year under review, Rocell Bathware PLC entered into a partnership with Grohe AG of Germany, the world's largest design portfolio of single branded Sanitary fittings with a revenue of Euro 1.58 Billion (2014).

In the year under review, Rocell Bathware PLC entered into a partnership with Grohe AG of Germany, the world's largest design portfolio of single branded Sanitary fittings with a revenue of Euro 1.58 Billion (2014). Under this agreement Rocell is authorised to directly import and retail Grohe Sanitary fittings. Inclusion of Grohe in Rocell's product portfolio is considered a fitting tribute to our endeavour to provide a complete world class designer Bathware solution to deserving consumers in Sri Lanka.

From a recreational and team building stand point, Rocell Bathware hosted its entire staff to an annual trip. The 2014/15 trip to Wadduwa, saw our members of staff and their families enjoy a day of revelry and relaxation.

Staff welfare activities for the year under review included a medical camp conducted in collaboration with the Homagama Ministry of Health; and an eye clinic for all employees.

The company also extended its philanthropic efforts, making generous donations of sanitary ware sets to the Athurugiriya Police Station, funding the renovation of the gate and donating dictionaries to the Sri Parakrama Maha Vidyalaya in Panagoda and donating towards the repair of the road leading to the entrance of the zone. An alms giving was held and medicine donated to the Cancer Hospital. The staff together with the National Blood Bank also conducted a blood donation campaign.

Rocell Bathware draws its design inspiration from the beauty of nature, a muse that provides designers with an infinite and rich source of inspiration and creativity.

Future Outlook

Our goals this year include obtaining WELS (Water Efficiency Labelling scheme) for our range of sanitary ware and appliances

Just six years in the making, Rocell Bathware's clear and continuous upward trajectory pins the company as the rising star of the Group. 2015/16 will be a year in which the company continues to pursue excellence in quality, design and delivery, expanding its reach at home, as well as in key international markets.

Lanka Ceramic PLC

In 2012/13, Lanka Ceramic PLC moved out of the retailing business and chose to focus on the mining and processing of the raw materials essential for the Tiling and Ceramic Industry. Today, almost 90% of company's production goes towards tile manufacturing, making it the largest supplier of essential raw materials for the local tiling sector.

Lanka Ceramic PLC and its subsidiaries were acquired by Royal Ceramics Lanka PLC in May 2013. During the years since its acquisition Lanka Ceramic has seen improved mining capacity for both ball clay and feldspar; as well as increased productivity and cost effectiveness across the board.

The Lanka Ceramic PLC group includes Lanka Tiles PLC, Lanka Walltiles PLC, Horana Plantations PLC, Uni-Dil Packaging Ltd and Swisstek Aluminium Ltd, Ceytea Plantation Management Ltd, Uni-Dil Papersacks (Pvt) Ltd and Swisstek Ceylon PLC.

The company's mines are located in Meetiyagoda, Ovala and Dediyawela from which Kaolin, Feldspar and Ball Clay are mined respectively.

History and Achievements

Sri Lanka's ceramics industry dates back to antiquity (500 – 250BC); however the need for developing this local cottage industry was not felt till centuries later. The Government Ceramic Factory at Negombo, was opened in 1942. In September 1955, "Ceylon Ceramics" was established to spearhead the development of the local ceramics industry, and in August 1958 was renamed the "Ceylon Ceramics Corporation".

The Ceylon Ceramics Corporation was commercialized in January 1990 under the name Lanka Ceramic PLC. Incorporated in 1991, Lanka Ceramic PLC now comprises eight subsidiary companies catering to numerous sectors and segments of the domestic market.

Growth and Development in 2014/15

Despite several key challenges including the restrictions of demand from major customers, negative weather conditions and competition with private and imported clay suppliers; Lanka Ceramic PLC was able to achieve its financial targets, and is currently at the top of its game as the largest raw clay supplier in Sri Lanka.

The accumulated production for the current financial year includes 42,617 MT made up of 2,312 MT from Meetiyagoda, 17,745 MT from Dediyawela, and 22,560MT from Ovala.

Lanka Ceramic PLC was able to achieve a Revenue of Rs. 163 million during the year under review, with a Profit After Tax of Rs.245 million compared to the Profit of Rs.58 million in the last financial year.

Subsidiary companies

Lanka Ceramic PLC continued its drive to secure more clay rich land in 2014/15. The Ovala mine of 05 acres & the Etholuwa mine in Meetiyagoda of 3.5 acres, will provide sufficient operating capacity for another 08 years and 05 years respectively, ensuring a steady supply for the company's customers.

The current mine in Dediyawala will provide a continuous supply of ball clay for another year. Lanka Ceramic will look to mine Delduwa land, which will provide sufficient capacity for further 02 years.

Lanka Ceramic PLC has implemented several internal control systems with respect to all its operational and financial spheres, in order to ensure adherence to good corporate governance. These measures include a special hierarchical approval procedure for authorizing major capital expenditures, sudden site visits and audits by the Head Office, as well as internal controls for observing the attendance and daily productivity of all employees.

The company is committed to adhering to the specifications for the rehabilitation of all mines, as per the environmental regulations imposed by the CEA. The maintenance of the access roads to the mines, construction and display of security fences and warning boards, and other regulations that serve to protect the surrounding community, are followed in an efficient and timely manner.

Lanka Ceramic PLC also re-evaluated and is in the process of rectifying any glitches in the factory's Energy Waste Processes.

The community surrounding the Etholuwa mine in Meetiyagoda now benefits from a supply of fresh water provided by the company. This community service project benefits over 80 people living around the mine.

Key goals for 2015/16 include moving towards other ceramic products supplies, raw material quality improvements through investment in new technology and the continued search for, and acquisition of, mining lands.

Taking care of its Human Resources is a priority for the company and 2014/15 saw the implementation of several welfare initiatives designed to support and motivate them. These included the annual company trip for all factory employees and their families, an annual "bahirawa pooja" carried out at every mine, as well as an uniform allowance for factory employees.

Future Outlook

Royal Ceramics Lanka PLC has ambitious long term plans for Lanka Ceramic PLC, and sees in the company an opportunity to create a blueprint for the mining industry of Sri Lanka.

Despite the challenges that lie ahead in terms of obtaining mining license for clay mines, the intense competition from low cost imports, and difficulty purchasing mining lands; the company is confident that it will continue to grow. Key goals for 2015/16 include moving towards other ceramic products supplies, raw material quality improvements through investment in new technology and the continued search for, and acquisition of, mining lands.

TECNOFERRARI - VIVA JET Digital Printing Machine at Lanka Tiles factory at Ranala

Continuously re-evaluating the value proposition presented to the customer and investing in enhancing both our design and manufacturing capabilities, will play key roles, as will maximizing the advantages of the company's widespread franchise network.

Lanka Tiles PLC

Lanka Tiles PLC was incorporated in 1984, with Ceramic Glazed floor tiles as its core business. Today, this pioneer in floor tile manufacture in Sri Lanka, has a production capacity of 3 million square meters per year, and caters to both local and international markets. Delivering the total tile package, the company is committed to offering state of the art technology, high quality materials and inspirational designs and textures.

History and Achievements

A household name in Sri Lanka, and well respected in the competitive international market, Lanka Tiles takes pride in its use of primarily indigenous raw materials, a 100% Sri Lankan work force and the application of the latest in Italian technology. The factory produces tiles in a range of sizes and textures including matt, rough, gloss, stone, marble and terra-cotta, in a variety of self-colours or shades. All Lanka Tiles products conform to ISO 13006.

The company operates in both the domestic and international markets. In the former, via showrooms in Nawala and Jawatte, as well as 40 Franchise showrooms islandwide; while the latter focuses on exports to Australia, New Zealand, USA, Japan, India, Maldives, Pakistan, Fiji, Singapore, Canada and the UAE.

The Company operates an ultra-modern factory at Ranala. The complex is spread over 30 acres and is equipped with the latest technology and staffed with highly skilled engineers and technicians. Lanka Tiles has warehouses in Nawala, Rajagiriya and Biyagama, a factory outlet in Balummahara, as well as six Consignment agents.

Growth and Development in 2014/15

Lanka Tiles PLC was able to secure a 5.5% YoY growth in volume during the year under review, which led to an increase in both top and bottom line growth. The company's turnover crossed the Rs. 5Bn mark to register a revenue growth of 5%, compared to 2013/14.

The company's shares traded strongly, ending the year on a positive note, trading at Rs. 106/- per share as at 31st march 2015.

Credit for this improved performance lies largely with ongoing efforts to streamline operational processes, improve efficiencies across the board and optimize capacity utilization at the Lanka Tiles factory. Of the Rs. 165 Million invested during the year, Rs. 29 Mn went on a range

Subsidiary companies

of state-of-the-art equipment upgrades that would serve to augment existing digital printing capabilities, design and product quality.

Reducing operational costs also remained a key priority for the company and much effort went into introducing energy efficient technologies and streamlining manufacturing processes in line with the ISO 9000 Quality Management Systems, the ISO 14000 Environmental Management Systems and the OHSAS 18000 Occupational Health and Safety Management System framework.

Apart from strict and consistent internal systems and controls, the reduction in energy costs resulting from the drop in world crude oil prices also helped boost margins. Low global energy prices resulted in cost savings in gas and kerosene, and led to a growth in gross profit from 32% last year to 36% in the current year.

2014/15 saw a systematic expansion of the company's island wide reach as the number of franchise showrooms grew from 36 to 40, which helped to reduce the company's dependence on the dealer network. The Jawatte showroom was renovated and converted into a concept showroom so as to better present its value proposition to high-end and niche value customers.

The Lanka Tiles Tilers Club was introduced as part of the company's brand awareness campaign. This pioneering initiative is aimed at developing business partnerships that will help the brand penetrate as yet untapped markets in Sri Lanka. In addition the Tiler Plus sales outlet scheme, an innovative new sales model that will allow the further extension of the company's reach into new territories and geographies across the island, was also launched.

With the Lanka Tiles showroom in Bangalore, India, showing promising results, the company expanded its regional presence in 2014/15 to include the Maldives. The year under review also saw the development of the emerging potential in the North American and European markets.

With an awareness that development begins from within, the company's comprehensive HRM module encapsulates fair practices within a framework of ethical conduct. Throughout the year we continued to engage in a number of proactive measures to further enrich our human capital.

Lanka Tiles also continued to invest in information technology, revisiting our IT framework, and making the necessary improvements that allowed for the formation of the most efficient operational template. Key changes that would help realize possible cost savings and improve overall efficiencies were brought in during the year under review.

Future Outlook

The recent changes in the political and economic landscape in the country seem likely to have a positive impact on the company, as the tile industry benefits from stricter regulatory controls that would enable better domestic economic opportunities.

Lanka Tiles will continue to leverage its competitive advantage to penetrate a wider cross section of the market island-wide, relying on Group synergies to improve operational processes and refine the company's strategic focus.

Continuously re-evaluating the value proposition presented to the customer and investing in enhancing both our design and manufacturing capabilities, will play key roles, as will maximizing the advantages of the company's widespread franchise network.

2015/16 will also be a year for aggressively developing the brands presence in key overseas markets, especially in North America and Europe. Underpinned by the recent revival of economic activity in many advanced economies, we will focus on strengthening our foothold in these markets, in the year ahead.

Automatic lazer guided tile transporter at Meepe plant

High tech 'Durst' Digital Printing Station at Meepe plant

Lanka Walltiles PLC

As part of the Royal Ceramics Group, Lanka Walltiles has evolved into a larger more versatile operation since 2013.

The only manufacturer of glazed ceramic wall tiles in Sri Lanka, Lanka Walltiles PLC has held a dominant market position locally as well as internationally, for four decades. Incorporated in 1975 as an export oriented joint venture with Japanese partners; Lanka Walltiles PLC commenced commercial production in its Balangoda factory in May 1977 and quickly established itself as a leading contender in the highly competitive international wall tile arena. In 1994 it became a public quoted company, and the growth of the business both in the domestic and export markets led to the commissioning of a second factory, using state of the art Italian technology and internationally renowned machinery, in Meepe, Padukka.

History and Achievements

Lanka Walltiles produces an unmatched range of tiles in a variety of colours, textures and sizes including special trim tiles, decorated tiles, as well as handmade and hand painted tiles. Producing approximately 2.6 million square meters of tile annually, Lanka Walltiles has set the industry standard for productivity, efficiency, quality and creativity of design.

The company has always invested heavily in Research & Development in order that its tiles continue to meet the exacting manufacturing standards of the international marketplace. Lanka Walltiles conform to British, European, Singapore, Hong Kong and Japanese Standards, and in 1997, the company was awarded the ISO 9001 quality system certification for design development and manufacture of ceramic glazed wall tiles.

Lanka Walltile PLC was the first export oriented company to win the much coveted Presidential Export Award in 1981, and has continued to do so multiple times since. The company has also been honoured at the National Productivity Awards.

The company exports products to international markets including Australia, Bangladesh, Canada, France, Hong Kong, Japan, Middle East, Maldives, the Netherlands, New Zealand, Singapore, South Africa, Taiwan, USA, India and UK.

With an Environmental Management System that is consistently documented, implemented, effectively maintained and communicated to all relevant personnel; the company champions eco friendly principles and is on the cutting edge of green tile production.

Subsidiary companies

Growth and Development in 2014/15

A highly competitive operating environment remained a key challenge for the company during the year under review. The competition from imported tiles continued to be a dominant factor in volume that threatened to undermine the company's current market share of 56%.

Lanka Walltiles PLC faced this challenge in a proactive and focused manner in 2014/15. The company produced a range of new design concepts and widened the range of sizes on offer so as to cater to a broader spectrum of customer needs. While addressing the urban markets strong demand for larger tiles, the company also invested extensively in enhancing its digital printing capabilities.

The company initiated a highly focused marketing campaign to stimulate the mainstream demand for wall tiles in other regions of the country, promoting the brands core values of high quality and end to end local manufacturing.

A range of alternative distribution channels was introduced to help penetrate new markets across the country. Among these was the Tilers Club, a ground-breaking move that partners with the island-wide Tiler communities to promote the Lanka Walltile range to the mass market.

The Lankatile Plus sales outlet concept was also introduced. This innovation is based on a partnership that offers small businesses the opportunity to become registered sales agents for our brand.

Lanka Walltiles PLC also emphasized the development of the export markets in 2014/15, focusing particularly on expanding into the lucrative North American and European markets.

Human resource development is a key priority for the company. Significant investments in training and development were made during the year under review in order to ensure a future ready-workforce, equipped to drive corporate aspirations in the years ahead.

Lanka Walltiles PLC also proactively engaged in fine tuning the company's Information Technology systems thereby improving efficiency across multiple levels of the business.

The company also benefited from the sharp decline in world oil prices in the latter half of the year, which lowered the cost of production and helped raise the Gross Profit Margin to 30% compared to the 26% recorded in 2013/14.

2014/15 was a successful year, registering a 14% YoY increase in volumes which translated into a 19% growth in Turnover from Rs. 2.6 Bn in the previous year to Rs. 3.1 Bn for the year ended 31st March 2015.

This resulted in strong bottom line growth, boosted from Rs. 194 Mn in the previous year to Rs. 517 Mn for the current year, a YoY increase of 166%

The company's shares performed well during the year, reaching the highest traded price of Rs. 105/- per share in December 2014.

Future Outlook

The development of a marketing strategy that will go hand in hand with our brand building efforts to promote our brand to the mass market; emphasizing the versatility and functionality of the company's product range, is a vital part of the company's developmental strategy for the year ahead.

The synergies derived from the Group perfectly support the level of diversity we seek, and equip us with a distinct edge over our competition; this will no doubt enable us to go further in 2015/16 further securing our position as the market leader in Sri Lanka's wall tile space.

Uni-Dil Packaging Ltd

Uni-Dil Packaging Ltd is a subsidiary of Lanka Walltiles PLC specializing in the production of paper based packaging and accessories. Incorporated in 1994, the company offers a full turnkey packaging service from design to delivery. Uni-Dil Packaging can custom manufacture, print and over-label any type of box or packaging using any class of corrugated board.

For over two decades Uni-Dil has made steady progress, expanding year on year, and the company is now on the cusp of being recognized as the number one packaging company in Sri Lanka. Uni-Dil owes this success to the dedication and hard work of its well trained and highly motivated work force, as well as to the company's continuous investment in western and Japanese productivity improvement tools which help to increase quality and efficacy standards across the board. Its strict adherence to a Quality Management system that complies with ISO 9001 and ISO 14000 and the exclusive use of food grade materials are other factors that have contributed to the company's success.

Apart from investments in hardware, Uni-Dil has also prioritized the establishment of a group of suppliers who share the company's business philosophy and vision; these partnerships form a strong network in which customer satisfaction, professionalism and excellence are paramount.

History and Achievements

Having secured 15% of the packaging manufacture market for both local and export sectors, Uni-Dil supplies retail and end user manufacturers in various industries including Tea, Garments, Ceramics, Agriculture, Rubber and Food.

The company specializes in Printed DieCut, Standard Cartons, Trays and Hanger Packs. In addition Uni-Dil prides itself on its ability to custom design and manufacture corrugated packaging boxes of any description for any industry.

Subsidiary companies

Uni-Dil abides by key management concepts and techniques such as 5S, Quality Circles, Kaizen, T.Q.M and Six Sigma to maximize productivity and excellence, and is a multiple award winner, having secured the National Productivity Award in 2004 and again in 2006 in the Manufacturing sector, 5s Award in 2001 and Kaizen Award in 2002

Growth and Development in 2014

Over the years Uni-Dil Packaging has shown an incremental growth in profit. The company together with its fully owned subsidiary; Uni-Dil Papersack (Pvt) Ltd continued to expand its horizons in 2014/15, registering its best ever performance, with a Turnover growth of 15% and a net profit growth of 104% when compared to 2013/14.

This achievement is particularly noteworthy in what was a challenging year for the entire packaging industry, due to the recession in the West, and the turmoil in the Middle East; both of which had a knock on detrimental effect on the local tea and garment industries. The stable paper market contributed immensely towards Unidil's positive results, as did the support of the Vallibel Group. Credit must also be given to the great effort made by the company's employees to capture market share, securing the business of top end multinational companies such as, Nestle, Dilmah, Ansell and Brandix.

The company continued to invest in productivity enhancement, waste reduction and employee engagement in 2014/15.

Uni-Dil invested in the expansion of the main factory building, and poured Rs. 50Mn into acquiring sophisticated Printing facilities as well as the ability to produce E Flute and laminated cartons for niche markets. These investments helped increase the facility's production capacity by 10%.

Uni-Dil invested in the expansion of the main factory building, and poured Rs. 50Mn into acquiring sophisticated Printing facilities as well as the ability to produce E Flute and laminated cartons for niche markets.

Waste reduction and the mitigation of negative environmental impacts is a priority, and the Uni-Dil production facility which is located on 12 acres of land in a scenic village in the Gampaha District, is run on green principles with all company waste recycled and turned into usable water.

Energy efficiency is assured via investment in a wood based boiler which has served to significantly reduce energy costs.

Employee engagement is a considered vital, and staff are involved in all decision making processes. Personal development is ensured through various small group activities. Various religious and recreational activities are conducted throughout the year to bring the staff together and enhance understanding, commitment and satisfaction among employees.

Future Outlook

Uni-Dil Packaging is a company on a definite upward trajectory, and with plans to increase customer satisfaction via investment in a state of the art printing machine that will enhance print quality and performance, the management aims for a further increase in business during the 2015/16.

Swisstek Aluminium Limited

Swisstek Aluminium Limited is one of only three companies in Sri Lanka engaged in the manufacture of high quality Aluminium extrusions. Catering to both local and international markets, the Swisstek brand has gained a sterling reputation for quality and value.

The Swisstek plant located in Dompe in the Gampaha District is equipped with state of the art technology, and the company is renowned for developing fabricator friendly special architectural profiles as well as customized profiles.

The company also imports from two of the leading aluminium manufacturers in the world.

History and achievements

Formerly known as Ceykor Aluminium Industries Ltd; the Company was acquired by the Lanka Walltile Group in October 2010, with the subsequent acquisition by Royal Ceramics taking place in 2013.

Swisstek Aluminium produces the best powder-coated products in the country using the very latest German technology, and guaranteeing a perfect finish. Swisstek was formally awarded the ISO 9001 certificate by the Sri Lanka Standards Institute (SLSI) in 2012 and during the year under review also received SLS

2014/15 was also a year in which the company's dealer network expanded by 35% with key touch points set up in the North and East.

Rs 157Mn

NET PROFIT AFTER TAX

Subsidiary companies

certification. The company also obtained the Jotune approved applicator status for its powder coating process which ensures a minimum 15 year warranty

Swisstek's ultramodern machinery ensures a production rate of 350MT of high quality extrusions per month. To ensure smooth transition and optimum productivity, the company's anodizing and powder coating plants have been equipped to match this level of production. The range of products manufactured by the company includes profiles to fabricate all types of doors, sliding doors, windows, shop fronts, partitions, curtain walls, roller shutters, ladders and tile beading.

The company operates at a 64% capacity with a work force of over 235 well trained professionals who are passionate about producing superlative results.

The company also maintains excellent relationships with its fabricators, hosting the Swisstek Aluminium dealer convention on an annual basis and rewarding the hard work and extraordinary performances witnessed during the given year.

Health and safety regulations are of paramount importance at Swisstek, as is a focus on green principles formulated to mitigate negative environmental impacts, particularly in the areas of energy efficiency and waste water purification.

Growth and development in 2014/15

2014/15 was a remarkable year for the Company as it achieved a 29.3% growth in Revenue compared to the previous financial year. This resulted in the company ending the year with a total net profit of Rs 157 million, a record increase of 121% when compared to 2013/14.

These phenomenal results were largely due to a 40% improvement in aluminium scrap collection, which was in turn matched by developments in the Billet casting capacity. Further improvements took place due to the company's investment in a new Baler machine from Shanghai, China.

As always increased productivity was not the sole goal, as efficiency upgrades also resulted in the consumption of less energy. Such initiatives included the installation of a new aging oven from China, and a state of the art energy efficient oven to run alongside the existing oven

Additions to the company's product portfolio including triple track sliding doors and new powder coat products proved popular, driving sales up by 50%

2014/15 was also a year in which the company's dealer network expanded by 35% with key touch points set up in the North and East.

An internal control system was put in place. This system monitors the efficacy of control procedures within the company with frequent updates on the adequacy and effectiveness of internal control, compliance with laws and regulations, and established policies and procedures.

Swisstek also engaged in various community service activities during the year

Future Outlook

Swisstek Aluminium Limited has achieved continuous and remarkable growth since it came under the wing of Royal Ceramics Lanka PLC in 2013. This upward trajectory will not falter in 2015/16 as the company invests further in ultra modern machinery and new value added systems designed to build capacity and increase productivity.

Horana Plantations PLC

Since being incorporated in1992, Horana Plantations PLC has grown into a leading producer of the finest tea, rubber and other agricultural produce, with 42 % of the company's cultivated area dedicated to tea, 47 % to rubber, 5 % to timber, and 6 % to other diversified agricultural crops. As one of Sri Lanka's premier plantation companies, with estates primarily in the Central and Western provinces of the island, Horana Plantations' product range is renowned for its exceptional quality and standards.

A large portion of the Company's estates have been internationally certified with quality standards. All factories are accredited with ISO 22000:2005/HACCP Certifications. Neuchatel and Frocester Estates have received 9001:2008/ QMS Certification.

Horana Plantations relationship with the Ethical Tea Partnership (ETP) certification program has continued to grow and all upcountry estates are ETP accredited. Bambarakelle, Fairlawn and Mahanilu. were revalidated subsequent to an audit carried out by an auditing body of the ETP during the year 2014/15

The Sustainability Agriculture Network (SAN) promotes efficient agriculture, biodiversity conservation and sustainable community development by creating social and environmental standards. The company has moved into the 3rd year of the Rainforest Alliance Certification Audit Cycle via SAN.

Fairtrade product certification applies to Stockholm and Alton Estates, and the company continues to advocate Fair trade policies in other Estates under the Horana Plantations umbrella.

All rubber estates under the Horana Plantations banner have been awarded the Non - Timber Forest Products (NTFP) Certification by the Forestry Stewardship Council.

History and Achievements

Horana Plantations is one of the largest producers of Ceylon tea, with an annual capacity of approximately 4.6 Million Kg of made tea which includes fine western high grown grades include BOP, BOP Fannings, Pekoe, Dust and Dust 1; while 14 varieties of low grown teas are produced, of which BOP1, FBOP, Pekoe, OP1 and OPA are but a few.

The company is also one of Sri Lanka's largest producers of natural rubber of various types and qualities including Latex Crepe , Ribbed Smoke Sheet and Sole Crepe. Horana Plantations' rubber factories have a total production capacity of 1.6 Million Kg of Made Rubber per year.

Horana Plantations has gained a sterling reputation for its high quality products, and stringent processes are applied at every stage of production to ensure that these quality standards are maintained at all times.

The company's estates received multiple recognitions and awards during the year under review

Neuchatel Estate , Naboda was awarded for "Best excellence in Social Development through Estate Worker Housing Cooperative Society among all Plantations in the Island presented by the Plantation Housing Development Trust for the year 2014".

Alton Estate was placed 1st in the Upcot /Maskeliya Agro climatic Region in the sale Averages for the year 2014 at the Forbes and Walkers Award ceremony. Alton Factory was positioned in 5th place in the Western High Category.

Alton Estate was awarded a merit certificate at the specialty tea estates competition held in Dubai

Subsidiary companies

Stockholm Estate was awarded a merit certificate at the John Keells Awards Ceremony 2014

The Company's Annual Report for the year 2013/14 received the Bronze award in the Plantations Category at the Annual Report Awards 2014 conducted by the Institute of Chartered Accountants of Sri Lanka.

Growth and Development in 2014/15

The year under review proved to be one of many challenges; despite this Horana Plantations achieved a commendable profit after tax of Rs. 61.975 Million for the year under review.

In the domestic sphere, adverse and erratic weather conditions together with poor trading conditions had a detrimental effect on the rubber sector. Adverse weather conditions that prevailed during the first two quarters of 2014/15 contributed to a considerable decline in Rubber yields from 871 kg to 615 Kg YoY per hectare.

Additionally the glut of rubber in the global markets pushed down rubber prices. These combined factors resulted in this sector recording a loss of Rs. 82.469 Million contributing towards an overall reduction in post-tax profit against the previous financial year.

The Rouble crisis, and economic contraction in Russia, Sri Lanka's primary importer, unrest in the Middle East, and its declining oil prices, sanctions on Iran as well as political and economic instability in Syria, Egypt, and Libya had their impact on the tea industry. The Company's tea sector recorded a gross profit of Rs.69.375 Million, an increase from Rs 67.320 Million in the previous year. Despite a lower Net Sale Average of Rs 432.89 per kilogram versus Rs 453.42 in the previous financial year, a higher yield resulting from better agricultural and management practices boosted the bottom line.

Despite the challenges, the Company continued to confidently invest in replanting, upgrading and modernizing its Tea and Rubber factories as part of its larger capital expenditure program with an investment of Rs 277.8 Million made in 2014/15.

Horana Plantations PLC has long recognized its plantation community as a core component of the Company's management strategy. The company's commitment to ethical business practices through contribution to the development of the community and the preservation of the environment, form the foundation of its sustainability ethos. The Happy Family concept encapsulates all this and works around the insight that if Horana Plantations is to progress then the plantation worker community must be protected and uplifted.

During the year under review Horana Plantations initiated several social development programmes to improve the quality of life for the plantation community; some of these projects were supported by Ministry of Infrastructure Development, Plantation Human Development Trust and National Housing Development Authority and by NGO's.

Among them was the construction of 45 Worker Houses on the Millakande, Frocester and Bambarakelle Estates, a new water projects on Halwathura and the renovation of the Neuchatel Estates Hospital. In addition Frocester Estate completed constructing a well-equipped Training Center under the Fair Trade funds at a cost of 2.8 M for the benefit of the Estate community and a new volley ball court was constructed on Neuchatel estate.

Occupational Health and Safety (OHS) is a top priority on our Estates. Workers are provided with health and safety instructions and Personnel Protective Equipments (PPE) for their safety when working. The Company conducted a series of training sessions on Health and Safety for Chemical Sprayers and Factory workers on all the Estates during the year under review.

Since being incorporated in 1992, Horana Plantations PLC has grown into a leading producer of the finest tea, rubber and other agricultural produce, with 42 % of the company's cultivated area dedicated to tea, 47 % to rubber, 5 % to timber, and 6% to other diversified agricultural crops.

Gouravilla Estate

Other training programmes carried out during the year 2014/15, focused on knowledge and skill enhancement in areas of General Management, Agricultural Operations, Occupational Health and Safety and Product Certifications, among others.

Horana Plantations is committed to Environmental conservation initiatives to conserve and protect High Value Ecosystems and all other natural ecosystems on our plantations. The company is also focused on increasing native plant cover and reducing or eliminating invasive species.

Examples of other green initiatives carried out during the year under review include the construction of waste bins at the Upcot Estates as a part of the Integrated Waste Management system, and waste water soakage pits in worker houses. The construction of Effluent Treatment plants at the Kobowella, Frocester and Dumbara Factories were also completed, and Waste/Oil and Water separation tanks were installed in all Factories within Upcot Estates.

Future Outlook

A company with a rich history, Horana Plantation is backed by decades of expertise and experience. For the company, steady growth and development and a firm belief in 'you reap what you sow' forms the basis of our operational strategy.

Crop diversification at the heart of our strategic field development programme for 2015/16, with this in mind, the replanting programmes both in the Tea and Rubber sectors continue and the planting of lucrative, high yield Oil Palm crops in Neuchatel, Mirishena and Halwatura has also been completed.

During the coming year, the Company will continue planting cinnamon and coconut as well as Fruits and Vegetables. The company will also focus on planting Coffee on the upcountry estates.

The uncertainties of weather patterns, the high cost of production and particularly the demand for ad hoc wage increases, have long challenged the plantation sector. We believe that the wage increase should be linked to productivity and will pursue that goal, so that a mutually beneficial arrangement is assured.

SUSTAINABILITY REPORT

We believe that the greatest value we can craft is not in the products we make, but in the difference we make in the world. As a Group, our sustainability goals are built around adding value in three key areas; to our employees, to the people in the communities in which we operate and to our environment. In this Report the Discussion includes only the activities of the fully owned subsidiaries of Royal Ceramics Lanka PLC.

STAKEHOLDER ENGAGEMENT

Investors

Communication Goals

Review share holder expectations

Provide assurance on regulatory & statutory compliance and governance

Identify investor preferences & their risk appetite & concerns

Facilitate informed timely investment decision

Channels of Communication

Annual General Meeting

Publishing of interim accounts

Publications and announcements on performance, launch of new products and services

Access to management via email/ telephone

Meetings with fund managers/ stock brokers, etc.

Updated corporate web site

Our Responses / Achievements in 2014/15

Attractive dividend of Rs 5/- per share proposed for 2014/15

Business diversification reducing business risk targeting high return for the investment

Strong cost Management systems across the group which facilitates collective bargaining to maximize return

Constant Research and developments for product and process innovations

Introduction of value added products

Customers

Communication Goals

Understand customer needs & expectations

Review customer perception on quality of product and brand

Identify improvements expected on service levels

Improve awareness of products & services

Training on use of products

Channels of Communication

Frequent customer visits/site visits by account, project and service management professionals

Daily interaction via 49 showrooms and over 250 dealers and distributors located across the country

Customer service hotlines

Formal complaint management process and a centralized dedicated unit to manage and resolve customer complaints

Updated corporate website and social media accounts

Feedback form on website

Customer education workshops

Tilers training programmes

Annual dealer conference

Our Responses / Achievements in 2014/15

Multi channel distribution strategy for ease of access, physical presence at 49 showrooms and over 100 direct dealers and 350 sub dealers located across the country

Wider customer choice with more than 700 product designs

Quality testing and improvements in quality & safety parameters

Introduction of warranty schemes

Introduction of software tools to visualize the living spaces with selected products.

Improvement in the website with details of product designs and characteristics

ISO9001 quality certification

Tile laying instruction manuals

Tiler's loyalty schemes

Dealer performance based reward schemes

Employees

Communication Goals

- Create two way communication for improved understanding
- Enhance skills and competencies through training & leadership
- Share long-term& short-term goals
- Inculcate compliance to procedures
- Thrash out grievances & conflicts
- Evaluate performance

Channels of Communication

- Open door policy
- Frequent training programmes
- Oversees travels for exhibitions
- Annual sales conference
- Monthly group management committee meetings
- Daily emails, notifications and Memos
- Annual staff performance review
- Exit interviews upon resignation
- Union meetings

Our Responses / Achievements in 2014/15

- Ensuring value alignment and building a cooperative & compliant workforce
- Transforming HR to a business partner instead of an administrator
- Longstanding, committed and contended workforce equipped with knowledge, skills and attitude
- Enhance team work
- Medical, insurance and death donation schemes

Suppliers

Communication Goals

- Foster fair & equitable procurement practices
- Adhere to contractual obligations
- Knowledge sharing
- Improved trust and transparency

Channels of Communication

- Annual Registration of suppliers
- Periodical assessments of suppliers' environmental compliance standards
- supplier reviews for quality of goods/service and pricing
- Monthly Procurement committee meetings

Our Responses / Achievements in 2014/15

- Uplift the suppliers by Providing suppliers with financial assistance and technology support
- Procurement of quality material/ services at the best price across the group
- Negotiated discounts with group volume
- Collective negotiations for competitive bank interest rates
- Timely delivery of goods & services
- Guaranteed purchase volume to enhance supplier capacity

Local communities

Communication Goals

We support community development programs to provide for the well-being and economic progress of communities in the markets in which we operate.

Channels of Communication

Group CSR programs

Staff volunteerism initiatives

Dialog through network of showrooms

Community visits by factory and showroom staff

Our Responses / Achievements in 2014/15

Road developments of neighbouring showrooms and factories

Donations of books to schools

Providing death donations to the low income families around factories

Assisting to obtain pipe born water for the needy families

Workshop assistance to repair nearby premises

Provide internships to university & professional students

Environment

Communication Goals

We promote green management practices and operational procedures to mitigate the environmental impact of our business

Channels of Communication

Monthly Efficiency meetings

Monthly evaluation of fuel efficiency standards against actuals

Field visits to the suppliers' sites to ensure the refilling of mines used for ball clay excavation

Regular test on treated water from treatment plants

Regular test on noise level

Our Responses / Achievements in 2014/15

Installation of skylights in factories to reduce power consumption

Installation of Water recycling system & sewerage treatment plants

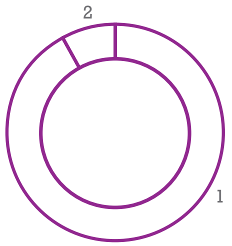
Raising of boundary walls & tree planting initiatives to prevent noise pollution

Dust suction plant to prevent air pollution

EMPOWERING OUR

PEOPLE

Royal Ceramics' Human Resource development initiatives for 2014/15 combined both professional and personal growth. Our safety training programs for operators saw 24 employees in the kiln department participate in a comprehensive program that covered health and safety information based on the use of a variety of machinery.



EMPLOYEES ANALYZED BY GENDER

1 Male (1,459)
2 Female (124)

3.7Bn

VALUE ADDED

We want a committed workforce, who enjoy long standing relationships with the company. We believe in open and constant two way communication. We invest in knowledge, skill and attitude building so that we add value to the person as well as the professional. Because every investment in our people, is an investment in the future.

Royal Ceramics' Human Resource development initiatives for 2014/15 combined both professional and personal growth. Our safety training programs for operators saw 24 employees in the kiln department participate in a comprehensive program that covered health and safety information based on the use of a variety of machinery.

A program offering sponsorship to international training programs was met with great enthusiasm. Selected executive staff members were able to travel to overseas and spend time training in a specialized subject which would enable them to perform their jobs more skillfully, efficiently and productively upon their return.

Recreational activities were also prioritized as these present ideal opportunities for employees to get to know each other better, building relationships and forming bonds beyond their departments. The annual trip for all staff and shop floor employees

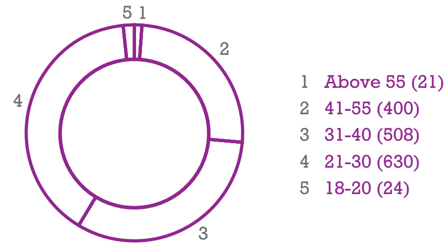
The staff at Royal Porcelain all received 5S training. In addition the fork lift driving program enabled workers to improve their driving skills. The company also facilitated workers to obtain NVQ level 3 certificates in heavy machines driving.

was to Nuwara Eliya, and was a great success, as was the annual get together for employees; given the large numbers involved, the staff were divided into five groups visiting Trincomalee, Theleimannaram, Willpattu, Kalpitiya and Mannar. The annual get together for head office staff and their families took place in Wadduwa.

The staff at Royal Porcelain all received 5S training. In addition the fork lift driving program enabled workers to improve their driving skills. The company also facilitated workers to obtain NVQ level 3 certificates in heavy machines driving. An annual family day for all staff, workers and their family members was organized, and all workers had their outing to Passikudah. Workers with school going children received school supplies for their children. The annual pirith ceremony was also held; this benefited not just the workers but also the greater community living in close proximity to the factory.

Rocell Bathware introduced several new schemes for employees including the implementation of a death donation scheme and an insurance scheme. Training and development was also high on the agenda, and the company carried out a Trade Test for Fork Lift Operators. The annual trip was organized for staff members who spent the day in Wadduwa.

Staff welfare activities for the year under review included a medical camp conducted in collaboration with the Homagama Ministry of Health; and an eye clinic for all employees.



EMPLOYEE CATEGORY - AGE-WISE

The success of these initiatives and the strength of the Groups' Human Resource policy can be measured in many ways. Primarily in terms of the low employee turnover rate within the Groups companies. This high level of retention is manifest in all areas of operation.

Category	Male	Female
Permanent employees	1340	108
Trainees	20	1
Probationers	88	10
Fixed term contracts	11	5
Total	1459	124

We are responsible for over 1500 livelihoods, and most of our cadre is made up of those in the 21 – 30 age group, a statistic that we believe demonstrates the aspirational nature of our business.

Rocell Bathware introduced several new schemes for employees including the implementation of a death donation scheme and an insurance scheme.

Promotions for the year 2014

Manager/assistant manager	8
Executive	25
Clerical/Supervisor	3
Total	36

Retention through investment in value addition and incentivisation is a key component of our philosophy and the year under review saw close to 36 employees promoted to the next rung in their departments, with most elevations taking place within the Executive category.

While we strive to be an equal opportunity employer, it is a challenge to achieve gender equality given the nature of the business in which we are engaged, particularly in a factory setting. However we work hard to address this balance in our head office and showrooms, and have achieved an approximately 1 in 5 ratio of women to men in these areas.

ENRICHING OUR

COMMUNITY

The communities in which we work are immensely important to us. They are an extension of our operations and their support and cooperation are essential. Providing for their well being and economic progress is our privilege and we do this via Group community projects as well as staff volunteerism initiatives.

3Bn

VALUE ADDED TO THE GOVERNMENT

The communities in which we work are immensely important to us. They are an extension of our operations and their support and cooperation are essential. Providing for their well being and economic progress is our privilege and we do this via Group community projects as well as staff volunteerism initiatives.

Royal Ceramics engaged in several outreach projects during the year under review including the tiling of ward 2 of the Eheliyagoda District Hospital as well as the Budu Madura of Sri Nagabodhi Viharaya in Bodhimaluwa. Provision of equipment for the kids playground at the Ministry of Health office complex in Kuruwita, and lighting and sound for the 'Sadaham Udanaya' Vesak festival organized by the Divisional Secretariat Office in Eheliyagoda, were among the other projects the factory contributed to.

Royal Porcelain introduced a death donation for low income families within the neighbouring villages which serves as much needed aid at a tragic point in their lives. The company also introduced an award scheme for students, encouraging academic achievement by rewarding those students who pass the Grade v scholarship exam, GCE O/L exam or GCE A/L exam.

Rocell Bathware made philanthropic endeavours a priority via generous donations of sanitary ware sets to the Athurugiriya Police Station, funding the renovation of the gate and donating dictionaries to the Sri Parakrama Maha Vidyalaya in Panagoda, and donating towards the repair of the road leading to the entrance of the zone.

In addition an alms giving was held and medicine donated to the Cancer Hospital. The staff together with the National Blood Bank also conducted a blood donation campaign.

PRESERVING OUR

ENVIRONMENT

At Royal Ceramics PLC our business is dependent on the bounty of nature. Our environment gives us so much, and we are obligated to do our utmost in turn to preserve our natural surroundings. Our "Environment Management system" allows us to monitor and control pollution levels and maintain them at an absolute minimum.

At Royal Ceramics PLC our business is dependent on the bounty of nature. Our environment gives us so much, and we are obligated to do our utmost in turn to preserve our natural surroundings. Our "Environment Management system" allows us to monitor and control pollution levels and maintain them at an absolute minimum. The program is run according to the ISO 14000 international environment management standards specified by BVQ1 (London) in 2000.

At Royal Ceramics regular field visits take place to the suppliers' sites to ensure the refilling of mines used for ball clay excavation. We promote green management practices and operational procedures to mitigate the environmental impact of our business. Monthly efficiency meetings and evaluations are carried out to ensure that procedures are being adhered to and the desired results are achieved.

The Eheliyagoda factory devoted itself to the construction of a systematic draining system that will prevent the neighbouring canal from flooding the area during the rainy season. Further work was also done to clean and repair the canal in an adjoining field.

At Royal Porcelain a significant investment was also made during the year under review to mitigate negative environmental impacts. Extra control over sound and dust emission was established via a Rs. 1.2 million investment in increasing the height of the factory boundary walls, which effectively reduced noise pollution. The skylight laying project increases day light usage within the factory thereby contributing to its energy saving drive.

Rocell Bathware invested in the installation of a sewerage treatment plant at a cost of Rs. 8.5 million. This was deemed necessary in order that the company could meet its social and environmental protection goals, and the factory now recycles all its sewerage treated water via this treatment plant.

Conclusion

2015/16 will see us continuing to add value in all these areas. Royal Ceramic's implementation of the Total Productivity Management (TPM) system, the goal of obtaining WELS (Water Efficiency Labelling and Standards) for our range of sanitary ware and appliances at Rocell Bathware and the pursuit of the ISO 9001 certificate for quality management at Royal Porcelain will all aid in the monitoring, updating and completion of all our sustainability centric goals. Specific community oriented projects such as the concreting of neighbourhood by roads and the provision of pipe borne water for needy families in the community will be priorities in 2015/16.

SHOWROOM NETWORK

1. 98, Nawala Road, Nugegoda.
   Tel: 011-4405160
2. 440, R.A. de Mel Mawatha,
   Colombo 03.
   Tel: 011-4209204/5/6
3. 106, Galle Road,
   Dehiwala North, Dehiwala.
   Tel: 0114202815/4
4. 780/1, New Kandy Road,
   Thalangama North, Malabe.
   Tel: 011-4411775
5. 158, Negombo Road, Wattala.
   Tel: 011-4818563
6. 392, Gala Junction,
   Kandy Road, Kiribathgoda.
   Tel: 011-4817231
7. 472/1, High Level Road,
   Makumbura, Kottawa.
   Tel: 011-4308413
8. 116, Colombo Road, Piliyandala.
   Tel: 011-4210675
9. 477/1, Galle Road, Rawathawatte,
   Moratuwa.
   Tel: 011-4210726
10. 587, Negombo Road,
    Liyanagemulla, Seeduwa.
    Tel: 011-4831987
11. 562, Peradeniya Road,
    Mulgampola, Kandy.
    Tel: 081-4471581

12. 37, A.A. Dharmasena Mawatha,
Mahaiyawa, Kandy.
Tel: 081-4475825

13. 504/1, Kandy Road, Kegalle.
Tel: 035-2230980

14. No-136, Colombo Road, Kurunegala.
Tel: 037-4690467

15. 46, Chilaw Road, Wennappuwa.
Tel: 031-4874656

16. 521/5, 2nd Stage,
Maithreepala Senanayaka Mawatha,
Anuradhapura.
Tel: 025-4580294

17. 223, Colombo Road,
Ratnapura.
Tel: 045-4360318

18. 348, Badulla Road, Bandarawela.
Tel: 057-4496014

19. 443, Galle Road,
Kalutara North, Kalutara.
Tel: 034-4280469

20. 132, Anguruwatota Road, Horana.
Tel: 034-4285033

21. 77, W.D.S. Abeygunawardena Mawatha,
Pettigalawatte, Galle
Tel: 091-4380033

22. 139, Gunawardena Mawatha,
Kotuwegoda, Matara.
Tel: 041-4933629

23. 143, Highlevel Road, Maharagama.
Tel: 011-4319514

24. 504, Galle Road, Panadura.
Tel: 038-4281898

25. Colombo Road, Kaduwela.
Tel: 011-4948182

26. 200, Colombo Road, Negombo.
Tel: 031-4922192

27. 721 & 721 A, Mandandawela,
Trincomalee Street, Matale.
Tel: 066-4460928

28. 86, Weyangoda Road, Minuwangoda.
Tel. 011-4969060

29. 174/A/2, Colombo Road, Gampaha.
Tel: 033-4670937/755

30. 181, Hettipola Road, Kuliyapitiya.
Tel: 037-4930870, 037-4696134

31. Katugastota Road, Kandy.
Tel: 081-4481759/60

32. 574, Galle Road,
Kalutara South, Kalutara
Tel: 034-4280933/4

33. 101, Nawala Road, Nawala.
Tel: 011-4311311

34. 278, Massale, Galle Road, Beruwala.
Tel: 034-4288371/2

35. 39, Godagama Road, Athurugiriya.
Tel: 011-4443641

36. 52, Kandy Road, Nittambuwa.
Tel: 033-4929681

37. 52, Barnes Ratwatta Mawatha,
Balangoda.
Tel: 045-4927365

38. 70, Bank Road, Badulla.
Tel: 055-4499780

39. 76 A, Tangalle Road,
Thavaluwila, Ambalanthota.
Tel: 047-4932446

40. 30, Narahenpita Road, Nawala.
Tel: 011-4651000

41. 185 B, Ratnapura Road,
Moragala, Eheliyagoda.
Tel: 036-4922946

42. 7, T.B. Panabokke Mawatha, Gampola.
Tel: 081-4951436

43. Sri Bodhi Dakshinaramaya,
Kandy Road, Vavuniya.
Tel: 024-4928331/2

44. 2/1, Kandy Road, Trincomalee.
Tel: 026-2225008

45. No. 679, Anuradhapura Road, Dambulla
Tel: 066-4935041/2

46. No. 218, Stanley Road, Jaffna
Tel: 021-4927003/4

47. No. 232. Rathnapura Road
Pelmadulla
Tel: 045 4935060, 045 4935065

48. "Kandaland" Wellawaya Road
Monaragala
Tel: 055 4936169

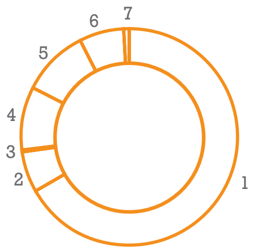
49. No. 114, Colombo Road
Chilaw
Tel: 032 4934126

FINANCIAL REVIEW

The Financial Statements of the Group and of the Company, which form a part of this Annual Report, set out the financial performance. The Financial review discusses an overview of the Group's financial performance

Group Results

The Group has reported a Net Turnover of Rs. 22.4 billion during the financial year 2014/15 with an increase by 13% compared the net revenue of Rs 19.7 billion recorded for 2014/15. Almost all the sectors of the group reported growth in turnover due to favourable economic conditions prevalent during the year.



GROUP REVENUE - SECTORWISE

1 Tiles & Associated Items (66.87%)
2 Sanitaryware (5.94%)
3 Paints and Allied Products (0.42%)
4 Plantation (9.49%)
5 Packing Material (10.03%)
6 Aluminium Products (6.69%)
7 Other (0.56%)

A growth of 88% is seen in the group export turnover with Rs. 1.5 Billion in export sales. Exploring new markets by taking advantage of group synergies has helped to expand the export operation of

Group Profit after Tax increased to Rs. 3.1 billion as against Rs. 2 billion in the previous year which shows 55% growth.

the group. Export sales have contributed 7% towards total sales of the group. The lower export revenue contribution to the group is mainly due to low priced products from countries such as China and India dominating the world market with their economies of scale in the face of global price competition. The Company is taking necessary steps to counter these threats and will continue to focus on this segment and Rocell ventured into its first international operation in Australia by forming a company, Rocell Pty Limited during the year.

Profitability

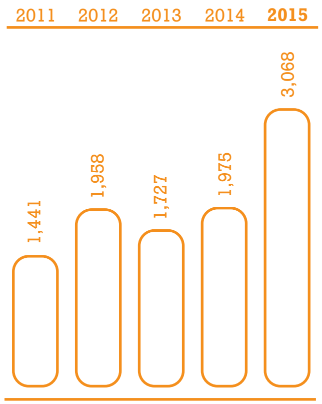
The Gross Profit of the Group recorded a growth of 15% compared to the last year. Reduction in fuel and electricity costs has led to considerable saving in energy cost which is the main cost element of the manufacturing cost. Improving operational efficiencies in the manufacturing plants and group collective cost reduction initiatives have helped achieve lower manufacturing costs despite increases in other cost elements.

Group Profit after Tax increased to Rs. 3.1 billion as against Rs. 2 billion in the previous year which shows 55% growth. Net profit of Tiles sector increased by 63% and sanitary ware sector increased by 16%. While the packing material, Aluminium and Finance sectors showed tremendous performance growing profitability by 100%, 142% and 54% respectively, Plantation and Paint sectors were recording negative growth of 55% and 70%

respectively. Increase in sales volumes, effective cost management and reduction in finance cost by almost 30% contributed towards achieving high profitability during the year.

Pre tax profit of the group grew by 59% to Rs. 3.6 billion during the financial year from Rs 2.3 billion in the previous year.

Net profit attributable to the owners of the parent company has increased by 90%; resultantly, Earnings per share also increased by 90% amounting to Rs.19.27. This is mainly due to higher net profit attributable to the parent company by its subsidiaries.



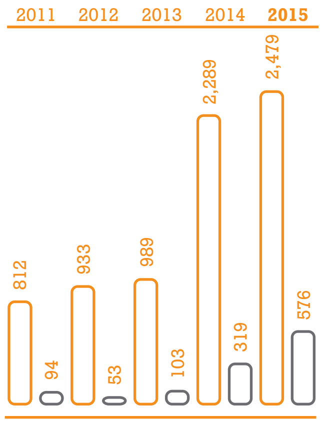
NET PROFIT AFTER TAX (Rs. Mn)

Other Income

Other Income of the Group has increased by Rs. 13.9 million recording growth of 6% compared to the previous year.

Taxation

The Group made an income tax provision of Rs. 577 million for the year under review in comparison to Rs. 319 million in its previous financial year. This includes Rs. 253 million as the share of Income Tax from associate companies and Rs. 38 million as a deferred tax provision. In addition, Rs. 2.5 Billion was paid to the Government by way of direct sales taxes during the year.



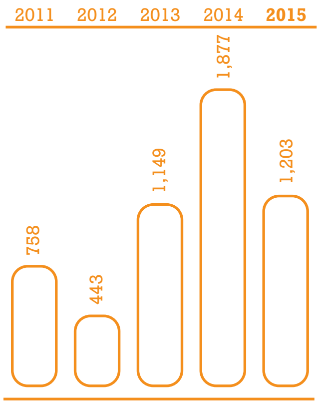
CONTRIBUTION TO THE GOVERNMENT (Rs. Mn)

Dividend

The gross dividends declared for the financial year was Rs 5/- per share out of which Rs 3/- per share was already paid as two interim payments and another final dividend of Rs. 2/- per share has been proposed by the directors on 18th May 2015 to be paid upon the approval from shareholders at the Annual General Meeting. Dividend paid for the previous financial year was Rs.1/- per share.

Capital Expenditure

Capital expenditure of the Group was Rs 1.2 billion for the year, spent on purchasing and upgrading plant and machinery, adopting newer technologies to meet future demands, showroom developments, etc.



CAPITAL EXPENDITURE (Rs. Mn)

Financial Indicators

The Group's net cash outflow was Rs. 643 million. The Group's long term borrowings have reduced to Rs. 7,480 million from Rs. 8,332 million. The Group's short term borrowings, including overdrafts, have decreased to 4,699 million from Rs. 5,192 million. Shareholders' funds consist of 11% stated capital, 6% capital reserves and 83% revenue reserves.

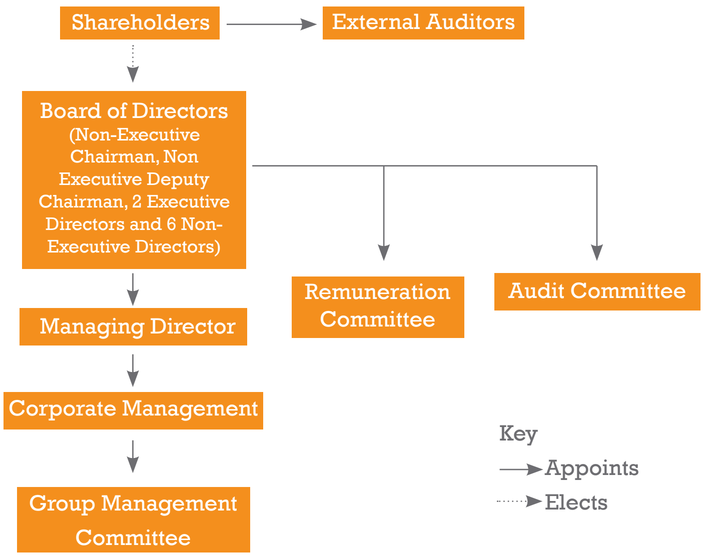
Accounting Policies and Disclosures

The accounting policies adopted by the Group comply with the Sri Lankan Financial Reporting Standards (SLFRS) and figures of previous years have been restated where necessary. The Group has adopted the practice of making full disclosure of both financial and non-financial information to enable and existing and potential Shareholders to assess the performance of the Group and its future.

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 rules set out in Section 7.10 of the Colombo Stock Exchange's Listing Rules 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.

Rocell's Governance Guidelines provide the Directors and Management with a road map of their respective responsibilities. These guidelines, which are updated periodically, detail clearly those matters requiring Board and Committee approval, advice or review. The Group's Governance Framework is depicted in the following diagram.



In our framework of Governance, we have identified the importance of providing the Board information which is comprehensible, relevant, reliable and timely. Critical information needs to be presented in such a way that it cannot be ignored.

STRATEGIC DIRECTION AND IMPLEMENTATION

Group strategies are subjected to a comprehensive annual review by the Board and are discussed further as necessary during the year.

The Corporate Management has been delegated authority to formulate strategies, seek approval for such strategies and implement them within the policy framework established by the Board. The achievement of targets through implementation of strategies formulated, current performance and the short term outlook are reviewed at Group Management Committee meetings which are held monthly.

BOARD OF DIRECTORS

The Board, comprising of professional and experienced business leaders of high repute, is entrusted with, and responsible for providing strategic direction to the company in an honest, fair, diligent and ethical manner.

CORE DUTIES OF THE BOARD

The Board, which is elected by the Shareholders, is the ultimate decision-making body of the Company, except with respect to matters reserved to Shareholders. The primary function of the Board is to exercise its collective business judgment to act in what it reasonably believes to be in the best interests of the Company and its Shareholders. In exercising its business judgment, the Board acts as an advisor and counsellor to the senior management and defines and enforces standards of accountability – all with a view to enabling senior management to execute their responsibilities fully and in the interests of Shareholders. The following are the Board's primary responsibilities, some of which may be carried out by Sub-Committees of the Board or the independent Directors as appropriate:

- Overseeing the conduct of the Company's business so that it is effectively managed in the long-term interests of Shareholders;
- Selecting, evaluating and compensating the Managing Director and planning for Managing Director succession, as well as monitoring management's succession planning for other key executives;
- Overseeing and reviewing the Company's strategic direction and objectives, taking into account (among other considerations) the Company's risk profile and exposures;
- Monitoring the Company's accounting and financial reporting practices and reviewing the Company's financial and other controls;
- Overseeing the Company's compliance with applicable laws and regulations; and
- Overseeing the processes that are in place to safeguard the Company's assets and mitigate risks.

In discharging its duties, the Board is entitled to rely on the advice, reports and opinions of the management, auditors and outside experts. In that regard, the Board and its Committees shall be entitled, at the expense of the Company, to engage such independent legal, financial or other advisors as they deem appropriate, without consulting or obtaining the approval of any Officer of the Company.

COMPOSITION OF THE BOARD

The Board consists of ten Directors, 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. 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.

Based on the declarations submitted by the Directors the Board has resolved that Mr. R B Thambiayah, Mr. L T Samarawickrama, Mr. M. D. S. Goonatilleke , Mr. R. N. Asirwatham, Mr. G. A. R. D. Prasanna and Mr. S H Amarasekera can be classified as Independent Non-Executive Directors although they serve on the Boards of other subsidiary companies of RCL in which a majority of the other members of the Board are also Directors. Specifically determining that Messrs R B Thambiayah and L T Samarawickrama be treated as Independent Directors of the Company notwithstanding that they have served on the Board of the Company for a period exceeding nine years from their dates of appointment, on the basis that such period of service does not compromise their independence on the Board.

The Board further resolved that Mr. S H Amarasekera, too, be treated as an Independent Director, notwithstanding his Directorship on Vallibel One PLC, which has a significant shareholding in the Company. It was also emphasized that though Mr Amarasekera serves as an Independent Director to this Company and the fact that there are other common Directors on this Board does not have a bearing on his independence.

During the year under review Mr. Dhammika Perera was appointed as the Chairman of the Board with effect from 30th June 2014 and

Mr. A M Weerasimghe was appointed Deputy Chairman of the Board with effect from 03rd November 2014.

BOARD SUB-COMMITTEES

Audit Committee

The Audit Committee is responsible for monitoring the integrity of the 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 entirely of Non-Executive Independent Directors which is chaired by Mr. M. D. S. Goonatilleke. A comprehensive Report of the Audit Committee appears on Page 75.

Remuneration Committee

The Remuneration Committee decides on the remuneration of Executive Directors and sets guidelines for the remuneration of the management staff within the Group. The Committee, consisting of Non-Executive Directors, all of whom are Independent, is chaired by Mr. R. B. Thambiayah. The Report of the Remuneration Committee appears on Page 77. The total of Directors' Remuneration is reported in Note 33.2.1 to the Financial Statements, on page 170.

Board Meetings and Attendance

Scheduled Board and Board Sub-Committee meetings are arranged well in advance to ensure, as far as possible, that the Directors can manage their time commitments. All Directors are provided with supporting papers and relevant information for each meeting and are expected to attend, unless there are exceptional circumstances that prevent them from doing so. Regular meetings of the Main Board are scheduled once a month to consider, among other matters, the performance and financial statements for the period and to approve routine capital expenditure of the Company. Special Board meetings were also held as and when required to discuss urgent matters. Attendance at the scheduled Board meetings is set out below.

Name	Directorship Status	Main board	Audit committee	Remuneration committee
Total no of meetings held		12	3	1
Dhammika Perera	Chairman	10/12	N/A	N/A
Amarakone Mudiyanselage Weerasinghe	Deputy Chairman	12/12	N/A	N/A
Wannakawattewaduge Don Nimal Hemasiri Perera	Managing Director	12/12	N/A	N/A
Tharana Gangul Thoradeniya	Executive Director	12/12	N/A	N/A
Ravindra Balakantha Thambiayah	Independent Non-Executive Director	12/12	N/A	1/1
Lalin Tusitha Samarawickrama	Independent Non-Executive Director	6/12	2/3	0/1
Rasika Dimuth Prassanna Godawatta Arachchige	Independent Non-Executive Director	11/12	N/A	N/A
Mestiyage Don Saddhamangala Goonatilleke	Independent Non-Executive Director	10/12	3/3	1/1
Rajanayagam Nalliah Asirwatham	Independent Non-Executive Director	11/12	3/3	N/A
Shiran Harsha Amarasekera*	Independent Non-Executive Director	7/12	1/3	N/A

*Appointed to the Board on 18.09.2014

RELATIONSHIP WITH SHAREHOLDERS

Shareholders are provided with Quarterly Financial Statements and the Annual Report, which the Group considers as its principal communication with them and other stakeholders. The Shareholders have the opportunity of meeting the Board and forwarding their questions at the Annual General Meeting. The Board believes the AGM as a means of continuing effective dialogue with Shareholders. The Board offers clarifications and responds to concerns Shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the Financial Statements for the year. However, this does not limit the Shareholders' communication with the Board, and they are free to communicate anytime with the Managing Director, Company Secretary 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 internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It covers all controls, including financial, operational and compliance control and risk management. It is important to state, however that any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time.

The Group's Internal Audit Department plays a significant role in assessing the effectiveness and successful implementation of existing controls and strengthening these and establishing new controls where necessary. The Internal Audit reports are made available to the Managing Director, Head of Finance & Treasury and the Audit Committee.

The Group also obtains the services of independent professional accounting firms other than the statutory auditors to carry out internal audits and reviews to supplement the work done by the Internal Audit Department.

The Board has reviewed the effectiveness of the system of financial controls for the period up to date of signing the accounts.

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 No. 7 of 2007, and in conformity with Stock Exchange disclosure requirements.

GOING CONCERN

The Board of Directors, after conducting necessary inquiries and reviews of the Group's budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the Financial Statements.

COMPLIANCE

The Group levels of Compliance with the CSE's Listing Rules – Section 7.10 on Corporate Governance are given in the following table.

Corporate Governance Principles	CSE Rule Reference	Compliance Status	Rocell's level of Compliance
Non-executive Directors	7.10.1	Compliant	Eight out of Ten Directors are Non-executive
Independent Directors	7.10.2 (a)	Compliant	Six out of eight Non-executive Directors are "Independent"
	7.10.2 (b)	Compliant	
Disclosures relating to Directors	7.10.3	Compliant	Given under the heading of the Board of Directors of this Report brief resumes of each director appear on pages 12 to 14.
Remuneration Committee	7.10.5 (a)	Compliant	The Committee comprises of three Non-executive Independent Directors
	7.10.5 (b)	Compliant	Please refer Remuneration Committee Report on page 77
	7.10.5 (c)		The aggregate remuneration paid to Executive and Non-executive Directors is given under Note 33.2.1 to the Financial Statements on page 170.
Audit Committee	7.10.6 (a)	Compliant	The Committee comprises of four Non-executive Directors, all of whom are Independent. The Chairman of the Committee is a Member of a recognized professional accounting Body. The Managing Director and the Head of Finance & Treasury attend Committee meetings by invitation.
	7.10.6 (b)	Compliant	Please refer Audit Committee Report on page 75
	7.10.6 (c)	Compliant	The names of the Audit Committee members and the basis of determination of the independence of the auditor is also given in the Audit Committee report

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 and the Management Discussion and Analysis.

RISK MANAGEMENT

The Board of Directors are responsible for risk management in the Company and is supported by the Audit committee and Group Management Committee. The aim of the risk management system is to ensure that the extent to which the company' strategic and operational objectives are being achieved is understood, that the company's reporting is reliable and that the company complies with relevant laws and regulations.

The Risk Management Framework of Rocell has been designed to achieve maximum integration of the risk management process in the normal business processes. It provides for risk assessment tools, controls for risks that commonly occur in the company and monitoring and reporting procedures and systems. The internal controls for the goods and money flows have been 'built into' business processes, and tools have been developed to support their implementation and to monitor their effectiveness in operation. In this way, a high level of internal control is achieved efficiently.

The Functioning of the System in 2015

The important events in risk management in 2015 are reported below. This section is structured according to the elements of the Company's risk management framework.

Internal environment for risk management

Values and business principles are an important element of the internal environment for risk management. Directly related to its mission to create brighter lives for people today and generations to come, Rocell has chosen sustainability as its core value.

Rocell's business principles, which are defined in the Code of Business Conduct, are based on this core value. The Company Code of Business Conduct describes principles in the areas of People (social and humanitarian standards), Planet (principles with regard to the environment) and Profit (principles regarding fair and ethical business practices). A company-wide inventory was made of bribery and corruption risks. This inventory will be used to complement the general policy against corruption and bribery with business and region specific actions and practices.

Another important factor determining the internal environment for risk management is the risk appetite. This risk appetite cannot be captured in one figure or formula, but varies per category of risks. The Board of Directors has reviewed the company's desired risk appetite. The main characteristics can be described as follows:

- To fulfill its strategic intent, Rocell is prepared to accept considerable risks in its drive to develop its people and organizational base into a competitive advantage, in its innovation programs, in its expansion to high growth economies and in developing sustainability as a business driver. Of course these risks will always be limited by defined hurdle criteria and rigorous implementation programs.
- In risk areas such as intellectual property protection, acquisitions and joint ventures, production-process reliability, business continuity, and product liability the company is cautious to conservative.
- With regard to reputation, safety, health and environment and internal and external non-compliance the company is risk averse.

This risk appetite gives guidance for the responses to the risks identified in the Corporate Risk Assessment (see below). For specific units, the risk appetite may deviate from the overall company profile.

Objectives and risk identification, assessment and response

In line with the mandatory risk management process, business groups that updated their strategy in 2015 performed a business risk assessment to identify and assess the implementation risks of the chosen strategy and agree on responses. At mid-year and at year-end, all units review and report their risks and incidents as part of the semi-annual risk reporting process. In 2015, the Board identified any necessary responses to be made in addition to the mitigating actions already in place in order to bring the risks within the defined risk appetite.

The preliminary outcomes were reported to and discussed with the Audit Committee and the Group Management Committee. These 'top-down' outcomes were compared with the risks and incidents as reported 'bottom-up' by the operational units in their Letters of Representation and with findings from internal and external audits. The main risks and responses as reported on the following pages.

The company's top risks

Rocell identifies the likelihood and impacts of events that could jeopardize the achievement of the targets for 2015/16. In setting these targets, assumptions were made about the macroeconomic and global financial developments (basic scenario).

The following table shows the most important risks for Rocell achieving its targets under the basic scenario, and the remedial actions to mitigate them.

Description of risks	Mitigating actions
Competition and commoditisation in existing markets, especially also referring to Imports	
-Price pressure and other competitive challenges especially imports from countries such as China and India may cause the profitability of Rocell's Activities to deviate from the expected levels.	Cost reductions in all businesses are being continued to increase competitiveness. Further innovation and quality consciousness drives a focus to deliver a Superior product range.
People, organization and culture	
The implementation of the business strategy is supported by organizational measures to enhance regional and functional effectiveness. These measures may lack sufficient clarity and/or speed, resulting in inadequate collaborative and result-oriented behaviour and/or insufficient speed in achieving the Projected diverse and international human resource base.	Rocell constantly focuses on: - External Orientation - Accountability for Performance - Collaboration with Speed - Inclusion & Diversity Attention will be given to the implementation of stronger regional and functional talent efforts and Career development.
Global financial and economic developments (including currency effects)	
An economic downturn could have a significant detrimental effect on the achievement of the targets. This effect could be aggravated by volatility in Currencies.	Rocell will proceed with its profit protection plans, including further control on operating working Capital.

Other important risks

- Acquisitions & Partnerships

  The risk on Acquisitions & Partnerships shifted from finding sufficient additional value adding acquisitions to getting the recent acquisitions effectively integrated. The company has developed good practices and structured processes to mitigate this.

- Innovation

  The current outlook is that Rocell is on track to realize the innovation ambitions as set in its strategy and it's Brand Promise. In addition to the top risks, the most recent risk assessment and reports show the following risks as being most important:

- Raw material and energy price and availability risks.

  Rocell implement various policies to avoid supply chain disruptions (e.g. multiple supplier strategy) and decrease price volatility (e.g. supplier contracts). Nevertheless, the increasing complexity and interdependence of worldwide supply streams as well as increasing (perceived) pressure on the availability of resources may lead to price fluctuations and availability issues, influencing Rocell's profitability.

- Intellectual property (IP) risks.

  The policy of accelerated growth through speeding up innovation and expansion in high growth economies holds the risk of increased exposure in the IP area. Measures will continue to be taken to contain these risks, but these may not always be completely effective in mitigating IP risks.

- Security (including information security).

  Especially in the area of the security of and access to data in ICT systems, a continued focus on monitoring and mitigating actions is required, given the increasing tension between the growing professionalism of cybercrime and widespread use of (mobile) IT.

- Business continuity risks.

  Major disruptions, especially in the supply chain, in manufacturing and in the ICT environment, remain a low likelihood but possibly a high impact risk. Actions are being continued to recognize and prepare for the most important scenarios.

- Safety, Health and Environmental (SHE) risks.

  Rocell have enhanced its already strict safety policies even further. These risks cannot be excluded altogether and any accidents may have a deep impact in terms of human suffering and (reputation) damage to the company.

- Production process risks.

  These risks are identified and mitigated frequently. This demonstrates awareness for the normal operational risks of the company.

Overview of risk categories

The following is an overview of all risk categories that have been identified as potentially important and from which the main risks described above have been derived.

For the management of all these categories of risks, strategies, controls and/or mitigating measures have been put in place as part of Rocell's risk management practices. These nevertheless involve uncertainties that may lead to the actual results differing from those projected. There may also be risks that the company has not yet fully assessed and that are currently qualified as 'minor' but that could have a material impact on the company's performance at a later stage. The company's risk management and internal control system has been designed to identify and respond to these developments on time, but 100% assurance can never be achieved.

Control activities

Rocell's Audit Committee which, under the direction of the Managing Director sets up annual risk management plans monitors their implementation and reviews risk management issues on a regular basis. During the year under review, major risk management events, such as business risk assessments, audits and the occurrence of control failures or weaknesses, were discussed with the responsible Group Management Committee and Board member.

Generic/strategic risks

- Global financial and economic development risks
- Risks related to high growth economies
- Risks of competition and commoditisation in existing markets
- Political and country risks
- Risks related to disposals, acquisitions and joint ventures
- Innovation risks (new markets, products and technologies)
- People, organization and culture risks
- Intellectual Property protection risks
- Raw material / energy price and availability risks
- Sustainability risks
- Other generic/strategic risks

Operational risks

- Reputation risks
- Customer risks
- Production process risks
- Business continuity risks
- Product liability risks
- ICT risks
- Program and Project Management risks
- (Information) security and Internal Control related risks
- Industrial relations risks
- Safety, Health and Environmental risks
- Other operational risks

Financial and reporting risks

- Liquidity and market risks
- Reporting integrity risks
- Other financial risks (e.g. credit, tax)

Legal and compliance risks

- Risks of legal non-compliance
- Risks related to regulatory developments
- Other legal and compliance risks

  Commonly occurring risks are mitigated through the implementation of the Corporate Requirements and process controls in the business processes. The operational units regularly test compliance with these requirements and the effectiveness of the controls. Deviations from Corporate Requirements are only allowed temporarily, if sufficient alternative controls are in place and after approval by the responsible Board member. A limited number of waivers have been granted.

Information and communication

A continuous effort is being made to inform employees about the Rocell risk management system and train them in its use.

Conclusion

The Board of Directors, the Audit Committee and the Group Management Committee are of the view that an effective Risk Management Framework and Process is in place to minimize all potential risks and their probable impact on Rocell.

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

The Directors of Royal Ceramics Lanka PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company and the audited financial statements of the Group for the year ended 31st March 2015.

General

Royal Ceramics Lanka PLC is a public limited liability company which was incorporated under the Companies Act No. 17 of 1982 as a private limited company on 29th August 1990, converted to a public limited liability company on 6th December 1991, listed on the Colombo Stock Exchange on 3rd May 1994 and re-registered as per the Companies Act, No.7 of 2007 on 13th March 2008 with PQ 125 as the new number assigned to the Company.

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

The Principal activities of the Company are the holding of investments and the manufacture and sale of wall tiles and floor tiles.

The Principal activities of subsidiary Companies are the manufacture and sale of wall and floor tiles, sanitary ware, paint and allied products, distribution of tiles and undertaking designing and laying of tiles, investments and management of subsidiary companies, cultivation and processing of tea and rubber, mining, processing and sale of raw materials for tiles and ceramic products, manufacture and sale of tile grout and mortar, manufacturing and trading of aluminium extrusions and manufacture and marketing of corrugated cartons.

During the year a company, under the name Rocell Pty Limited, was incorporated as a fully owned subsidiary of Royal Ceramics Lanka PLC in Australia, to engage in the wholesale and retail business of floor and wall tiles and bath ware.

A review of the business and performance of the Group during the year, with comments on financial results, future strategies and prospects are contained in the Managing Director's Review of Operations, Chairman's Statement and Management Discussion and Analysis on pages 8,9 and 16 which form an integral part of this Report.

This Report together with the Financial Statements, reflect the state of affairs of the Company.

Financial Statements

The complete Financial Statements of the Company and the consolidated financial statements of the Company and its subsidiaries duly signed by two Directors on behalf of the Board and the Auditors are given on pages 80 to181.

Auditors' Report

The Report of the Auditors on the Group Financial Statements of the Company is given on page 79.

Accounting Policies

The accounting policies adopted by the Company in the preparation of Group's consolidated financial statements are given on pages 88 to 109 and are consistent with those of the previous period.

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 12 to 14.

Executive Directors

Mr. W D N H Perera	-	Managing Director
Mr. T G Thoradeniya	-	Executive Director

Non - Executive Directors

Mr. Dhammika Perera*	-	Chairman
Mr. A M Weerasinghe	-	Deputy Chairman

Independent Non - Executive Directors

Mr. L T Samarawickrama	-	Director
Mr. R B Thambiayah**	-	Director
Mr. G A R D Prasanna	-	Director
Mr. M D S Goonatilleke	-	Director
Mr. R N Asirwatham	-	Director
Mr. S H Amarasekara	-	Director

*Alternate Director - Mr T.G. Thoradeniya

**Alternate Director - Ms A.L. Thambiayah

Mr. M D S Goonatilleke retires by rotation at the conclusion of the Annual General Meeting in terms of Articles 85 and 86 of the Articles of Association and being eligible is recommended by the Directors for re-election.

The Directors have recommended the re-appointment of Mr. R N Asirwatham who is 72 years of age, as a Director of the Company; and accordingly a resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the appointment of Mr. R N Asirwatham.

The Directors have recommended the re-appointment of Mr. R B Thambiayah who is 70 years of age, as a Director of the Company; and accordingly a resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the re-appointment of Mr. R B Thambiayah.

Mr. S H Amarasekara who was appointed to the Board on 18th September 2014 shall retire in terms of Article 92 of the Articles of Association of the Company and being eligible is recommended by the Directors for re-election.

Directors of subsidiary Companies are given in Annexure A of this report.

Interests Register

The Directors' Interest register is maintained by the Company and relevant disclosures are made in this report.

Directors' Remuneration

The Directors' remuneration is disclosed under key management personnel compensation in Note 33.2.1 to the Financial Statements on page 170.

Directors' Interests in Contracts

Except for the transactions referred to in Note 33 to the Financial Statements, the Company did not carry out any transaction with any of the Directors. The Company carried out transactions during the year in the ordinary course of its business at commercial rates with the related entities of directors referred to herein. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31/03/2015
Royal Porcelain (Pvt) Ltd	Mr. W.D.N.H.Perera Mr. T.G.Thoradeniya Mr. R.B.Thambiayah Mr. L.T. Samarawickrema Mr.G.A.R.D Prasanna Mr.M.D.S. Goonatillake Mr.R.N.Asirwatham Mr A.M.Weerasinghe	Managing Director Director Marketing & Business Development Director Director Director Director Director Director	A sum of Rs.1,140,301 /- was Received as Service charges A sum of Rs.4,500,000/- was received as Rent Materials worth of Rs. 14,626,119/- were Sold A sum of Rs870,000,000 /- was received as dividends. A sum of Rs. 13,308,884/- worth of Damaged tiles were purchased. Materials worth of Rs. 22,627,919/- were Purchased A sum of Rs.1,413,838,195/= was received as short term funds A sum of Rs.424,254,526/= was received as reimbursement of expenses.	(587,885,479)
Rocell Bathware Ltd	Mr. W.D.N.H.Perera Mr. T.G.Thoradeniya Mr. R.B.Thambiayah Mr. L.T. Samarawickrema Mr.G.A.R.D Prasanna Mr.M.D.S. Goonatillake Mr.R.N.Asirwatham Mr A.M.Weerasinghe	Director CEO Director Director Director Director Director Chairman	Materials worth of Rs. 767,899/- were purchased. Materials worth of Rs. 2,618,496/- were sold. A sum of Rs 230,825,947/- was received as short term funds. A sum of Rs. 125,066,090/- was received as reimbursement of expenses. A sum of Rs. 2,510,999/- was received as dividends.	(448,506,783)

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31/03/2015
Royal Ceramics Distributors (Pvt) Ltd	Mr. K.D.D. Perera Mr. W.D.N.H.Perera Mr. T.G.Thoradeniya Mr. R.B.Thambiayah Mr. L.T. Samarawickrema Mr.G.A.R.D Prasanna Mr A.M.Weerasinghe	Deputy Chairman Managing Director Director Director Director Director Chairman	A sum of Rs 165,144/- was received as reimbursement of expenses.	754,354
Ever Paint and Chemical Industries (Pvt) Ltd.	Mr A.M.Weerasinghe	Chairman	Materials worth of Rs.4,215,663/- were purchased Materials worth of Rs. 56,707/- were sold A sum of Rs. 70,000,000/-was given as short term Funds A sum of Rs. 3,545,412/- was received as Reimbursement of expenses.	64,229,987
Horana Plantation PLC	Mr. K.D.D. Perera Mr.W.D.N.H.Perera	Deputy Chairman Chairman	A sum of Rs 900,000/- was paid as vehicle rent. Goods worth of Rs 85,600/- were purchased. A sum of RS. 2,041,699/- was received as reimbursement of expenses. Tiles worth of Rs 5,382/-were sold. A sum of Rs 3,010,408 /- was received as rent.	1,725,891
Lanka Ceramics PLC	Mr. K.D.D. Perera Mr.W.D.N.H.Perera Mr.T.G.Thoradeniya	Deputy Chairman Chairman Director	Materials worth of Rs 31,775,579/- were purchased. A sum of RS. 36,354,311/- was received as reimbursement of expenses. A sum of Rs.108,167,424 /- was received as dividends. A sum of Rs 1,710,459 /- was received as rent. A sum of Rs. 8,847,997 was invested	(2,669,843)

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31/03/2015
Lanka Tiles PLC	Mr. K.D.D. Perera Mr.W.D.N.H.Perera Mr.T.G.Thoradeniya	Director Chairman Director	Materials worth of Rs 1,031,229/- goods were purchased. Tiles worth of Rs 645,731/- were sold. A sum of Rs.121,987,002/- was received as Technical charges A sum of RS. 56,573,878/- was received as reimbursement of expenses. A sum of Rs.4,404,283/- was received as dividends. A sum of Rs. 58,317,540 was invested	16,846,930
Lanka Walltiles PLC	Mr.W.D.N.H.Perera Mr.T.G.Thoradeniya	Chairman Director	Tile worth of Rs 344,531/- were sold. A sum of Rs 35,092,058 was received as technical fee. A sum of RS. 41,453,046/- was received as reimbursement expenses. A sum of Rs.2,610,765 /- was received as dividends. A sum of Rs. 7,423,067/- was received as sales commission	5,350,770
Uni-Dil Packaging Limited	Mr.W.D.N.H.Perera Mr.T.G.Thoradeniya	Chairman Director	Goods worth of Rs 30,962,368/- were purchased. A sum of RS. 925,982/- was received as reimbursement expenses.	(8,046,691)
Swisstek (Ceylon) PLC	Mr.W.D.N.H.Perera Mr.T.G.Thoradeniya	Chairman Director	Goods worth of Rs 1,477,347/- were purchased. A sum of RS.1,310,601 was received as Technical charges. A sum of RS.8,196,198/- was paid as sales commission A sum of RS. 5,442,456/- was received as reimbursement of expenses.	(2,625,541)
Swisstek Aluminium Limited	Mr.W.D.N.H.Perera	Chairman	A sum of RS. 13,564,019/- was received as reimbursement of expenses.	626,570

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31/03/2015
Aitken Spence Hotels PLC	Mr. R N Asirwatham	Director	Tiles worth of Rs 27,028/- were sold. A sum of Rs.450,000/- was received as dividends.	14,355
Chemanex PLC	Mr. S H Amarasekara	Chairman	Tiles worth of Rs 1,686,652/- were sold.	(369,636)
Colombo Land and Development Company	Mr. M D S Goonatilleke	Director	Tiles worth of Rs 10,648,392/- were sold.	
Douglas & Sons Ltd	Mr. M D S Goonatilleke	Director	Tiles worth of Rs 498,400/- were sold.	
Haycarb PLC	Mr. W D N H Perera Mr. Dhammika Perera	Director Director	Tiles worth of Rs 994,484/- were sold.	
Hayleys PLC	Mr. W D N H Perera Mr. M D S Goonatilleke Mr. L T Samarawickrama Mr. K D D Perera	Director Director Director Co-Chairman (Non Executive)	Tiles worth of Rs 2,037,313/- were sold.	191,831
Kandyan Resorts (Pvt) Ltd	Mr. L T Samarawickrama	Director	Tiles worth of Rs 438,108/- were sold.	
Renuka Hotels Ltd	Mr. R N Asirwatham Mr. R B Thambiayah	Director Chairman	Tiles worth of Rs 1,022,124/- were sold.	35,700
The Kingsbury PLC	Mr. W D N H Perera Mr. K D D Perera Mr. L T Samarawickrama	Director Director Director	Tiles worth of Rs 494,634/- were sold. A sum of Rs. 4,017,051 was paid as hotel bills	
L B Finance PLC	Mr. K D D Perera Mr. W D N H Perera	Executive Deputy Chairman Executive Director	A sum of Rs.105,660,453 /- was received as dividends.	67,597

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 74.

Auditors

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

A total amount of Rs. 1,071,687/- is payable by the Company to the Auditors for the year under review comprising Rs. 946,687/- as audit fees and Rs. 125,000/- for non audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 19 May 2015 recommended that they be re-appointed as Auditors. A resolution to reappoint the Auditors and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

The Stated Capital of the Company is Rs.1,368,673,373/-.

The number of shares issued by the Company stood at 110,789,384 fully paid ordinary shares as at 31st March 2015 (which was the same as at 31st March 2014).

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2015 and 31st March 2014 are as follows

	Shareholding as at 31/03/15	Shareholding as at 31/03/14
Mr. Dhammika Perera	200,772	200,772
Mr. A M Weerasinghe	749,928	7,142,614
Mr. W D N H Perera	-	-
Mr. T G Thoradeniya	185,680	176,390
Mr. L T Samarawickrama	2,000	2,000
Mr. R B Thambiayah	1,584	1,584
Mr. G A R D Prasanna	5,000	
Mr. M D S Goonatilleke	-	2,500
Mr. R N Asirwatham	-	-
Mr. S H Amarasekara	-	-
Ms. A L Thambiayah (Alternate Director	-	-
to Mr. R B Thambiayah)	-	-

Mr Dhammika Perera is the major shareholder of Vallibel One PLC, which holds 56,502,600 shares constituting 51% of the shares representing the stated capital of the Company

Shareholders

There were 10,867 shareholders registered as at 31st March 2015 (11,427 shareholders as at 31st March 2014). The details of distribution are given on page 186 of this Report.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 186 to187 under Share Information and on page No. 182 under the 10 year summary of the Company.

Employment Policy

The Company's employment policy is totally non-discriminatory which respects individuals and provides carrier opportunities irrespective of the gender, race or religion.

1,028 persons were in employment as at 31st March 2015 (1,001 persons as at 31st March 2014).

Reserves

The reserves of the Company with the movements during the year are given in Note 14 to the Financial Statements on page 135.

Land holdings

The Company's land holdings referred to in note 3 of the accounts comprise of the following:

Location	No of Buildings	Extent (perches)	As At 31-03-2015
Kottawa	3	230.72	105,485,000.00
Eheliyagoda	28	7,937.40	250,299,000.00
Meegoda WH	1	440.00	52,379,000.00
Nawala New	1	24.96	87,150,000.00
Nuwara Eliya	1	28.69	25,048,150.00
Naththandiya	-	1,600.00	20,000,000.00
Kalutara	-	768.16	11,525,000.00
Seeduwa	-	52.52	66,112,619.00
Narahenpita	-	17.02	59,313,500.00
Colpetty	1	19.96	119,820,000.00
Panadura	1	18.82	55,164,932.00
	36	11,138.25	852,297,201.00

1. A land of an extent of 18.82 perches situated in Panadura, which was acquired during the current financial year for Rs. 55,164,932. (The current market value being Rs. 55,164,932)
2. A land in extent 16 perches situated in Meegoda which was acquired during the year for Rs 3,639,000 (current market value being Rs 3,639,000).
3. A land in extent 27.95 perches at Ehaliyagoda which was acquired during the year for Rs 3,149,000 (current market value being Rs 3,149,000)

Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Notes 3 to the Financial Statements on pages 110 to 126.

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2015 are given in Notes 5,6 and 12 to the Financial Statements on pages 128, 129 and 134.

Donations

The Company made donations amounting to Rs. 12,000/- in total, during the year under review

Dividends

During the year under review the Company paid two interim dividends of which the first interim dividend of Rs. 1/- per share for the financial year ending 31st March 2015 was paid on 21st November 2014 and the second interim dividend of Rs. 2/- per share for the financial year ending 31st March 2015 was paid on 17th March 2015

The Directors have recommended a final dividend of Rs 2/- per share for the year under review subject to obtaining a certificate of solvency from the auditors and to be approved by the shareholders at the forthcoming Annual General Meeting. As required by Section 56 of the Companies Act, the Directors have certified that they are satisfied that the Company will, immediately after the said distribution is made, satisfy the solvency test in accordance with the Companies Act. No 07 of 2007.

The said dividend will be payable subject to approval by the shareholders, on 7th market day from the date of the annual general meeting. The said dividends are included in the distributable profit for the year under review.

Risk Management

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee.

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 58.

Statutory Payments

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

Contingent Liabilities

Except as disclosed in Note 29 to the Financial Statements on page 167. There were no material Contingent Liabilities as at the Balance Sheet date.

Events occurring after the Balance Sheet date

Except for the matters disclosed in Note 31 to the Financial Statements on page 168 there are no material events as at the date of the Auditor's report which require adjustment to, or disclosure in the Financial Statements.

Corporate Governance

The Board of Directors confirms that the Company is compliant with section 7.10 of the Listing Rules of the CSE.

An Audit Committee and a Remuneration Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows.

Audit Committee

Mr. M D S Goonatilleke - Chairman
Mr. L T Samarawickrama
Mr. R N Asirwatham
Mr. S H Amarasekara

Remuneration Committee

Mr. R B Thambiayah - Chairman
Mr. L T Samarawickrama
Mr. M D S Goonatilleke

The corporate governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, Management and employees.

The Corporate Governance Statement on pages 53 to 57 explains the measures adopted by the Company during the year.

Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programme, details of which are set out on pages 36 to 47 of this Report.

Special Business

The Board is of the opinion that the change of name of the Company to 'Rocell PLC' would be appropriate to further elevate the Company's image and profile, recommends to the shareholders that the name of the Company be changed to 'Rocell PLC'.

Accordingly, a resolution will be placed before the shareholders at the forthcoming Annual General Meeting to give effect to such change of name.

The Directors have also recommended an amendment to the Articles of Association whereby the provisions for the appointment and cessation of an Alternate Director be changed inter alia to enable an Alternate Director to be appointed at any time by notice in writing left at the Office. Accordingly, a resolution is placed before the shareholders to obtain shareholders' approval for the said amendment to the Articles of Association.

Annual General Meeting

The Notice of the Twenty Fifth (25th) Annual General Meeting appears on page 190.

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

Dhammika Perera
Chairman

W D N H Perera
Managing Director

P W Corporate Secretarial (Pvt) Ltd
Secretaries

29th May 2015

Annexure A to the Annual Report of the Board of Directors on the Affairs of The Company

Directors of subsidiary Companies

Royal Porcelain (Private) Limited

Mr. A M Weerasinghe
Mr. W D N H Perera
Mr. T G Thoradeniya
Mr. L T Samarawickrama
Mr. R B Thambiayah
Mr. G A R D Prasanna
Mr. M D S Goonatilleke
Mr. R N Asirwatham
Mr. H Somashantha
Mr. M W R N Somaratne

Rocell Bathware Limited

Mr. A M Weerasinghe
Mr. W D N H Perera
Mr. T G Thoradeniya
Mr. L T Samarawickrama
Mr. R B Thambiayah
Mr. G A R D Prasanna
Mr. M D S Goonatilleke
Mr. R N Asirwatham
Mr. D J Silva

Royal Ceramics Distributors Limited

Mr. A M Weerasinghe
Mr. W D N H Perera
Mr. T G Thoradeniya
Mr. G A R D Prasanna
Mr. L T Samarawickrama
Mr. R B Thambiayah
Mr. K D H Perera

Ever Paint and Chemical Industries (Private) Limited

Mr. A M Weerasinghe
Mr. H Somashantha
Mr. M W R N Somaratna
Mr. J K A Sirinatha
Mr. D B Gamalath

Lanka Ceramic PLC

Mr. W D N H Perera
Mr. JA P M Jayasekara
Mr. Dhammika Perera
Mr. T G Thoradeniya
Dr. S Selliah
Mr. K D G Gunaratne
Ms A M L Page
Mr. N A Abeyesekera
Mr. D J Silva
Mr. R D P Godawatta Arachchige
(Alternate Director to Mr Dhammika Perera)

Lanka Walltiles PLC

Mr. W D N H Perera
Mr. J A P M Jayasekera
Mr. T De Soysa
Dr. S Selliah
Mr. T G Thoradeniya
Mr. K D G Gunaratne
Ms. A M L Page
Mr. M W R N Somaratne

Lanka Tiles PLC

Mr. W D N H Perera
Mr. Dhammika Perera
Mr. J A P M Jayasekara
Mr. P L Amarasinghe

Dr. S Selliah
Mr. T G Thoradeniya
Mr. K D G Gunaratne
Ms. A M L Page
Mr. R D P Godawatta Arachchige (Alternate Director to Mr Dhammika Perera)

Swisstek (Ceylon) PLC
Mr. W D N H Perera
Mr. J A P M Jayasekara
Mr. K Y Choi
Mr. S A D M Ratnayake
Mr. J K A Sirinatha
Ms. K C Silva

Swisstek Aluminium Limited
Mr. W D N H Perera
Mr. J A P M Jayasekara
Mr. A A Page
Mr. D De Silva
Mr. A S Mahendra
Mr. B T T Roche
Mr. K Y Choi
Mr. S A D M Ratnayake
Ms. K C Silva

Vallibel Plantation Management Limited
Mr. W D N H Perera
Mr. N T Bogahalande
Mr. T G Thoradeniya
Mr. N A Abeyesekera
Mr. J M Kariapperuma

Horana Plantations PLC
Mr. W D N H Perera
Mr. Dhammika Perera
Mr. L J A Fernando
Dr. S Selliah
Mr. A M Pandithage
Mr. A N Wickremasinghe
Mr. J M Kariapperuma
Mr. K D H Perera
Mr. W G R Rajadurai
Mr. K D G Gunaratne - Alternate Director to Mr. Dhammika Perera
Mr. N T Bogahalande - Alternate Director to Mr. K D H Perera)

Uni-Dil Packaging Limited
Mr. W D N H Perera
Mr. D B Gamalath
Mr. N A Abeyesekera
Mr. Haresh Somashantha
Mr. N T Bogahalande
Mr. T G Thoradeniya
Ms. K C Silva

Uni-Dil Paper Sacks (Private) Limited
Mr. D B Gamalath
Mr. N A Abeyesekera
Ms. K C Silva

Rocell Pty Ltd
Mr. W. D. N. H. Perera
Mr. T. G. Thoradeniya
Mr. Priyashantha Perera

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with the Companies Act, No.7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and are required to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company and its subsidiaries as at the reporting date and the income and expenditure of the Company for the accounting year ending on that reporting date.

The Directors are also responsible in ensuring that the Financial Statements comply with any regulations made under the Companies Act, which specifies the form and content of Financial Statements and any other requirements which apply to the Company's Financial Statements under any other law.

The Directors have ensured that the Financial Statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments' and estimates and in compliance with the Sri Lanka Financial Reporting Standards, Companies Act, No.7 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

The Directors are responsible for keeping sufficient accounting records, which disclose with reasonable accuracy the financial position of the group, which will enable them to have the Financial Statements prepared and presented as aforesaid.

They are also responsible for taking measures to safeguard the assets of the group and in that context to have proper regards to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors are also confident that the Company and the group have adequate resources to continue in operation and have applied the going concern basis in preparing the financial statements.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board
Royal Ceramics Lanka PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

29th May 2015

REPORT OF THE AUDIT COMMITTEE

Composition of the Audit Committee

The Audit Committee, appointed by the Board of Directors of Royal Ceramics Lanka PLC, comprises of four Independent Non-Executive Directors, and is chaired by Mr. M.D.S.Goonatilleke, who is an Associate member of the Institute of Chartered Management Accountants (UK) and a passed finalist of the Institute of Chartered Accountants (Sri Lanka).

The members of the Board appointed Audit Committee are;

Mr. M D S Goonatilleke - Chairman

Mr. L T Samarawickrama

Mr. R N Asirwatham

Mr. S.H Amarasekara

The Board Secretary functions as the Secretary to the Audit Committee.

Role of the Audit Committee

The Audit Committee is a formally constituted sub – committee of the Board of Directors and it reports and is accountable to the Board. The Committee has a written Terms of Reference, which clearly defines the role and responsibility of the Audit Committee. The key purpose of the Audit Committee of Royal Ceramics Lanka PLC is to assist the Board of Directors in fulfilling its oversight responsibility for;

1. The integrity of financial statements in accordance with Sri Lanka Financial Reporting Standards.
2. The compliance with legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements.
3. The External Auditor's independence and performance.
4. The performance review of the internal audit function to ensure that the Company's internal controls and risk management systems are adequate.

Meetings

The Audit Committee met three times during the year. The Managing Director, Head of Finance & Treasury and Chief Internal Auditor also attended these meetings by invitation. The other executives and external auditors do so as and when required. Attendance by the Committee members at each of these meetings are given in the Corporate Governance Report on page 53. The Committee carried out the following activities.

Financial Reporting

As part of its responsibility to oversee the Company's financial reporting process on behalf of the Board of Directors, the Committee has reviewed and discussed with the Management, the annual and the quarterly Financial Statements prior to their issuance, including the extent of compliance with the Sri Lanka Financial Reporting Standards and the Companies Act No. 07 of 2007.

Matters of special interest in the current environment and the processes that support certifications of the Financial Statements by the Company's Managing Director and Head of Finance & Treasury were also brought up for discussion.

Risks and Controls

During the year, the Committee assessed the major business and control risks and the control environment prevalent in the Company and advised the management on action to be taken in areas where weaknesses were observed. The Committee reviewed reports on losses resulting from frauds and operational failures, and scrutinized the effectiveness of the Company's internal control system already in place and the processes for identification, evaluation, and management of all significant risks.

External Audit

The Committee met with the External Auditor during the year to discuss their audit approach and procedures, including matters relating to the scope of the audit. In addition, the annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process was also undertaken.

The Committee reviewed the Management Letter arising from the audit of Annual Financial Statements issued by the External Auditor together with the management responses and recommendations thereto and ensured appropriate follow up actions were taken. The Non-Audit Services provided by the External Auditor were also reviewed and the Committee was of the view that such services did not impair with their independence and were not within the category of services identified as restricted under the guidelines for listed companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka.

The Letter of Representation issued to the External Auditor was tabled at the Audit Committee meeting. The re-appointment of the External Auditor, M/s Ernst & Young has been recommended to the Board of Directors and the Committee has also fixed the Auditor's remuneration, subject to approval by the shareholders at the Annual General Meeting.

Internal Audit

During the year, the Audit Committee reviewed the performance of the internal audit function the findings of the audits completed which covered the head-office, showrooms, stores, factories and Subsidiary companies with special reference to the internal controls regarding inventory and debtors, and the Department's resource requirements including succession planning. The Internal Audit Plan was also reviewed and approved by the committee and follow up actions were monitored regularly.

Regulatory Compliance

The Head of Finance & Treasury has submitted to the Audit Committee, a report on the extent to which the Company was in compliance with mandatory and statutory requirements. The Committee reviewed the procedures established by Management for compliance with the requirements of regulatory bodies and also ensured the full compliance to the Colombo Stock Exchange Rule No 7.10 on Corporate Governance disclosure requirements, which is given on page 60.

M D S Goonatilleke
Chairman - Audit Committee

29th May 2015

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee, appointed by and responsible to the Board of Directors, comprises three Non-Executive Independent Directors

Mr. R B Thambiayah - Chairman

Mr. L T Samarawickrama

Mr. M D S Goonatilleke

Policy

The remuneration policy of the Company endeavours to attract, motivate, and retain quality management in a competitive environment with the relevant expertise necessary to achieve the objectives of the Company. The Committee focuses on and is responsible for ensuring that the total package is competitive to attract the best talent for the benefit of the Company.

The remuneration framework of the Company for the Non-Executive Chairman, Managing Director, and Corporate Management is designed to create and enhance value to all stakeholders of the Company and to ensure alignment qua the short and long term interests of the Company and its Executives and, in designing competitive compensation packages, the Committee consciously balances the short-term performance with medium to long-term goals of the Company.

Scope

The Committee reviews all significant changes in the corporate sector in determining salary structures and terms and conditions relating to staff at senior Executive level. In this decision making process, necessary information and recommendations are obtained from the Managing Director. The Committee deliberates and recommends to the Board of Directors the remuneration packages and annual increments and bonuses of the Managing Director, members of the Corporate Management and Senior Executive staff and lays down guidelines for the compensation structure for all Executive staff and overviews the implementation of thereof. The Managing Director who is responsible for the overall management of the Company attends all meetings by invitation and participates in the deliberations except when his own performance and compensation package is discussed.

Fees

All Non-Executive Directors receive a fee for attendance at Board Meetings and serving on sub-committees. They do not receive any performance or incentive payments. The total remuneration to Directors is shown in Note 34.2.1 on page 189.

Meetings

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

Professional Advice

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

Committee Evaluation

Self-assessment by Committee members was compiled with at the commencement of 2015.

R B Thambiayah
Chairman- Remuneration Committee

29th May 2015

CREATING WEALTH

FINANCIAL CALENDAR

Final Dividend 2013/14	May 30, 2014
Interim Report- 1st Quarter 2014/2015	August 12, 2014
Interim Report- 2nd Quarter 2014/2015	November 12, 2014
1st Interim Dividend 2014/15	November 21, 2014
Interim Report- 3rd Quarter 2014/2015	February 6, 2015
2nd Interim Dividend 2014/15	March 17, 2015
Interim Report- 4th Quarter 2014/2015	May 29, 2015
Annual Report 2014/2015	May 29, 2015
25th Annual general meeting	June 29, 2015
Final Dividend 2014/15	July 9, 2015

INDEPENDENT AUDITORS' REPORT

Building a better working world

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Chartered Accountants
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Sri Lanka

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TO THE SHAREHOLDERS OF ROYAL CERAMICS LANKA PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Royal Ceramics Lanka PLC, (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 March 2015, and the statement of profit or loss and comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors (the "Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of the financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion :

- We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
- The financial statements of the Company give a true and fair view of the financial position as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
- The financial statements of the Company and the Group, comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

Ernst & Young

29th May 2015
Colombo

STATEMENT OF FINANCIAL POSITION

As At 31st March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	03	3,062,535,709	2,762,442,517	16,903,849,002	16,267,160,207
Leasehold Rights Over Mining Lands	3.19	-	-	511,500	1,226,500
Investment Property	04	-	-	239,404,000	240,094,000
Investments in Subsidiaries	05	4,990,598,013	4,667,755,836	-	-
Investments in Associate	06	3,162,937,490	3,162,937,490	4,222,616,289	3,804,672,527
Intangible Assets	07	207,679,861	156,921,128	1,273,701,203	1,220,910,671
Long Term Receivables	08	-	-	27,285,000	27,285,000
Deferred Tax Assets	25.3	309,351,305	165,336,310	361,701,305	195,831,689
Other Financial Assets	12.1	-	197,210,279	-	197,210,279
		11,733,102,378	11,112,603,560	23,029,068,299	21,954,390,873
Current Assets					
Inventories	09	1,226,218,623	992,775,692	7,127,130,857	6,842,340,259
Trade and Other Receivables	10	307,481,339	362,953,061	2,754,557,275	3,307,252,089
Other Non Financial Assets	11	239,909,618	272,210,225	641,658,533	700,037,569
Other Financial Assets	12.2	131,734,979	128,962,267	131,734,979	128,962,267
Income Tax Recoverable		23,185,791	11,300,550	83,325,950	20,946,854
Cash and Cash Equivalents	20	287,324,543	160,880,808	1,329,056,539	377,674,243
		2,215,854,893	1,929,082,603	12,067,464,133	11,377,213,281
Total Assets		13,948,957,271	13,041,686,163	35,096,532,432	33,331,604,154
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	13	1,368,673,373	1,368,673,373	1,368,673,373	1,368,673,373
Reserves	14	213,634,264	213,634,264	707,810,284	679,076,545
Retained Earnings		5,545,481,408	5,205,381,338	9,798,316,270	8,346,663,276
		7,127,789,045	6,787,688,975	11,874,799,927	10,394,413,194
Non-Controlling Interest		-	-	6,136,012,120	5,197,606,269
Total Equity		7,127,789,045	6,787,688,975	18,010,812,047	15,592,019,463

As At 31st March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Non-Current Liabilities					
Interest Bearing Loans & Borrowings	15	3,315,570,610	3,708,063,034	5,985,992,017	6,832,074,111
Deferred Tax Liabilities	25.4	-	-	753,546,160	604,138,639
Retirement Benefit Liability	16	171,683,467	151,061,887	963,368,345	883,354,555
Deferred income & Capital grants	17	-	-	121,613,000	118,411,000
		3,487,254,077	3,859,124,921	7,824,519,522	8,437,978,305
Current Liabilities					
Trade and Other Payable's	18	1,392,583,392	1,145,866,646	2,094,498,375	2,032,997,420
Other Current Liabilities	19	507,342,863	262,539,495	582,142,600	369,237,435
Dividend Payable		36,151,214	25,847,795	102,767,214	46,462,247
Income Tax Liabilities		-	-	173,480,666	27,260,629
Interest Bearing Loans & Borrowings	15	1,397,836,680	960,618,331	6,308,312,008	6,825,648,655
		3,333,914,149	2,394,872,267	9,261,200,863	9,301,606,386
Total Equity and Liabilities		13,948,957,271	13,041,686,163	35,096,532,432	33,331,604,154

I certify that these financial statements are in accordance with the requirements of the Companies Act No. 7 of 2007.

H Somashantha
Head of Finance & Treasury

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the board by,

K D D Perera
Chairman

W D N H Perera
Managing Director

The Accounting Policies and Notes on pages 88 through 181 form an integral part of these financial statements.

29th May 2015
Colombo

STATEMENT OF PROFIT OR LOSS

For the Year ended 31 March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Revenue	21	2,649,932,737	2,413,817,238	22,379,069,221	19,748,800,104
Cost of Sales		(1,410,331,831)	(1,315,499,618)	(15,071,039,608)	(13,410,454,135)
Gross Profit		1,239,600,906	1,098,317,620	7,308,029,613	6,338,345,969
Other Operating Income	22.1	1,255,378,179	1,433,901,011	244,686,965	230,734,677
Distribution Expenses		(1,045,838,271)	(930,226,862)	(2,442,509,458)	(2,041,952,095)
Administrative Expenses		(429,680,758)	(391,395,360)	(1,319,493,545)	(1,220,991,716)
Other Operating Expenses	22.2	(8,393,707)	(24,286,617)	(8,393,707)	(24,286,617)
Finance Cost	23.1	(376,515,218)	(518,988,940)	(971,088,131)	(1,405,084,267)
Finance Income	23.2	1,091,332	1,540,308	1,803,658	28,449,557
Share of Associate Companies Profit		-	-	830,546,235	388,598,646
Profit Before Tax	24	635,642,463	668,861,160	3,643,581,630	2,293,814,154
Tax (Expense)/Reversal	25	143,881,333	185,780,191	(576,674,380)	(318,531,311)
Net Profit for the Year		779,523,796	854,641,351	3,066,907,250	1,975,282,843
Attributable to					
Equity Holders of the Parent		779,523,796	854,641,351	2,134,584,315	1,125,669,580
Non-Controlling Interest		-	-	932,322,935	849,613,263
		779,523,796	854,641,351	3,066,907,250	1,975,282,843
Basic Earnings Per Share	26	7.04	7.71	19.27	10.16
Dividend per share	27	4.00	-	4.00	-

The Accounting Policies and Notes on pages 88 through 181 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Net Profit for the Year		779,523,796	854,641,351	3,066,907,250	1,975,282,843
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to profit or loss in subsequent periods (net of tax):					
Exchange Differences on translation of foreign operations		-	-	(4,169,416)	-
Net (loss)/gain on available-for-sale financial assets of Associate company	14.2	-	-	(2,468,658)	8,499,840
Net Other Comprehensive Income to be reclassified to profit or loss in subsequent periods		-	-	(6,638,074)	8,499,840
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Revaluation of Land		-	-	165,260,000	15,167,176
Revaluation Reserve on Disposal of Land and Building		-	-	(10,185,000)	-
Revaluation of Land of Associate company		-	-	-	148,521,315
Acturial (Loss)/Gain on Retirement Benefit Liability		(354,414)	(4,139,270)	(1,996,389)	(86,444,514)
Acturial (Loss)/Gain on Retirement Benefit Liability of Associate Company		-	-	(667,563)	(3,327,269)
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods		(354,414)	(4,139,270)	152,411,048	73,916,707
Other comprehensive income for the year, Net of tax		(354,414)	(4,139,270)	145,772,974	82,416,547
Total comprehensive income for the year, Net of tax		779,169,382	850,502,081	3,212,680,224	2,057,699,391
Attributable to					
Equity Holders of the Parent				2,159,798,189	1,261,055,916
Non-Controlling Interest				1,052,882,035	796,643,475
				3,212,680,224	2,057,699,391

The Accounting Policies and Notes on pages 88 through 181 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY - COMPANY

For the Year ended 31 March 2015	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2013	1,368,673,373	213,634,264	4,354,879,257	5,937,186,894
Net Profit for the Year	-	-	854,641,351	854,641,351
Other Comprehensive Income/(Loss)	-	-	(4,139,270)	(4,139,270)
Total Comprehensive Income	-	-	850,502,081	850,502,081
Balance as at 31st March 2014	1,368,673,373	213,634,264	5,205,381,338	6,787,688,975
Net Profit for the Year	-	-	779,523,796	779,523,796
Other Comprehensive Income/(Loss)	-	-	(354,414)	(354,414)
Total Comprehensive income	-	-	779,169,382	779,169,382
Final Dividends - 2013/2014	-	-	(110,789,384)	(110,789,384)
Interim Dividends 2014/2015	-	-	(332,368,152)	(332,368,152)
Dividend Write back	-	-	4,088,225	4,088,225
Balance as at 31st March 2015	1,368,673,373	213,634,264	5,545,481,408	7,127,789,045

The Accounting Policies and Notes on pages 88 through 181 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY - CONSOLIDATED

For the Year ended 31 March 2015

	Attributable to owners of the parent						
	Stated Capital	Revaluation Reserve	Available for sale Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non-Controlling Interest	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April 2013	1,368,673,373	513,494,300	1,071,547	-	6,518,230,548	-	8,401,469,768
Acquisition of Subsidiary	-	-	-	-	-	5,342,651,991	5,342,651,991
Net profit for the year	-	-	-	-	1,125,669,580	849,613,263	1,975,282,843
Other comprehensive Income/(Loss)	-	156,010,858	8,499,840	-	(29,124,362)	(52,969,788)	82,416,547
Total Comprehensive Income	-	156,010,858	8,499,840	-	1,096,545,218	796,643,475	2,057,699,390
Write back of Unclaimed Dividends	-	-	-	-	1,043,887	1,145,113	2,189,000
Subsidiary Dividends to Minority Shareholders	-	-	-	-	67,309,619	(240,403,619)	(173,094,000)
Change in Holding without Change in Control	-	-	-	-	663,534,004	(702,430,692)	(38,896,688)
Balance as at 31st March 2014	1,368,673,373	669,505,158	9,571,387	-	8,346,663,276	5,197,606,269	15,592,019,462
Net profit for the year	-	-	-	-	2,134,584,315	932,322,935	3,066,907,250
Other comprehensive Income/(Loss)	-	35,371,813	(2,468,658)	(4,169,416)	(3,519,865)	120,559,100	145,772,974
Total Comprehensive income	-	35,371,813	(2,468,658)	(4,169,416)	2,131,064,450	1,052,882,035	3,212,680,224
Final Dividends - 2013/14	-	-	-	-	(110,789,384)	-	(110,789,384)
Interim Dividends 2014/2015	-	-	-	-	(332,368,152)	-	(332,368,152)
Dividend Write back	-	-	-	-	4,088,225	-	4,088,225
Subsidiary Dividends to Minority Shareholders	-	-	-	-	-	(287,652,389)	(287,652,389)
Change in Holding without Change in Control	-	-	-	-	(240,342,144)	173,176,205	(67,165,939)
Balance as at 31st March 2015	1,368,673,373	704,876,971	7,102,729	(4,169,416)	9,798,316,270	6,136,012,120	18,010,812,047

The Accounting Policies and Notes on pages 88 through 181 form an integral part of these financial statements.

CASH FLOW STATEMENT

For the Year ended 31 March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Cash Flows From / (Used in) Operating Activities					
Profit from Operating Activities before tax		635,642,463	668,861,160	3,643,581,632	2,293,814,154
Adjustments for					
Dividend Income		(1,093,826,710)	(1,386,268,814)	(472,784)	(1,835,528)
Tax Write off/Write backs		-	-	-	7,062,809
Interest Income		(1,091,332)	(1,540,308)	(1,803,658)	(28,449,557)
Depreciation of Property, Plant & Equipment		219,049,719	172,638,134	1,158,892,325	1,000,228,245
Amortisation of leasehold right over land		-	-	715,000	1,252,500
(Profit)/Loss on Sale of Property, Plant & Equipment		(1,973,071)	10,391,681	(35,452,552)	(35,783,344)
Finance Costs	23.1	376,515,218	518,988,940	971,088,131	1,405,084,267
(Gain)/Loss from sale of Fair Value through Profit or Loss Investments		-	24,286,617	-	24,286,617
Provision/(Reversal) of stock provision		28,860,149	(3,108,694)	113,307,638	38,839,810
Amortization of Intangible Assets		7,403,559	7,508,826	7,403,559	7,508,826
Exchange rate effect		7,405,200	11,173,522	11,666,200	11,173,522
Impairment of Goodwill		-	-	5,605,949	-
Provision for bad debts		-	-	50,731,724	11,198,257
Deferred income / capital grants amortisation		-	-	(4,653,000)	(4,255,000)
Changing in Fair Value of Biological Assets		-	-	(56,640,000)	(26,052,000)
Disposal Gain in investment property		-	-	-	(50,000,000)
Provision /(Reversal) for change in market value of the investments		8,393,707	(31,302,483)	8,393,707	(31,302,483)
Profit Share of Investment in associate		-	-	(830,546,235)	(388,598,646)
Provision for Defined Benefit Plans - Gratuity	16	28,573,529	24,617,615	158,193,924	144,114,518
Operating Profit/(Loss) before Working Capital Changes		214,952,431	16,246,196	5,200,011,560	4,378,286,969
(Increase)/ Decrease in Inventories		(262,303,080)	(368,875,793)	(398,098,236)	(882,122,476)
(Increase)/ Decrease in Trade and Other Receivables		55,471,722	172,235,959	501,963,089	(266,062,497)
(Increase)/ Decrease in Other Non Financial Assets		32,300,608	(94,538,579)	58,379,035	(306,879,307)
Increase/ (Decrease) in Trade and Other Payable's		243,413,368	252,197,121	61,501,071	(166,443,333)
Increase/ (Decrease) in Other Current Liabilities		236,808,458	172,426,401	201,213,368	109,788,925
Cash Generated from Operations		520,643,507	149,691,305	5,624,969,887	2,866,568,281
Finance Costs Paid		(368,520,307)	(503,375,949)	(959,396,334)	(1,405,084,267)
Defined Benefit Plan Costs Paid		(5,136,647)	(3,303,378)	(79,202,573)	(86,088,691)
Income Tax Paid		(11,885,242)	(3,803,922)	(202,152,451)	(231,914,553)
Net Cash Flows From/(Used in) Operating Activities		135,101,311	(360,791,944)	4,384,218,530	1,143,480,771

For the Year ended 31 March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant & Equipment		(519,175,451)	(710,304,145)	(1,148,818,965)	(1,877,946,391)
Acquisition of Plantation Assets		-	-	(240,800,000)	(268,513,467)
Proceeds from Sale of Property, Plant & Equipment		2,005,611	2,166,063	40,571,459	38,501,080
Disposal of investment property		-	-	-	130,000,000
Acquisition of Intangible Assets		(58,162,291)	(52,777,280)	(60,194,091)	(53,376,571)
Proceeds from Sale of Short Term investments		-	183,498,439	-	183,498,240
(Acquisition)/Disposals of Short-Term Investment		(12,161,898)	(13,041,633)	(12,161,898)	(13,658,293)
Increase in other non financial assets		73,506	(740,275)	73,506	(740,275)
(Acquisition)/Disposals of Investment in Associate		-	(7,712,921)	-	(8,110,557)
Acquisition of Investment in subsidiary		(57,543,988)	(2,860,567,663)	-	(3,533,223,864)
Acquisition of Non Controlling Interest		(67,165,938)	(107,405,166)	(67,165,938)	(900,565,804)
Interest Received		1,091,332	1,540,308	1,803,658	28,449,557
Dividends Received		1,093,826,710	1,385,989,814	106,133,235	107,111,502
Net Cash Flows from/(Used in) Investing Activities		382,787,593	(2,179,354,460)	(1,380,559,035)	(6,168,574,842)
Cash Flows from / (Used in) Financing Activities					
Proceeds From Interest Bearing Loans & Borrowings		3,948,122,282	5,078,188,222	11,079,601,598	13,571,738,970
Repayment of Interest Bearing Loans & Borrowings		(4,148,481,795)	(2,479,160,424)	(12,744,496,034)	(9,028,684,880)
Capital Repayments under Finance Lease Liabilities		(13,848,146)	(5,780,348)	(33,477,473)	(14,896,738)
Dividends Paid on Ordinary Shares		(428,765,895)	(5,334,422)	(428,765,895)	(5,334,422)
Dividend paid to non controlling interest				(241,650,839)	(173,094,000)
Capital grants received				7,855,000	6,729,000
Net Cash Flows from/(Used in) Financing Activities		(642,973,554)	2,587,913,028	(2,360,933,643)	4,356,457,930
Net (Decrease) in Cash and Cash Equivalents		(125,084,649)	47,766,624	642,725,849	(668,636,141)
Net foreign exchange difference		-	-	(4,169,416)	-
Cash and Cash Equivalents at the beginning of the year	20	(22,736,034)	(70,502,658)	(1,418,951,580)	(750,315,439)
Cash and Cash Equivalents at the end of the year	20	(147,820,683)	(22,736,034)	(780,395,147)	(1,418,951,580)

The Accounting Policies and Notes on pages 88 through 181 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENT

1. CORPORATE INFORMATION

1.1 General

Royal Ceramics Lanka PLC ("the Company") is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is located at No.10, R.A. De Mel Mawatha, Colombo 03.

The Consolidated Financial Statements of the Group as at and for the year ended 31 March 2015 comprise the Royal Ceramics Lanka PLC (Parent Company) and its subsidiaries (together referred as the "Group"), namely Royal Ceramics Distributors (Private) Limited, Royal Porcelain (Private) Limited, Rocell Bathware Limited, Ever Paint and Chemical Industries (Private) Limited, Rocell Ceramics Limited, Rocell Pty Ltd and Lanka Ceramic PLC. Group and Group's interest in equity accounted investees

1.2 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent and ultimate parent undertaking is Vallibel One PLC.

1.3 Principal Activities and Nature of Operations

During the year the principal activities of the group were as follows:

Royal Ceramics Lanka PLC -

Manufacture and marketing of floor tiles and wall tiles

Royal Ceramics Distributors (Private) Limited -

Non Operational

Royal Porcelain (Private) Limited -

Manufacture and marketing of floor tiles and wall tiles

Rocell Bathware Limited -

Manufacture and marketing of sanitary ware

Ever Paint and Chemical Industries (Private) Limited -

Manufacture and marketing of paints and allied products

Rocell Ceramics Limited -

Non Operational

Rocell Pty Limited -

Wholesale and retailing of floor tiles and wall tiles in Australia.

Lanka Ceramic PLC -

Key business activities including providing raw materials to ceramic industry, managing and holding of investments in subsidiary companies and in an investment property

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

1.4 Date of Authorization for Issue

The Consolidated Financial Statements of Royal Ceramics Lanka PLC, for the year ended 31 March 2015 were authorised for issue in accordance with the resolution of the Board of Directors on 29 May 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Financial Statements of the Company and the Group have been prepared on a historical cost basis, except for land and building and fair value through profit or loss financial assets that have been valued at fair value.

The Consolidated Financial Statements are presented in Sri Lanka Rupees (Rs.), except when otherwise indicated.

2.1.1 Statement of Compliance

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka. The preparation and presentation of these financial statements are in compliance with the Companies Act No. 07 of 2007.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed 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 attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

The details of Subsidiaries are as follows:

Company Name	Year of Incorporation	Ownership Percentage
Royal Ceramics Distributors (Private) Limited	1993/1994	100%
Royal Porcelain (Private) Limited	2000/2001	100%
Rocell Bathware Limited	2005/2006	100%
Ever Paint and Chemical Industries (Private) Limited	2002/2003	100%
Lanka Ceramic PLC	1991/1992	77%
Rocell Ceramics Limited	2006/2007	100%
Rocell Pty. Limited	2014/2015	100%

Companies with different accounting years

The financial statements of all the subsidiaries in the Group other than Rocell Pty Limited are prepared for a common financial year which ends on March 31. Rocell Pty Limited prepares their financial statements for the financial year end 30th June each year.

2.3 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements of the Group require the management to make judgments, estimates and assumptions, which may affects the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period. In the process of applying the Group's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgment that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below.

(i) Going Concern

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

(ii) Valuation of Property, Plant and Equipment and Investment Property

The Group measures land and buildings at revalued amounts with changes in fair value being recognized in other comprehensive income and in the statement of equity. The Group engaged independent valuation experts to determine fair value of land and buildings.

The valuer has used valuation techniques such as market values and discounted cash flow method where there was lack of comparable market data available based on the nature of the property.

The determined fair values of investment properties, using investment method, are most sensitive to the estimated yield as well as the long term occupancy rate. The methods used to determine the fair value of the investment properties, are further explained in note 04.

(iii) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

(iv) 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, and only 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 payments, the probability that they will enter bankruptcy or other financial reorganisation 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.

(v) Defined Benefit Plans

The Defined Benefit Obligation and the related charge for the year are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates etc. Due to the long term nature of these plans such estimates are subject to significant uncertainty. Further details are given in Note 16.

(vi) Provision for Slow moving inventories

A provision for slow moving inventories is recognized based on the best estimates available to management on their future usability/sale. As management uses historical information as the basis to determine the future usability and recoverability, actual future losses on inventories could vary from the provision made in these financial statements (Note 9).

2.4 Changes in Accounting Policies

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for

SLFRS 10 Consolidated Financial Statements, SLFRS 13 Fair Value Measurement and amendments to LKAS 1 Presentation of Financial Statements. In addition, the application of SLFRS 12 Disclosure of Interests in Other Entities resulted in additional disclosures in the consolidated financial statements.

SLFRS 10 - Consolidated financial statements

With the adoption of SLFRS 10 in Sri Lanka with effect from 1 January 2014, the Group changed its accounting policy for determining whether an investee is a subsidiary based on the definition of control. The Group considers that control exists when the Company has power over an investee; has exposure or rights to variable returns from its involvement with the investee and when it has ability to use its power over the investee to affect the amount of the Company's returns.

Upon the adoption of SLFRS 10, the Group reassessed the control over its investees and concluded that the application of this standard does require a retrospective adjustment considering the materiality to the Group.

SLFRS 12 - Disclosure of interests in other entities

SLFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in SLFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. SLFRS 12 disclosures are provided in Notes 36 and 37.

SLFRS 13 - Fair value measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS. SLFRS 13 defines fair value as an exit price. The Group re-assessed its policies for measuring fair values. Application of SLFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 38.

LKAS 1 Presentation of Items of Other Comprehensive Income – Amendments to LKAS 1

The amendments to LKAS 1 introduce a grouping of items presented in Other Comprehensive Income. Items that will be reclassified ('recycled') to Income Statement at a future point in time have to be presented separately from items that will not be reclassified. The amendments affect presentation only and have no impact on the Group's financial position or performance.

2.5 Summary of Significant Accounting Policies

2.5.1 Foreign Currency Translation

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is Group's functional currency except for Rocell Pty Limited. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(ii) Group companies

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.5.2 Taxation

(a) Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the relevant tax legislations. Current income tax relating to items recognised directly in equity statement is recognized in equity and not in the statement of total comprehensive income.

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

The Provision for income tax is based on the elements of income and expenditure as reported in Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006.

The statutory tax rates of above companies are as follows;

	2015	2014
Local sales and other profits	28%	28%
Qualified export profit	12%	12%
Agricultural profit	10%	10%
Specified profits	12%	15%

Swisstek Aluminium Ltd

Swisstek Aluminium Ltd is exempted from income tax for a period of five years, commencing from the year of assessment 2012/2013.

Royal Porcelain (Pvt) Ltd

In terms of Section 17(A) of the Inland Revenue Amendment Act No.10 of 2006 and its subsequent amendments, the profits from new undertaking is exempt for income tax for 7 years commencing from year of assessment 2012/13. The profits on the existing business is liable for tax at 28% on local sales and 12% on qualified export profit.

Rocell Bathware Limited

Pursuant to agreement dated 07 July 2006 entered into with Board of Investment under section 17 of the Board of Investment Law, Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of 06 years from the year of assessment in which the company commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever year is earlier. The tax expiration period expires on year of assessment 2016/17 and after the expiration of tax exemption period the profits and income of the enterprise shall be charged for any year of assessment at the rate of 15%.

(b) Deferred Tax

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

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

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

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

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

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

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

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

(c) Economic Service Charge (ESC)

As per the provisions of the Economic Service Charges Act No. 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC paid is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable for further four years.

(d) Turnover Based Taxes

Turnover based taxes include Value Added Tax (VAT) and Nation Building Tax (NBT). The Company/Group pays such taxes in accordance with the respective statutes.

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

2.5.3 Borrowing Cost

Borrowing costs are recognised as an expense in the period in which they are incurred except to the extent where borrowing cost that are directly attributable to acquisition, construction or production of assets that takes a substantial period of time to get ready for its intended use or sale. Such borrowing costs are capitalized as part of those assets.

2.5.4 Inventories

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

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

(a) Raw material - At purchase cost on weighted average cost basis, except for Ever Paint and Chemical Industries Private Limited ,Ceytea Plantation Management Limited and Swisstek (Ceylon) PLC which is on a first in first out basis.

(b) Consumable and spares - At purchase cost on weighted average cost basis, except for Ever Paint and Chemical Industries Private Limited which is on a first in first out basis.

(c) Finished goods and Work in progress - at the cost of direct material, direct labour and appropriated proportion of production overheads based on normal operating capacity.

(d) Goods in transit have been valued at cost.

(e) Trading goods – At Purchase cost on weighted average basis except for Lanka Walltiles group which is on first in first out basis

2.5.5 Property, Plant and Equipment

(a) Initial recognition

All items of property, plant and equipment are initially recorded at cost.

The cost of property, plant and equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use. Subsequent to the initial recognition as an asset at cost, revalued assets are carried at revalued amounts less any subsequent deprecation thereon. All other property, plant and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses, if any. Accumulated depreciation is provided for, on the bases specified in (c) below.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent Expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from the originally assessed standard of performance, is recognised as an expense when incurred.

(c) Depreciation

Depreciation is calculated by using a straight-line basis on all property, plant and equipment, other than freehold land, in order to write off the cost or valuation over the estimated economic life of such assets.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

(d) Revaluation

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

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of income, in which case the increase is recognised in the statement of income. A revaluation deficit is recognised in the statement of income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Cost of repairs and maintenance are charged to the statement of income during the period in which they are incurred.

(e) De-recognition

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

(f) Capital Work in Progress

Capital work in progress represents the cost of civil construction work not completed and property, plant and equipment that are not ready for their intended use.

2.5.6 Intangible assets

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

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

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

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

Amortization is calculated using the straight- line method to write down the cost of intangible assets to their residual values over their estimated useful lives of 15 years, for computer software.

2.5.7 Leases

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable asset that are owned as described in note 3.19.

The principal/capital element payable to the lessor is shown as liability/obligation. The lease rentals are treated as consisting of capital and interest elements. The capital element in the rental is applied to reduce the outstanding obligation and interest element is charged against profit, in proportion to the reducing capital outstanding.

The cost of improvements on leased property is capitalised, disclosed as improvements to leasehold property and depreciated over the unexpired period of the lease, or the estimated useful lives of the improvements, whichever is shorter.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases.

Rentals paid under operating leases are recognized as an expense in the statement of profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

2.5.8 Investment properties

Properties held for capital appreciation and properties held to earn rental income have been classified as Investment Property.

Basis of Recognition

Investment Property is recognised if it is probable that future economic benefits that are associated with the Investment Property will flow to the Group and cost of the Investment Property can be reliably measured.

Measurement

Initial Measurement

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

Subsequent Measurement

The Group applies the Cost Model for Investment Properties in accordance with Sri Lanka Accounting Standard 40 (LKAS 40), - "Investment Property". Accordingly, land and buildings classified as Investment Properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation is provided on a straight line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal.

Class of tangible assets	Useful life
Buildings	Over 50 years

2.5.9 Investments In subsidiaries

Investments in subsidiaries in the separate financial statements have been accounted for at cost, net of any impairment losses which are charged to the statement of comprehensive income of the Company.

Income from these investments is recognised only to the extent of dividend received.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amounts are recognized as income or expense.

2.5.10 Business Combination and Goodwill

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of non-controlling interest in acquiree. For each business combination, the group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

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

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

2.5.11 Financial instruments – initial recognition and subsequent measurement

Financial assets

(a) Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial assets as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include investments in equity securities, trade and other receivables, cash and bank balances.

(b) Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The amortisation is included in finance income in the statement of income.

Financial Assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading. Financial assets are classified as held for trading if those are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the income statement. The Group has not designated any financial assets upon initial recognition as financial asset at fair value through profit or loss.

The Group evaluates its financial assets held for trading to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances.

Available-for-sale financial investments

For available-for-sale financial investments include equity securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are valued at cost.

(c) Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(d) 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, and only 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.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of income.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of income.

Available-for-sale financial investments

For available-for-sale financial investments, the Company/ Group assesses at each reporting date whether

there is objective evidence that an investment or a group of investments is impaired.

Financial liabilities

(e) Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and financial guarantee contracts.

(f) Subsequent measurement

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

Loans and borrowings

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

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

(g) Derecognition

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

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

(h) Offsetting of financial instruments

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

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

(i) Fair value of financial instruments

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 12.

2.5.12 Trade and Other Receivables

Trade debtors, including amounts owing by subsidiary, deposits and other debtors (excluding non financial assets classified under deposits and other receivables which are measured at cost) classified and accounted for as loans and receivable. Based on the nature the relevant accounting policy for this category of financial assets are stated in note 10 above.

2.5.13 Cash and Cash Equivalents

Cash and cash equivalents are cash at bank and in hand, call deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand, cash at bank deposits in banks net of outstanding bank overdrafts. Investments with short maturities (i.e. three months or less from date of acquisition) are also treated as cash equivalents. Bank overdrafts are disclosed under Interest Bearing Liabilities in the statement of financial position.

2.5.14 Investments in Associates

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of an associate is shown on the face of the statement of income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Accounting policies that are specific to the business of associate companies are discussed in note 2.9.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the statement of income.

2.5.15 Provisions

Provisions are recognized when the Company/Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.5.16 **Retirement Benefit Obligations**

(a) Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by revised LKAS 19 – "Employee benefits" and resulting actuarial gain/ loss was recognized in full in the Other Comprehensive Income (OCI).

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Key assumptions used in determining the defined retirement benefit obligations are given in Note 16 Any changes in these assumptions will impact the carrying amount of defined benefit obligations and all assumptions are reviewed at each reporting date.

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2014, carried out by Messrs Actuarial and Management Consultants (Private) Limited, actuaries.

Funding Arrangements

The Gratuity liability is not externally funded.

(b) Defined Contribution Plans- Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. These are recognized as an expense in the statement of income as incurred.

The Group contributes 12% and 3% of gross emoluments of the employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.5.17 Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing is required for an asset, the Company makes an assessment of the assets' recoverable amount. When the carrying amount of an asset exceeds its' recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.6 Statement of profit or loss

2.6.1 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 sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

(a) Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer; with the Group retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Interest Income

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

(c) Dividends

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

(d) Rendering of Services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

(e) Rental Income

Rental income is recognised on an accrual basis.

(f) Other

Other income is recognised on an accrual basis.

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

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

2.7 Cash Flow Statement

The Cash Flow Statement has been prepared by using the 'In direct Method' in accordance with LKAS 7 on Statement of Cash Flows, whereby gross cash receipts and gross cash payments of operating activities, financing activities and investing activities have been recognized. Cash and cash equivalents comprise mainly cash balances and highly liquid investments of which original maturity of 3 months or less and net amount due from banks.

2.8 Segment Reporting

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

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

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

The Group's segmental reporting is based on the following operating segments: Tiles, Sanitaryware, paints, plantation, packaging material, finance and other.

2.9 Significant Accounting Policies that are specific to the business of associates

2.9.1 L B Finance PLC

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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 sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

(a) Interest Income and Interest expense

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

The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income' for financial assets and 'Interest expense' for financial liabilities. However, for a reclassified financial asset for which the company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) Fee and commission income

The company earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

(ii) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the purchase or sale of business is recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(c) Net trading income

Net trading income includes all gains and losses from changes in fair value and related dividends for financial assets and financial liabilities 'held for trading' other than interest income.

(d) Others

Other income is recognised on an accrual basis.

2.10 Significant accounting policies that are specific to the business of plantation

2.10.1 Basis of Preparation

The Financial Statements have been prepared on historical cost convention except for the following material items in the statement of financial position.

(a) Lease hold right to Bare Land and leased assets of JEDB/ SLSPC, which have been revalued as morefully described in note 3.10.

(b) Consumable Mature Biological Assets are measured at fair value less cost. (LKAS 41)

(c) Employee Benefits recognized based on actuarial valuation (LKAS 19)

2.10.2 Property, Plant and Equipment

(a) Permanent Land Development Cost

Permanent land development costs incurred in making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalised and amortised over the remaining lease period.

Permanent impairments to land development costs are charged to the Statement of Comprehensive Income in full and reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

(b) Biological Assets

(i) Bearer Biological Assets & Consumer Biological Assets

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber,

other plantations and nurseries are classified as biological assets.

The cost of land preparation, rehabilitation, new planting, re-planting, crop diversifying, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long term loans used for financing immature plantations.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea and rubber trees, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber trees those that are to be sold as biological assets.

The expenditure incurred on bearer biological assets (Tea and Rubber) fields, which come in to bearing during the year, has been transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of each reporting period.

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

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property Plant & Equipment as per the option provided by the ruling issued by ICASL.

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

The main variables in DCF model concerns,

Variable	**Comment**
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each species. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company.
Economic useful life	Estimated based on the normal life span of each species by factoring the forestry plan of the Company.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled in bringing the trees in to saleable condition
Planting cost	Estimated costs for the further development of immature arrears are deducted.
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

The gain or loss arising on initial recognition of biological assets at fair value less cost to sell and from a change in fair value less cost to sell of biological assets are included in the Statement of Comprehensive Income for the period in which it arises.

Permanent impairments to Biological Assets are charged to the Statement of Comprehensive Income in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

(ii) Infilling Cost on Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic

life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalized have been charged to the Statement of Comprehensive Income in the year in which they are incurred.

2.10.3 Inventories

(a) Agricultural produce harvested from Biological Assets

Agricultural produce harvested from Biological Assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi finished inventories from Agricultural produce are valued by adding the cost of conservation from agricultural value of agricultural produce.

(b) Agricultural produce after further processing

Further processed output of agricultural produce are valued at the lower of cost and estimated net realisable value, after making due allowances for obsolete and slow moving items.

2.10.4 Retirement Benefit Obligation

(a) Defined Benefit Plan

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No.12 of 1983 and the Indian Repatriate Act No.34 of 1978 to eligible employees. This item is grouped under Retirement Benefit Obligations in the Statement of financial position.

Provision for Gratuity on the Employees of the Company is based on an actuarial valuation, using the Project Unit Credit (PUC) method as recommended by LKAS 19 "Retirement Benefit Costs". The actuarial valuation was carried out by a professionally qualified firm of actuaries.

However, according to the Payment of Gratuity Act No.12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued services.

The liability is not externally funded.

(b) Defined Contribution Plans - Provident Funds and Trust Fund

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

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

2.10.5 Deferred Income

(a) Grants and Subsidies

Grants related to Property, Plant and Equipment other than grants received for consumer biological assets are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment is more fully mentioned in Note 17 to the Financial Statements.

Grants related to income are recognized in the Statement of comprehensive Income in the year which it is receivable. Unconditional grants received for consumer biological assets are measured at fair value less cost to sell are recognized in the Statement of Comprehensive income when and only when such grants become receivable.

2.10.6 Revenue and Income Recognition

Revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The fair value gain arising on the valuation of harvested crops has been separately disclosed as part of the revenue.

2.11 Standards issued but not yet effective

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future Financial Statements.

(i) SLFRS 9 - Financial Instruments: Classification and Measurement

In December2014, the CA Sri Lanka issued the final version of SLFRS 9 Financial Instruments which reflects all phases of the financial Instruments project and replaces LKRS 39 Financial Instruments, Recognition and Measurement. The standard introduces new requirements for classification and measurement impairment, and hedge accounting . SLFRS 9 is effective for annual periods beginning on or after 01 January 2018, with early application permitted. Retrospective application is required. But comparative information is not compulsory.

The adoption of SLFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

(ii) SLFRS 15 -Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. This standard is effective for the annual periods beginning on or after 01 January 2017.

In addition to the above, SLFRS 14 -Regulatory Deferral Accounts will also be effective for the annual periods commencing on or after 01 January 2016. The Group will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.

3 PROPERTY, PLANT & EQUIPMENT - COMPANY

3.1 Gross Carrying Amounts

	Balance As at 31.03.2014 Rs.	Additions/ Transfers Rs.	Transfers/ Reclassification Rs.	Disposals Rs.	Balance As at 31.03.2015 Rs.
At Cost or Valuation					
Land	670,524,270	61,952,931	119,820,000	-	852,297,202
Building	862,757,339	19,860,161	(119,820,000)	-	762,797,500
Lab Equipment	5,569,141	-	-	-	5,569,141
Motor Vehicles	106,796,920	25,480,464	16,322,652	(3,846,116)	144,753,920
Electricity Distribution	25,575,345	-	-	-	25,575,345
Office Equipment	205,651,477	15,999,190	-	-	221,650,667
Communication Equipment	9,691,202	2,039,634	-	-	11,730,836
Furniture & Fittings	251,132,305	71,217,955	-	-	322,350,260
Tools & Implements	80,279,944	13,273,687	-	-	93,553,630
Other Equipment	19,492,713	550,000	-	-	20,042,713
Factory Equipment	23,257,990	-	-	-	23,257,991
Construction Equipment	2,236,047	-	-	-	2,236,047
Plant and Machinery	1,244,008,648	100,695,899	11,500,000	-	1,356,204,546
Household Item Light	78,830	-	-	-	78,830
Showroom Fixtures & Fittings	438,597,904	45,811,217	-	-	484,409,121
Stores Buildings on Lease hold Land	3,965,135	-	-	-	3,965,135
	3,949,615,210	356,881,138	27,822,652	(3,846,116)	4,330,472,884
Assets on Finance Leases					
Plant & Machinery	11,500,000	-	(11,500,000)	-	-
Motor vehicles	16,322,652	-	(16,322,652)	-	-
	27,822,652	-	-	-	
	3,977,437,862	356,881,138	(27,822,652)	(3,846,116)	4,330,472,884

	Balance As at 31.03.2014 Rs.	Additions Rs.	Transfers Rs.	Disposals Rs.	Balance As at 31.03.2015 Rs.
In the Course of Construction					
Capital Work in Progress	130,169,131	430,883,269	(268,621,497)	-	292,430,903
Total Gross Carrying Amount	4,107,606,994	787,764,408	(268,621,497)	(3,846,116)	4,622,903,788

3.2 Depreciation

	Balance As at 31.03.2014 Rs.	Charge for the Year Rs.	Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2015 Rs.
At Cost or valuation					
Building	37,108,680	30,074,702	-	-	67,183,383
Lab Equipment	4,263,331	472,318	-	-	4,735,649
Motor Vehicles	67,279,920	19,936,928	12,887,825	(3,846,116)	96,258,557
Electricity Distribution	5,545,130	1,023,014	-	-	6,568,144
Office Equipment	141,267,846	16,266,183	-	-	157,534,028
Communication Equipment	9,287,526	662,385	-	-	9,949,911
Furniture & Fittings	75,191,561	50,400,824	-	-	125,592,385
Tools & Implements	71,961,595	7,480,497	-	-	79,442,092
Other Equipment	9,195,905	2,403,770	-	-	11,599,675
Factory Equipment	23,255,539	1,226	-	-	23,256,765
Construction Equipment	2,236,047	-	-	-	2,236,047
Plant and Machinery	760,380,399	59,747,111	1,629,166	-	821,756,676
Household Item Light	59,092	-	-	-	59,092
Showroom Fixtures & Fittings	122,103,603	28,523,445	-	-	150,627,048
Stores Buildings on Lease hold Land	3,568,628	-	-	-	3,568,628
	1,332,704,802	216,992,402	14,516,991	(3,846,116)	1,560,368,079
Assets on Finance Leases					
Plant & Machinery	1,150,000	479,166	(1,629,166)	-	-
Motor vehicles	11,309,674	1,578,151	(12,887,825)	-	-
	12,459,674	2,057,317	(14,516,991)	-	-
Total Value of Depreciation	1,345,164,476	219,049,719	-	(3,846,116)	1,560,368,079

3 PROPERTY, PLANT & EQUIPMENT - COMPANY (Contd.)

3.3 Net Book Values of Property Plant and Equipments

	2015 Rs.	2014 Rs.
At Cost or Valuation		
Land	852,297,202	670,524,270
Building	695,614,117	825,648,659
Lab Equipment	833,492	1,305,810
Motor Vehicles	48,495,365	39,517,000
Electricity Distribution	19,007,201	20,030,215
Office Equipment	64,116,639	64,383,631
Communication Equipment	1,780,925	403,676
Furniture & Fittings	196,757,875	175,940,744
Tools & Implements	14,111,538	8,318,349
Other Equipment	8,443,038	10,296,808
Factory Equipment	1,226	2,452
Plant and Machinery	534,447,870	483,628,248
Household Item Light	19,738	19,738
Showroom Fixtures & Fittings	333,782,073	316,494,301
Stores Buildings on Lease hold Land	396,507	396,507
	2,770,104,806	2,616,910,408
Assets on Finance Leases		
Plant & Machinery	-	10,350,000
Motor Vehicles	-	5,012,978
	2,770,104,806	2,632,273,386
In the Course of Construction	292,430,903	130,169,131
	3,062,535,709	2,762,442,517

3.4 During the Period, the company acquired Property, Plant & Equipment for cash to the aggregate value of Rs.519,175,451/- (2014-Rs.710,304,145/-)

3.5 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 1,007,263,711/- (2014 Rs. 971,121,787/-)

3 PROPERTY, PLANT AND EQUIPMENT - GROUP

3.6 Gross Carrying Amounts

	Balance As at 01.04.2014 Rs.	Additions / Transfers Rs.	Effect of Exchange Rates Rs.	Increase / / (Decrease) in Revaluation Rs.	Reclassification / Disposals/ Transfers Rs.	Balance As at 31.03.2015 Rs.
Freehold and Clay Mining Land	2,977,532,091	202,831,491	-	165,260,000	109,560,000	3,455,183,582
Buildings	3,988,145,104	100,381,641	-	-	(120,366,917)	3,968,159,828
Water Supply Scheme	329,673,568	14,311,325	-	-	-	343,984,893
Lab Equipment	21,334,604	350,455	-	-	-	21,685,058
Motor Vehicles	261,412,418	37,450,636	(24,420)	-	27,153,935	325,992,569
Electricity Distribution	30,086,845	-	-	-	-	30,086,845
Office Equipment	258,824,468	25,742,077	(85,914)	-	-	284,480,631
Communication Equipment	433,363,007	45,606,868	-	-	(36,328,533)	442,641,342
Furniture and Fittings	386,626,495	71,881,453	(1,221)	-	12,653,596	471,160,323
Tools & Implements	633,361,643	85,992,085	(1,665)	-	(55,325,908)	664,026,154
Sundry Equipment	1,205,058	-	-	-	-	1,205,058
Other Equipment	35,485,675	681,016	-	-	-	36,166,691
Factory Equipment	23,257,991	-	-	-	-	23,257,991
Moulds	128,589,710	190,199	-	-	-	128,779,909
Construction Equipment	22,113,388	1,943,024	-	-	-	24,056,412
Plant and Machinery	10,159,352,884	461,678,339	-	-	25,878,394	10,646,909,618
Household Item - Light	209,490	-	-	-	-	209,490
Showroom Fixtures & Fittings	487,177,796	50,108,101	-	-	-	537,285,897
Stores Buildings on Lease hold Land	313,272,127	4,613,980	-	-	-	317,886,106
	20,491,024,363	1,103,762,688	(113,220)	165,260,000	(36,775,432)	21,723,158,399

3 PROPERTY, PLANT AND EQUIPMENT - GROUP (Contd.)

3.6 Gross Carrying Amounts

	Balance As at 01.04.2014 Rs.	Additions / Transfers Rs.	Effect of Exchange Rates Rs.	Increase / / (Decrease) in Revaluation Rs.	Reclassification / Disposals/ Transfers Rs.	Balance As at 31.03.2015 Rs.
Assets on Finance Leases						
Plant & Machinery	66,972,680	6,099,000	-	-	(29,856,000)	43,215,680
Leasehold land	14,600,000	-	-	-	-	14,600,000
Furniture and Fittings	12,653,596	-	-	-	(12,653,596)	-
Motor vehicles	51,179,187	6,600,000	-	-	(35,482,534)	22,296,653
Transport & Communication Equipment	44,712,000	17,617,000	-	-	(3,165,000)	59,164,000
	190,117,463	30,316,000	-	-	(81,157,130)	139,276,333
	20,681,141,826	1,134,078,688	(113,220)	165,260,000	(117,932,562)	21,862,434,732
In the Course of Construction						
Capital Work in Progress	334,006,859	822,073,753	-	-	(616,210,188)	539,870,424
Total Gross Carrying Amount	21,015,148,685	1,956,152,441	(113,220)	165,260,000	(734,142,750)	22,402,305,156

3.7 Depreciation

	Balance As at 01.04.2014 Rs.	Charge for the Year Rs.	Effect of Exchange Rate Rs.	Transfers to revaluation Reserve Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2015 Rs.
At Cost or Valuation						
Freehold and Clay Mining Land	28,821,000	314,000	-	-	-	29,135,000
Building	456,953,153	115,571,148	-	-	(1,897,736)	570,626,564
Water Supply Scheme	200,028,071	22,059,686	-	-	-	222,087,757
Lab Equipment	15,874,121	1,781,113	-	-	-	17,655,233
Motor Vehicles	144,751,152	41,298,167	(453)	-	13,628,453	199,677,319
Electricity Distribution	7,048,963	1,248,589	-	-	-	8,297,552
Office Equipment	171,224,474	22,272,470	(2,137)	-	-	193,494,808
Communication Equipment	276,081,454	39,991,174	-	-	(26,371,711)	289,700,916
Furniture & Fittings	194,279,605	57,964,966	(26)	-	6,010,459	258,255,005
Tools & Implements	464,712,582	68,096,531	(46)	-	(60,177,615)	472,631,452
Sundry Equipment	991,252	21,298	-	-	-	1,012,550
Other Equipment	16,164,434	3,803,720	-	-	-	19,968,154
Factory Equipment	23,255,540	1,226	-	-	-	23,256,766
Moulds	75,629,841	10,453,389	-	-	-	86,083,230
Construction Equipment	19,124,093	1,222,334	-	-	-	20,346,427
Plant and Machinery	4,573,954,802	632,736,350	-	-	(33,408)	5,206,657,744
Household Item - Light	102,591	26,131	-	-	-	128,722

3 PROPERTY, PLANT AND EQUIPMENT - GROUP (Contd.)

3.7 Depreciation (Contd.)

	Balance As at 01.04.2014 Rs.	Charge for the Year Rs.	Effect of Exchange Rate Rs.	Transfers to revaluation Reserve Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2015 Rs.
Showroom Fixtures & Fittings	135,610,606	32,918,120	-	-	-	168,528,727
Stores Buildings on Lease hold Land	9,144,977	14,717,623	-	-	-	23,862,601
	6,813,752,710	1,066,498,036	(2,662)	-	(68,841,558)	7,811,406,527
Assets on Finance Leases						
Plant & Machinery	14,475,170	6,444,166	-	-	(10,814,166)	10,105,169
Leasehold land	568,000	487,000	-	-	(81,000)	974,000
Furniture and Fittings	4,745,100	1,265,360	-	-	(6,010,459)	-
Motor vehicles	22,761,500	8,471,763	-	-	(21,832,532)	9,400,731
Transport & Communication Equipment	27,454,000	11,963,000	-	-	(2,713,000)	36,704,000
	70,003,768	28,631,289	-	-	(41,451,157)	57,183,900
Total Value of Depreciation	6,883,756,478	1,095,129,325	(2,662)	-	(110,292,715)	7,868,590,427

3.8 Net Book Values of Property Plant and Equipment

At Cost or Valuation	2015 Rs.	2014 Rs.
Freehold and Clay Mining Land	3,426,048,582	2,948,711,091
Building	3,397,533,264	3,531,191,952
Water Supply Scheme	121,897,136	129,645,497
Lab Equipment	4,029,825	5,460,483
Motor Vehicles	126,315,250	116,661,266
Electricity Distribution	21,789,293	23,037,882
Office Equipment	90,985,824	87,599,994
Communication Equipment	152,940,426	157,281,554
Furniture and Fittings	212,905,318	192,346,890
Tools and Implements	191,394,702	168,649,061
Sundry Equipment	192,508	213,806
Other Equipment	16,198,537	19,321,242
Factory Equipment	1,225	2,451
Mould	42,696,678	52,959,869

3.8 Net Book Values of Property Plant and Equipments (Contd.)

	2015 Rs.	2014 Rs.
Construction Equipment	3,709,986	2,989,295
Plant and Machinery	5,440,251,875	5,585,398,083
Household Item - Light	80,767	106,899
Showroom Fixtures and Fittings	368,757,171	351,567,190
Stores Buildings on Leasehold Land	294,023,505	304,127,149
	13,911,751,872	13,677,271,653
Assets on Finance Leases		
Plant & Machinery	33,110,511	52,497,510
Leasehold land	13,626,000	14,032,000
Furniture and Fittings	-	7,908,496
Motor vehicles	12,895,922	28,417,688
Transport & Communication Equipment	22,460,000	17,258,000
	82,092,433	120,113,695
In the Course of Construction	539,870,424	334,006,859
	14,533,714,729	14,131,392,207

3.9 Net book value of assets

	2015 Rs.	2014 Rs.
Property, plant and equipment [3.8]	14,533,714,729	14,131,392,207
Leasehold right to bare land of JEDB/SLSPC Estates [3.12]	116,853,000	120,719,000
Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare land) [3.13]	73,160,000	82,342,000
Bearer Biological Assets (3.14)	1,830,608,273	1,648,779,000
Consumable Biological Assets (3.15)	349,513,000	283,928,000
Total	16,903,849,002	16,267,160,207

3.10 During the Period, the group acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 1,389,618,965/- (2014 - Rs. 2,146,459,858/-)

3.11 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 2,758,815,071/- (2014 Rs. 2,405,201,545/-)

3 PROPERTY, PLANT AND EQUIPMENT - GROUP (Contd.)

3.12 Leasehold right to bare land of JEDB/SLSPC estates

For the Year ended 31st March	2015 Rs.	2014 Rs.
Capitalised value		
As at 22 June1992	204,931,000	204,931,000
Amortisation		
At the beginning of the year	84,212,000	80,345,000
Charge for the year	3,866,000	3,867,000
At the end of the year	88,078,000	84,212,000
Carrying Amount		
At the end of the year	116,853,000	120,719,000

The leasehold rights to the bare land on all estates (except for Dumbara Estate which is under an operating lease) have been taken into the books of Horana Plantations PLC.(HPPLC), as at 22 June 1992, immediately after formation of HPPLC, in terms of the opinion obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose lands have been revalued at Rs.204.931 Mn, being the value established for these lands by Valuation Specialist, D.R.Wickremasinghe just prior to the formation of HPPLC. However Institute of Chartered Accountants of Sri Lanka has withdrawn the UITF ruling with the implementation of LKAS/SLFRs and introduced Statement of Recommended Practices SoRP on leasehold land on 19 December 2013. As per the SoRP right to use land does not permit further revaluation.

3.13 Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare land)

	Immature Plantations Rs.	Mature Plantations Rs.	Permanent Land Development Cost Rs.	Buildings Rs.	Plant & Machinery Rs.	Total 2015 Rs.	Total 2014 Rs.
Capitalised Value							
As at 22.06.1992	145,993,000	68,817,000	4,014,000	47,173,000	6,818,000	272,815,000	272,815,000
Transfer to mature							
At the beginning of the year	(145,993,000)	145,993,000	-	-	-	-	-
At the end of the year	-	214,810,000	4,014,000	47,173,000	6,818,000	272,815,000	272,815,000
Amortisation							
At the beginning of the year	-	139,644,000	2,915,000	41,096,000	6,818,000	190,473,000	181,292,000
Amortization during the year	-	7,160,000	134,000	1,887,000	-	9,182,000	9,181,000
At the end of the year	-	146,804,000	3,049,000	42,983,000	6,818,000	199,655,000	190,473,000
Written Down Value							
As at 31.03.14	-	75,166,000	1,099,000	6,077,000	-	-	82,342,000
As at 31.03.15	-	68,006,000	965,000	4,190,000	-	73,160,000	-

All immovable estate property, plant and equipment under finance leases have been taken into the books of Horana Plantation PLC retrospective to 22nd June 1992. For this purpose all estate immovables have been revalued at their book values as they appear in the books of the lessor (JEDB/SLSPC), as the case may be on the day immediately preceding the date of formation of Horana Plantation PLC.

Investments in Bearer Biological assets which were immature, at the time of handing over to the Company by way of estate lease, are shown under Bearer Biological assets - immature (Revalued as at 22.06.1992). Further investments in such a bearer biological assets (Immature to mature bring them to maturity are shown under " Note 3.14 Bearer Biological assets (Immature Plantation). When these plantations become mature the additional investment to bring them to maturity will be moved from the Note 3.14 - Bearer Biological assets (Mature plantations)

3.14 Bearer Biological Assets

	Tea	Rubber	Oil Palm	Diversi- -fication	Total 2015	Total 2014
	Rs	Rs	Rs	Rs	Rs	Rs
Immature Plantations						
Cost or Valuation :						
At the beginning of the year	182,325,000	505,649,000	41,497,000	5,380,000	734,851,000	627,112,000
Additions	69,703,000	133,163,000	23,703,000	5,285,273	231,854,273	277,536,000
Transfers to Mature	(82,010,000)	(112,814,000)	-	(4,127,000)	(198,951,000)	(169,797,000)
At the end of the year	170,018,000	525,998,000	65,200,000	6,538,273	767,754,273	734,851,000
Mature Plantations						
Cost or Valuation :						
At the beginning of the year	494,711,000	686,696,000	-	19,695,000	1,201,102,000	1,031,305,000
Transfers from Immature	82,010,000	112,814,000	-	4,127,000	198,951,000	169,797,000
At the end of the year	576,721,000	799,510,000	-	23,822,000	1,400,053,000	1,201,102,000
Accumulated Amortization						
At the beginning of the year	91,401,000	190,580,000	-	5,193,000	287,174,000	244,423,000
Charge for the year	14,841,000	34,335,000	-	849,000	50,025,000	42,751,000
At the end of the year	106,242,000	224,915,000	-	6,042,000	337,199,000	287,174,000
Written Down Value	470,479,000	574,595,000	-	17,780,000	1,062,854,000	913,928,000
Total Bearer Biological Assets	640,497,000	1,100,593,000	65,200,000	24,318,273	1,830,608,273	1,648,779,000

These are investments in immature/mature plantations since the formation of Horana Plantations PLC. The lease liability over the assets (including plantations) taken over by way of estate leases are set out in Note 15. Further investments in the immature plantations taken over by way of these lease are also shown in the above. When such plantations become mature, the additional investments since take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when field become mature.

3 PROPERTY, PLANT AND EQUIPMENT - GROUP (Contd.)

3.15 Consumable Biological Assets

For the Year ended 31st March 2015	2015 Rs.	2014 Rs.
Immature Plantations		
Cost :		
At the beginning of the year	20,916,000	14,790,000
Additions during the year	8,945,000	11,200,000
Transfers to Mature Plantations	(6,425,000)	(5,074,000)
At the end of the year	23,436,000	20,916,000
Mature Plantations		
Cost :		
At the beginning of the year	263,012,000	231,886,000
Increase due to new plantations	6,425,000	5,074,000
Change in Fair Value less costs to sell	56,640,000	26,052,000
At the end of the year	326,077,000	263,012,000
Total Consumable Biological Assets	349,513,000	283,928,000

3.16 Basis of Valuation

Under LKAS 41 the company has valued its managed plantations at fair value less cost to sell, Managed timber plantations as at 31st March 2015 comprised approximately 350 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs. 24.43 Mn as at 31st March 2015. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuers Mr.S.M.Wijepala for 2014/15 using Discounted Cash Flow (DFC) method . In ascertaining the fair value of timber, physical verification was carried covering all the estates.

Information about fair value measurement using unobservable inputs (Level 03)

Unobservable Inputs	Range of unobservable Inputs	Relationship of unobservable inputs to fair value
Discounting Rate	10%-12%	The higher the discount rate, the lesser will be the fair value.

Other key assumptions used in valuation:

The price adopted are net of expenditure.

The valuation, as presented in the external valuation model based on the net present value, takes into accounts the long-term exploitation of the timber plantation. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and their long-term price projection are highly unpredictable. Hence, the sensitivity analysis regarding the selling price and discount rate variation as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the valuation against his own assumptions.

The biological assets of the Company are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that these concession can and will be renewed at normal circumstances. Timber content expects to be realised in future and is included in the calculation of the fair value that takes into account the age of the timber plants and not the expiration date of the lease.

The Company is exposed to the following risks relating to its timber plantation:-

Regulatory and Environmental Risks

The Company is subject to laws and regulations in Sri Lanka. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and Demand Risks

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and Other Risks

The Company's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

3 PROPERTY, PLANT AND EQUIPMENT - GROUP (Contd.)

3.16 Basis of Valuation

Sensitivity Analysis

Sensitivity Variation on Sales Price

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the average sales price applied. Simulations made for timber show that an increase or decrease by 10% of the estimated future selling price has the following effect on the Net Present Value of the Biological assets.

		-10%		10%
Managed Timber	2014	Rs. 237.39 Mn	Rs. 263.01 Mn	Rs. 290.63 Mn
Managed Timber	2015	Rs. 237.79 Mn	Rs. 326.08 Mn	Rs. 290.63 Mn

Sensitivity Variation on Discount Rate

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the Net Present Value of the Biological assets.

		-1%		1%
Managed Timber	2014	Rs. 274.49 Mn	Rs. 263.01 Mn	Rs. 254.67 Mn
Managed Timber	2015	Rs. 247.49 Mn	Rs.326.08 Mn	Rs. 254.67 Mn

Borrowing costs amounting to Rs 48.664 Mn (Rs 43.195 Mn in 2013/14) directly relating to investment in biological assets (immature plantations) have been capitalized during the period, at an average borrowing rate of 7.58% (10.87% in 2013/14).

3.17 The following properties are revalued and recorded under freehold land & clay mining land. Fair Value measurement disclosure for revalued land based on un-observable input as follows.

(A) Quoted Price (unadjusted) in active markets for identical assets or liabilities (Level -1).

(B) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices) (Level - 2)

(C) Input for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level -3).

No	Company	Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/ range	Fair Value measurement using Significant unobservable inputs (Level 3) Rs. Mn
1	Royal Ceramics Lanka PLC	Factory at Ehaliyagoda	A49-R1-P29.45	Mr. A.A.M. Fathihu	30-Apr-12	Market based evidence	Rs. 31,534/- per perch	247.150 Mn
		Showroom and Cutting Center Land at Kottawa	A1-R1-P30.72	Mr. A.A.M. Fathihu	30-Apr-12	Market based evidence	Rs. 457,199/- per perch	105.485 Mn
		Land at Meegoda Warehouse	A2-R2-P24	Mr. A.A.M. Fathihu	30-Apr-12	Market based evidence	Rs. 119,043/- per perch	46.6 Mn
		Land at Nawala for Nawala New Showroom	P24.96	Mr. A.A.M. Fathihu	30-Apr-12	Market based evidence	Rs. 3,491,586/- per perch	87.150 Mn
		Land at Nattandiya	A10	Mr. A.A.M. Fathihu	30-Apr-12	Market based evidence	Rs. 12,500/- per perch	20 Mn
		Land at kaluthara	A04-R3-P8.16	Mr. A.A.M. Fathihu	30-Apr-12	Market based evidence	Rs. 15,003/- per perch	11.525 Mn
2	Royal Porcelain (Pvt) Ltd	Factory Land at Horana	A13-R3-P27.07	Mr. A.A.M. Fathihu	31-Mar-12	Market based evidence	Rs. 40,000/- per perch	89.088 Mn
3	Rocell Bathware Ltd	Factory land at Homagama	A1-R2-P19.60	Mr. A.A.M. Fathihu	1-Apr-12	Market based evidence	Rs. 85,000/- per perch	22.066 Mn
		Land at Meegoda Warehouse	R3	Mr. A.A.M. Fathihu	1-Apr-12	Market based evidence	Rs. 90,000/- per perch	10.8 Mn
4	Ever paint And Chemical Industries (Pvt) Ltd	Factory land at Hanwella	A1-R2-P22.75	Mr. A.A.M. Fathihu	31-Mar-12	Market based evidence	Rs. 24,689/- per perch	6.487 Mn

3.17 The following properties are revalued and recorded under freehold land & clay mining land. Fair Value measurement disclosure for revalued land based on un-observable input as follows.

No	Company	Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/ range	Fair Value measurement using Significant unobservable inputs (Level 3) Rs. Mn
5	Lanka Walltiles PLC	No. 215, Nawala Road, Narahenpita, Colombo 05	A1-R1-P2.1	Messrs. Sunil Fernando and Associates (Pvt) Ltd.	28-Dec-12	Market based evidence	Rs. 1,750,000/- per perch	353.675 Mn
		Plan No 2205 Situated at Mawathagama and Galagedara Village	A23-R1-P24.16	Mr. Ranjan J Samarakone	31 March 2013	Market based evidence	Rs. 94,013/- per perch	352 Mn
6	Lanka Tiles PLC	Factory at Jaltara, Ranala & Ball Clay land at Kaluthara	A40-R3-P34	Mr. Ranjan J Samarakone	31 March 2013	Market based evidence	Rs. 85,837/-to Rs. 115,321/- per perch	524.639 Mn
		Warehouse at Biyagama	A2-R0-P16	Mr. Ranjan J Samarakone	31 March 2013	Market based evidence	Rs. 649,863/- per perch	218.354 Mn
		Land at Madampe	A13-R0-P2	Mr. Ranjan J Samarakone	31 March 2013	Market based evidence	Rs. 17,187/- per perch	35.784 Mn
7	Uni-Dil Packing Ltd.	Land at Narampola road, Moragala, Deketana	A9-R0-P17.8	Mr. Anton Rich	31 March 2014	Market based evidence	Rs. 60,000/- per perch	87.968 Mn
8	Uni-Dil Paper Sacks (Pvt) Ltd.	Land at Narampola road, Moragala, Deketana	A2-R2-P35	Mr. Anton Rich	31 March 2014	Market based evidence	Rs. 50,000/- per perch	21.750 Mn
9	Swisstek (Ceylon) PLC	Balummara, Imbulgoda	A06-R01-P01	Mr. K. D. T. Tissera	31 March 2015	Market based evidence	Rs. 464,535/- per perch	465 Mn
10	Swisstek Aluminium Ltd.	Land at Pahala Dompe, Dompe	A08-R02-P20	Mr. T. J. Tissera	18 February 2013	Market based evidence	Rs. 98,898/- per perch	160 Mn
11	Lanka Ceramic PLC	Mining Land at Owala	25A-2R-14.2P	Mr.B.L.Ariyathilake	22 April 2013	Market based evidence	Rs. 450/- to Rs. 1,150/- per perch	3.528 Mn
		Mining Land at Meetiyagoda	41A-OR-20.3P	Mr.B.L.Ariyathilake	22 April 2013	Market based evidence	Rs. 125,000/- to Rs. 1,225,000/- per acre	18.68 Mn
		Mining Land at Dediyawala	38A-3R-23.4P	Mr.B.L.Ariyathilake	22 April 2013	Market based evidence	Rs. 150,000/- to Rs. 160,000/- per acre	5.94Mn
		Land situated at Meetiyagoda	4A-2R-12P	Messrs. Ariyathilake & Company (Pvt) Limited	18 May 2012	Market based evidence	Rs. 400,000/- to Rs. 960,000/- per acre	4.112Mn

Significant increases (decreases) in estimated price per perch in isolation would result in a significantly higher (lower) fair value.

3.18 The useful lives of the assets are estimated as follows ;

	2015 Years	2014 Years
Non plantation assets		
Buildings on free hold land and roadway	25,40 & 50	25,40 & 50
Plant and machinery	5-20	5-20
Water supply and electricity distribution scheme	5-25	5-25
Tools, implements and furniture and fittings	2,4,5 & 10	2,4,5 & 10
Transport and communication equipment	4 to 12	4 to 12
Plantation assets		
The leasehold rights to JEDB/ SLSPC are amortised in equal		
amounts over the following years		
Bare land	53	53
Mature plantations	30	30
Permanent land development costs	30	30
Buildings	25	25
Plant and machinery	15	15
Mature Plantation(re-planting and new planting)		
Mature plantations (Tea)	33 1/3	33 1/3
Mature plantations (Rubber)	20	20
Mature plantations (Coconut)	50	50
Mature plantations (Cinnamon)	15	15
Mature plantations (Coffee and pepper)	4	4
Mature plantations (Pineapple)	3	3

3.19 Leasehold Right Over Mining Land

	Group	
	2015	2014
	Rs.	Rs.
Cost		
At the beginning of the year	7,800,000	27,665,000
Disposals	-	(19,865,000)
At the end of the year	7,800,000	7,800,000
Accumulated Depreciation		
At the beginning of the year	6,573,500	25,186,000
Charge for the year	715,000	1,252,500
Disposals	-	(19,865,000)
At the end of the year	7,288,500	6,573,500
Written Down Value	511,500	1,226,500

4 INVESTMENT PROPERTY

	Group	
	2015	2014
	Rs.	Rs.
At the beginning of the year	240,094,000	-
Acquisition through Subsidiary	-	349,294,000
Disposal of investment property	-	(80,000,000)
Transferred to Property, Plant & Equipment	-	(29,200,000)
Depreciation of investment property	(690,000)	-
At the end of the year	239,404,000	240,094,000

Lanka Ceramic PLC

As at 31 March 2015, the investment property includes land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03 (1R - 1,12 P). The fair value of freehold land and buildings were determined by the by Mr. B.L Ariyathllake an independent professionally qualified valuer in reference to market based evidence (Valuation report dated 21 May 2012 - Rs 240,094 at the time of transferring the property from property plant and equipment to investment property.

Lanka Walltiles PLC

As at 01 April 2013, the investment property includes land and building at Balangoda and the investment property has been sold out in the previous financial year 2013/14.

Swisstek Ceylon PLC

Factory complex at Balummahara,Imbulgoda has transferred to Property, Plant and Equipment during the previous financial year 2013/14.

4.1 Fair Value of Investment Property

The fair value of freehold land and buildings were determined by the by P.B Kalugalagedara & Associates an independent professionally qualified valuer (Valuation report dated 07 May 2015). The basis of valuation is the Direct Capital Comparison Method using the depreciated value of buildings and Current Market Value of land.

Investment Property	Group Fair Value measurement using Significant unobservable inputs (Level 3) 2015 Rs.	Group Fair Value measurement using Significant unobservable inputs (Level 3) 2014 Rs.
Date of valuation	07 May 2015	07 May 2015
Land at fair value	370,000,000	329,000,000
Building at fair value	75,000,000	68,500,000
Significant unobservable input :		
Price per perch	9,000,000	8,000,000
Price per square feet	Rs. 2,000/- -Rs. 3,250/-	Rs. 1,750/- -Rs. 3,000/-

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

4.2 Rental Income earned from Investment Property by the Group amounted Rs. 36. 75 Mn. (2014 - Rs. 36.75 Mn). Direct operating expenses incurred by the Group amounted to Rs. 1.2 Mn.(2014 - Rs. 1.1 Mn.).

5 INVESTMENTS IN SUBSIDIARIES

	Holding 2015 %	Holding 2014 %	Country of incorporation	Cost 2015 Rs.	Cost 2014 Rs.
Quoted & Non-Quoted					
Non-Quoted					
Royal Ceramics Distributors (Pvt) Limited	100%	100%	Sri Lanka	500,000	500,000
Royal Porcelain (Pvt) Limited	100%	100%	Sri Lanka	500,000,000	500,000,000
Rocell Bathware Limited	100%	100%	Sri Lanka	929,999,930	929,999,930
Ever Paint and Chemical Industries (Pvt) Ltd	100%	100%	Sri Lanka	270,400,000	270,400,000
Rocell Ceramics Limited	100%	-	Sri Lanka	198,132,251	-
Rocell (Pty) Ltd	100%	-	Australia	57,543,988	-
Quoted					
Lanka Ceramic PLC	76.93%	76.70%	Sri Lanka	2,875,557,285	2,866,709,287
Lanka Tiles PLC	2.62%	1.62%	Sri Lanka	125,032,515	66,714,575
Lanka Walltile PLC	1.06%	1.06%	Sri Lanka	33,932,044	33,932,044
Total Quoted & Non-Quoted Investments in Subsidiaries				4,991,098,013	4,668,255,836
Total Gross Carrying Value of Investments				4,991,098,013	4,668,255,836
Impairment made				(500,000)	(500,000)
Total Net Carrying Value of Investments				4,990,598,013	4,667,755,836

As at 31 March 2015 Market value of Lanka Ceramic PLC, Lanka Floor tile PLC & Lanka Wall Tile PLC are Rs. 3,076,435,499/-, Rs. 147,178,986/- and Rs. 55,580,286/- respectively.

6. INVESTMENTS IN ASSOCIATES

6.1 Company

	Holding Percentage 2015	2014	Cost 2015 Rs.	Cost 2014 Rs.
Quoted Investments				
L. B. Finance PLC	26.08%	26.08%	2,499,577,145	2,499,577,145
Non-quoted Investments				
Delmage Limited				
(Formally known as Lewis Brown & Company Limited)	21.00%	21.00%	663,360,345	663,360,345
			3,162,937,490	3,162,937,490

6.2 Group

	Holding 2015	2014	Carrying Value 2015 Rs.	Carrying Value 2014 Rs.
Quoted Investments				
L. B. Finance PLC	26.08%	26.08%	3,617,167,128	3,156,741,754
Non-quoted Investments				
Delmage Limited				
(Formally known as Lewis Brown & Company Limited)	21.00%	21.00%	605,449,161	647,930,773
			4,222,616,289	3,804,672,527

Market value of LB Finance PLC as at 31 March 2015 is Rs 2,711,048,562 (2014 - Rs 1,807,967,762/-).

6.3 MOVEMENT IN INVESTMENTS IN ASSOCIATES

	L. B. Finance PLC		Delmage Limited		Total	
	2015	2014	2015	2014	2015	2014
	Rs	Rs	Rs	Rs	Rs	Rs
As at the beginning of the year	3,156,741,754	2,900,044,985	647,930,773	526,435,164	3,804,672,527	3,426,480,149
Investment made during the year	-	7,712,922	-	38,825,000	-	46,537,922
Share of results of associates net of dividends	463,438,048	244,203,687	(42,358,066)	(66,243,115)	421,079,982	177,960,572
Share of associate company net assets	(3,012,674)	4,780,160	(123,546)	148,913,724	(3,136,220)	153,693,884
At the end of the year	3,617,167,128	3,156,741,754	605,449,161	647,930,773	4,222,616,289	3,804,672,527

	Company		Group	
For the year ended 31st March	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.

7 INTANGIBLE ASSETS

7.1 Goodwill

	Company 2015	Company 2014	Group 2015	Group 2014
Balance at the beginning of the year	-	-	1,063,989,542	71,866,701
On acquisition of subsidiary			2,031,800	10,848,884
Goodwill arising on acquisition (Note 29)	-	-	-	981,273,957
Balance at the end of the year	-	-	1,066,021,342	1,063,989,542

Carrying value of Goodwill acquired through business combination as at the reporting date, is allocated to Tile & Associated products and Paints & Allied products Rs. 994Mn and Rs.72Mn respectively.

	Company		Group	
	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.

7.2 Software

	Company 2015	Company 2014	Group 2015	Group 2014
Balance at the beginning of the year	106,290,498	-	106,290,498	-
Incurred during the year	108,792,922	113,799,324	108,792,922	113,799,324
Amount Amortised during the year	(7,403,559)	(7,508,826)	(7,403,559)	(7,508,826)
Balance at the end of the year	207,679,861	106,290,498	207,679,861	106,290,499

	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
7.3 Software work in progress				
Balance at the beginning of the year	50,630,630	111,053,384	50,630,630	111,053,384
Incurred during the year	58,162,291	53,376,571	58,162,291	53,376,571
Amount Capitalized during the year	(108,792,921)	(113,799,325)	(108,792,921)	(113,799,324)
Balance at the end of the year	-	50,630,630	-	50,630,630
Total intangible assets	207,679,861	156,921,128	1,273,701,203	1,220,910,671

8 LONG TERM RECEIVABLES

	Group 2015 Rs.	Group 2014 Rs.
Advance Company Tax Receivable	27,285,000	27,285,000
	27,285,000	27,285,000

9 INVENTORIES

	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Raw Materials	133,044,846	156,115,875	1,500,852,762	1,109,690,527
Spares & Consumables	227,920,099	197,079,186	830,200,223	1,061,717,932
Accessories	-	-	410,421,235	223,905,370
Harvested crops	-	-	196,866,000	213,001,000
Work in Progress	18,110,486	29,084,695	221,888,254	244,134,305
Finished Goods	864,950,417	609,431,770	4,037,300,175	4,034,248,957
Goods in Transit	5,332,971	2,651,335	99,337,332	43,382,143
Other Consumables	5,525,635	8,605,702	11,178,749	14,431,089
	1,254,884,454	1,002,968,563	7,308,044,730	6,944,511,323
Less : Provision for Obsolete & Slow Moving Stock	(28,665,831)	(10,192,871)	(180,913,873)	(102,171,065)
	1,226,218,623	992,775,692	7,127,130,857	6,842,340,259

10 TRADE AND OTHER RECEIVABLES

		2015 Rs.	2014 Rs.
10.1 Company			
Trade Debtors (Note 10.1.2)		180,957,192	326,111,987
Other Receivables	- Other	33,801,533	26,165,239
	- Related Parties (Note 10.1.1)	92,722,614	10,675,835
		307,481,339	362,953,061

10.1.1 Amount due from Subsidiaries

	2015 Rs.	2014 Rs.
Royal Ceramics Distributors (Pvt) Ltd	754,355	589,210
Lanka Tiles PLC	16,871,338	2,939,894
Lanka Wall Tiles	6,431,168	2,923,824
Ever Paint and Chemical Industries (Pvt) Ltd	64,229,987	-
Lanka Ceramic PLC	1,376,675	3,149,071
Horana Plantation PLC	1,888,731	1,073,836
Swisstek Aluminium Limited	626,570	-
Swisstek Ceylon PLC	67,808	-
Uni-Dil Packaging Limited	475,983	-
	92,722,614	10,675,835

10.1.2 Trade receivables are non interest bearing and on 30 to 45 days credit terms. As at 31 March 2015, the ageing analysis of trade receivables is as follows:

			Past due but not impaired		
	Total Rs.	Neither past due nor Impaired Rs.	Less Than 3 Month Rs.	3 to 12 Month Rs.	More Than One Year Rs.
Trade debtors	180,957,192	61,299,041	67,356,844	14,874,534	37,426,773
	180,957,192	61,299,041	67,356,844	14,874,534	37,426,773

10.2 Group

	2015 Rs.	2014 Rs.
Trade Debtors	2,564,450,142	3,017,842,581
Provision for Bad and Doubtful Debts	(118,626,145)	(68,032,554)
	2,445,823,997	2,949,810,027
Loans to company officers	37,951,000	7,283,946
Other Receivables	270,782,279	350,158,115
	2,754,557,275	3,307,252,089

10.2.1 Trade receivables are non interest bearing and on 30 to 45 days credit terms. As at 31 March 2015, the ageing analysis of trade receivables is as follows:

			Past due but not impaired		
	Total Rs.	Neither past due nor Impaired Rs.	Less Than 3 Month Rs.	3 to 12 Month Rs.	More Than One Year Rs.
Trade debtors	2,564,450,142	1,025,461,574	1,008,207,920	385,792,766	144,987,882
	2,564,450,142	1,025,461,574	1,008,207,920	385,792,766	144,987,882

10.2.2 Allowances for Doubtful Debts

	2015 Rs.	2014 Rs.
Balance at the beginning of the year	68,032,554	68,032,554
Amount provided during the year	50,593,591	-
Balance at the end of the year	118,626,145	68,032,554

11. OTHER NON FINANCIAL ASSETS

	Company		Group	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Receivables - Other	6,479,213	6,992,333	23,998,729	28,642,451
Advances and Prepayments	233,430,405	265,217,892	617,659,804	671,395,118
	239,909,618	272,210,225	641,658,533	700,037,569

12 OTHER FINANCIAL ASSETS

12.1 Non Current - Company/Group

Investments Available for Sale-Non Quoted

	Cost 2015 Rs.	Cost 2014 Rs.
Rocell Ceramics Limited	-	197,136,773
Rocell Property Ltd	-	73,506
	-	197,210,279

SLFRS 10 replaces the parts of previously existing LKAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. SLFRS 10 changes the definition of control such that an investor controls an investee when it 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. To meet the definition of control in SLFRS 10, all three criteria must be met, they include:

(a) an investor has power over an investee;

(b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and

(c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

Upon the satisfaction of above criteria, Rocell Ceramics Limited has been treated as a subsidiary of the group.

12.2 Current - Company/Group

Investments at fair Value Through Profit or Loss

	No. of Shares		Fair Value	
	2015	2014	2015 Rs.	2014 Rs.
Quoted				
The Fortress Resorts PLC	336,100	336,100	5,108,720	4,470,130
Aitken Spence PLC	225,000	225,000	22,387,500	22,027,500
Lanka Hospitals Corporation PLC	45,519	45,519	1,816,208	1,893,590
Citrus Leisure PLC	2,768,276	2,768,276	35,724,093	45,399,726
Citrus Leisure Warrant 2015	10	10	2	11
Serendib Hotels PLC	16,000	16,000	448,000	448,000
Softlogic Finance PLC	1,414,414	1,042,200	49,363,049	31,995,540
Ascot Holdings PLC	30,000	30,000	1,080,000	3,420,000
Waskaduwa Beach Resorts Ltd	1,400,145	1,400,145	7,140,740	10,641,102
			123,068,312	120,295,600
Non-Quoted				
MBSL Insurance	4,666,667	4,666,667	8,666,667	8,666,667
			8,666,667	8,666,667
			131,734,979	128,962,267

13. STATED CAPITAL - COMPANY/GROUP

	2015		2014	
	Number	Rs.	Number	Rs.
Balance as at 01 April	110,789,384	1,368,673,373	110,789,384	1,368,673,373
Balance as at 31 March	110,789,384	1,368,673,373	110,789,384	1,368,673,373

14. RESERVES

	Company		Group	
	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
Summary				
Revaluation Reserve (Note 14.1)	213,634,264	213,634,264	704,876,970	669,505,158
Available for sale reserve (Note 14.2)	-	-	7,102,730	9,571,387
Exchange Differences on transaction of foreign operations (Note 14.3)	-	-	(4,169,416)	-
	213,634,264	213,634,264	707,810,284	679,076,545

14.1 Revaluation Reserve

	Company		Group	
	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
On: Property, Plant and Equipment				
As at 1 April	213,634,264	213,634,264	669,505,158	513,494,300
Revaluation of surplus during the year	-	-	37,694,958	156,010,858
Realised Surplus on Disposal Transferred to Retained Earnings	-	-	(2,323,146)	-
As at 31 March	213,634,264	213,634,264	704,876,970	669,505,158

The above revaluation surplus consists of net surplus resulting from the revaluation of property plant and equipment as described in Note 3.4 and 3.10. The unrealised amount cannot be distributed to shareholders.

14.2 Available for Sale Reserve

	Group	
	2015	2014
	Rs.	Rs.
As at 1 April	9,571,387	1,071,547
Net change in fair value during the year	(2,468,658)	8,499,840
As at 31 March	7,102,729	9,571,387

For the Year ended 31 March 2015

14.3 Foreign Currency Translation Reserve

	Group 2015 Rs.	Group 2014 Rs.
As at 1 April	-	-
Transferred during the year, net of tax	(4,169,416)	-
As at 31 March	(4,169,416)	-

15 INTEREST BEARING LOANS AND BORROWINGS

	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Non Current				
Long term loans (15.1)	3,315,570,610	3,699,996,091	5,870,458,980	6,699,042,090
Finance leases (15.2)	-	8,066,943	115,533,037	133,032,021
	3,315,570,610	3,708,063,034	5,985,992,017	6,832,074,111
Current				
Long term loans (15.1)	720,101,988	535,697,007	1,609,560,105	1,633,428,516
Finance leases (15.2)	-	5,781,203	25,529,327	44,245,979
Short term loans	242,589,466	235,523,279	2,563,770,890	3,351,348,337
Bank overdrafts (20.0)	435,145,226	183,616,842	2,109,451,686	1,796,625,824
	1,397,836,680	960,618,331	6,308,312,008	6,825,648,655
Total	4,713,407,290	4,668,681,365	12,294,304,025	13,657,722,766

15.1 Long Term Loans

	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
At the beginning of the year	4,235,693,099	1,633,704,217	8,091,919,753	2,364,569,683
On acquisition of subsidiaries	-	-	-	2,898,417,000
Loans obtained during the year	2,083,995,891	4,400,220,477	2,659,186,166	7,062,848,505
Exchange gain/loss on USD loans	7,405,200	11,173,522	11,422,186	6,870,522
Effect of fair value of loans	-	-	244,000	(244,000)
Repayments during the year	(2,291,421,592)	(1,809,405,117)	(3,282,753,020)	(3,999,991,103)
At the end of the year	4,035,672,598	4,235,693,099	7,480,019,085	8,332,470,608
Payable within 1 year	720,101,988	535,697,007	1,609,560,105	1,633,428,516
Payable after 1 year before 5 years	3,315,570,610	3,699,996,091	5,870,458,980	6,699,042,090
	4,035,672,598	4,235,693,098	7,480,019,085	8,332,470,606

15.2 Finance Leases

	Company		Group	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
JEDB/SLSPC estates (Note 15.3)	-	-	156,840,000	162,068,000
Other finance lease creditors (Note 15.4)	-	16,810,048	60,151,577	102,684,286
Gross liability	-	16,810,048	216,991,577	264,752,286
Finance charges allocated to future periods	-	(2,961,902)	(75,928,562)	(87,475,287)
Net liability	-	13,848,146	141,063,015	177,277,999
Payable within 1 year	-	5,781,203	25,529,327	44,245,979
Payable after 1 year before 5 years	-	8,066,943	115,533,037	133,032,021
Total	-	13,848,146	141,062,364	177,277,999

15.3 JEDB/SLSPC estates

At the beginning of the year			162,068,000	-
On acquisition of subsidiaries			-	167,296,000
New leases obtained during the year			12,393,000	11,287,000
Repayments during the year			(17,621,000)	(16,515,000)
At the end of the year			156,840,000	162,068,000

15.4 Other Financial lease creditors

At the beginning of the year	16,810,048	25,289,760	102,684,782	56,034,393
On acquisition of subsidiaries	-	-	-	108,077,000
New leases obtained during the year	-	-	34,109,000	16,282,699
Repayments during the year	(16,810,048)	(8,479,712)	(76,642,205)	(77,709,806)
At the end of the year	-	16,810,048	60,151,577	102,684,286

15.5 The lease rentals have been amended with effect from 22nd June 1996 to an amount substantially higher than the previous nominal lease rental of Rs.500/-per estate per annum. The basic rental payable under the revised basis is Rs.5.228 Mn per annum. This amount is to be inflated annually by the Gross Domestic Product(GDP) deflator in the form of contingent rent.

This lease agreement was further amended on 10th June 2005, freezing the annual lease rental at Rs.7.472 Mn for a period of six years commencing from 22nd June 2002. Hence, the GDP Deflator adjustment is frozen at Rs.2.244 Mn per annum until 21st June 2008. Accordingly, the Financial Statements have been adjusted, in order to reflect the future net liability in the following manner:-

Future liability on the revised annual lease payment of Rs.7.472 Mn will continue until 21st June 2008, and thereafter from 22nd June 2008, annual lease payment will remain at Rs.5.228 Mn, until 21st June 2045. The Net Present Value of this liability at a 4% discounting rate would result in a liability of Rs.89.551 Mn.

		Rs. Mn
The net present value as at date is represented by		
Gross Liability	- Overdue	156,840
	- 30 Years at Rs. 5.228 million per annum	156,840
Less : Interest in Suspense		(67,289)
Net Present Value		89,551

The contingent rental charged during the current year to Statement of Comprehensive Income amounted to Rs. 12,393.029/- and the gross liability to make contingent rentals for the remaining 30 years of lease term at the current rate would be estimated to Rs. 371,790,870/- as at 31 March 2015.

15.5 Interest Bearing Loans and Borrowings

Details of the Long Term Loans;

Lender	Approved Facility	Repayment Terms	Security	Security Amount Rs.Mn	Balance As At 31st March 2015 Rs.Mn
Company : Royal Ceramics Lanka PLC					
Commercial Bank PLC	Rs. 500 Mn	60 equal monthly instalments	Tripartie Agreement with company, share broker and the bank over 10.5Mn shares of LB Finance PLC	500	183.27
			Corporate guarantee of Royal Porcelain (Pvt) Ltd		
Commercial Bank PLC	Rs. 620 Mn	47 equal monthly instalments	Simple deposit of 100001 (20.01% stake) of Lewis Brown and Company	620	129.19
			Corporate guarantee of Royal Porcelain (Pvt) Ltd	620	
Commercial Bank PLC	Rs 175 Mn	48 equal monthly instalments	174.9 Mn in mortgage over properties at Baddegadaramulla, Meegoda, No 101, Nawala Road, Nawala and No 472, Highlevel Road Kottawa	175	100.11
			Corporate guarantee of Royal Porcelain (Pvt) Ltd	175	
Commercial Bank PLC	Rs 41 Mn	48 monthly instalments	Primary mortgage bond for 41Mn over the Polishing line	41	15.35
			Corporate guarantee of Royal Porcelain (Pvt) Ltd	41	
Commercial Bank PLC	Rs 24 Million	60 equal monthly instalments	Primary mortgage bond for 24Mn over the two LP Gas Tanks	24	15.6
			Corporate guarantee of Royal Porcelain (Pvt) Ltd	24	
Commercial Bank PLC	Rs 3.0 Bn	8 years-(first 48 monthly instalment of Rs 20Mn each and subsequent 48 monthly instalments of Rs 42.5Mn each	Tripate agreement between the company /custodian company and bank over a portfolio of 23,009,036 shares of Lanka Ceramic PLC and 7,545,422 shares of LB Finance PLC (Market value as at 15/09/2014 -Rs 3,905 Mn)	3,000	2,920
Commercial Bank PLC	Rs. 260Mn	60 equal monthly instalments	Primary mortgage bond over Land and Building at No 20, R.A.De Mel Mawatha, Colombo 03.	260	208
Hatton National Bank PLC	Rs. 100Mn	59 equal monthly instalments	Registered primary concurrent mortgage bond of Rs 650Mn - (HSBC 500Mn/HNB 150Mn) over factory premises at Eheliyagoda to be executed.	100	39.49
Hatton National Bank PLC	Rs. 50Mn	59 monthly instalments	Primary Registered concurrent mortgage bond of Rs 650Mn - (HSBC 500Mn/HNB 150Mn) over factory premises at Eheliyagoda to be executed.	50	45.83

15 INTEREST BEARING LOANS AND BORROWINGS (Contd.)

15.5 Interest Bearing Loans and Borrowings (Contd.)

Details of the Long Term Loans;

Lender	Approved Facility	Repayment Terms	Security	Security Amount Rs.Mn	Balance As At 31st March 2015 Rs.Mn
Hatton National Bank PLC	Rs. 23Mn	59 monthly instalments	Corporate guarantee from Royal Porcelain (Pvt) Ltd	23	22.62
Hatton National Bank PLC	Rs. 07Mn	59 monthly instalments	Corporate guarantee from Royal Porcelain (Pvt) Ltd	23	6.88
HSBC Bank	USD 4Million	60 monthly instalments	Pari-Pasu Concurrent Registered Primary Mortgage Bond (between HNB & HSBC) over the manufacturing plant in Eheliyagoda to be executed.	USD 4	349.33
					4,035.67
Company : Royal Porcelain (Pvt) Ltd					
Commercial Bank PLC	Rs 280Mn	59 monthly instalments	Corporate Guarantee from Royal Ceramics Lanka PLC	280	88.53
Hatton National Bank PLC	Rs. 75Mn	60 monthly instalments	Corporate Guarantee from Royal Ceramics Lanka PLC	75	30
			Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (between HNB & DFCC) over the factory premises in Horana together with existing machinery therein.	75	
DFCC Bank PLC	Rs 150Mn	60 monthly instalments	Corporate Guarantee from Royal Ceramics Lanka PLC	150	72.49
			Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (between HNB & DFCC) over the factory premises in Horana together with existing machinery therein.	150	
Commercial Bank PLC	Rs. 80Mn	59 monthly instalments	Corporate Guarantee from Royal Ceramics Lanka PLC	80	26
Commercial Bank PLC	Rs 56 Mn	59 equal monthly instalments	Mortgage over line Sorting Palertizer Machine	56	29.82
			Corporate Guarantee from Royal Ceramics Lanka PLC		
Commercial Bank PLC	Rs 67Mn	59 equal monthly instalments	Mortgage over Tile Printing Machine	67	38.4
			Corporate Guarantee from Royal Ceramics Lanka PLC	67	

Details of the Long Term Loans;

Lender	Approved Facility	Repayment Terms	Security	Security Amount Rs.Mn	Balance As At 31st March 2015 Rs.Mn
Commercial Bank PLC	Rs.48Mn	60 equal monthly instalments	Mortgage over Glazed Polishing Line	48	38.4
			Corporate Guarantee from Royal Ceramics Lanka PLC	48	
Commercial Bank PLC	Rs 67Mn	60 equal monthly instalments	Mortgage over Digital Ceramic Printing Machine	67	55.85
			Corporate Guarantee from Royal Ceramics Lanka PLC	67	
Commercial Bank PLC	Rs 200Mn	60 equal monthly instalments	Mortgage over warehouse premises at Meegoda owned by Rocell Bathware Ltd	200	163.15
Commercial Bank PLC	Rs 48.56Mn	60 equal monthly instalments	Mortgage over 4 units 4 wheel Forklifts and 4 units reach trucks	48.6	38.84
Commercial Bank PLC	Rs 53Mn	60 equal monthly instalments commencing from March 2014	Mortgage over the Nano coating line , Unloading Polishing Machine, Batching and mill Feeding Machine and Air Compressor	53	41.52
			Corporate Guarantee from Royal Ceramics Lanka PLC	53	
Commercial Bank PLC	Rs 37Mn	59 monthly instalments	Primary Mortgage over the Automatic easy Line Sorting Line	37	33.36
			Corporate Guarantee from Royal Ceramics Lanka PLC	37	
					656.36
Company : Rocell Bathware Limited					
Hatton National Bank	Rs 160Mn	54 monthly instalment	Primary Mortgage bond for Rs 250Mn over leasehold land and building and machinery (excluding Unimack) at Templeburg Industrial Estate, Panagoda to be executed.	160	124.44
			Corporate guarantee from Royal Ceremics Lanka PLC	160	
Hatton National Bank	Rs 70 Mn	54 monthly instalment	Primary Mortgage bond for Rs 250Mn over leasehold land and building and machinery (excluding Unimack) at Templeburg Industrial Estate, Panagoda to be executed.	70	60.26
			Corporate guarantee from Royal Ceremics Lanka PLC	70	
Hatton National Bank	Rs 20 Mn	60 equal monthly instalments	Corporate guarantee from Royal Ceremics Lanka PLC	20	9.3
					194

15 INTEREST BEARING LOANS AND BORROWINGS (Contd.)

15.5 Interest Bearing Loans and Borrowings (Contd.)

Details of the Long Term Loans;

Lender	Approved Facility	Repayment Terms	Security	Security Amount Rs.Mn	Balance As At 31st March 2015 Rs.Mn
Company : Ever Paint and Chemical Industries					
Commercial Bank PLC	RS 100Mn	59 monthly instalment	Primary concurrent Mortgage bond over company factory premise at Hanwella, stocks in trade and assignment over book debts and mortgage over movable machinery equipment,furniture fittings at Malabe	100	65.285
			Corporate guarantee from Royal Ceremics Lanka PLC	100	
					65.285
Lanka Ceramic PLC					
Hatton National Bank PLC	500Mn	08 annual instalments	Mortgage for Rs, 500 Mn over Lanka Walltiles PLC shares	500	370
					370
Company : Lanka Walltiles PLC					
Hatton National Bank PLC	300Mn	60 monthly instalments	Primary mortgage bond for Rs. 390 million over the project assets comprising land, building and machinery at Meepe.	300	165
Hatton National Bank PLC	USD 1.8Mn	60 monthly instalments	Secondary mortgage bond for USD 1.8 million over the project assets comprising land, building and machinery at Meepe.	USD 1.8	173.802
Commercial Bank of Ceylon PLC	200Mn	60 monthly instalments	Primary mortgage bond for Rs.200 million over the property situated at 215, Nawala Road, Colombo 5	200	55.95
Commercial Bank of Ceylon PLC	80Mn	60 monthly instalments	Primary Mortgage bond for Rs.80Mn over the ceramic printer	80	58.655
DFCC Bank	200Mn	60 monthly instalments	Primary mortgage over movable machinery at Meepe	200	110
					563.407
Company : Lanka Tiles PLC					
DFCC Bank	150Mn	48 monthly instalments	A primary mortgage over land, building and plant and machinery of Lanka Tiles PLC at Ranala amounting to Rs.300 million		97.5
DFCC Bank	165Mn	48 monthly instalments	A primary mortgage over land, building and plant and machinery of Lanka Tiles PLC at Ranala amounting to Rs.300 million	300	100.179

Details of the Long Term Loans;

Lender	Approved Facility	Repayment Terms	Security	Security Amount Rs.Mn	Balance As At 31st March 2015 Rs.Mn
DFCC Bank	287.712Mn (USD 3Mn)	85 monthly instalments	A primary mortgage over land, building and plant and machinery of Lanka Tiles PLC at Ranala amounting to Rs.300 million		245.070
DFCC Bank	80,000		A primary mortgage over land, building and plant and machinery of Lanka Tiles PLC at Ranala amounting to Rs.300 million		72.593
Commercial Bank of Ceylon PLC	22.243Mn	59 monthly instalments	A primary mortgage over land, building and immovable assets of Lanka Tiles PLC at Ranala amounting to Rs.100 million	100	0.725
					516.067
Company : Uni-Dil Packaging Ltd					
Central Finance PLC	42.5Mn	LKR 991,106 monthly instalments	Mortgage bond for 42.5 Mn over Moveable machinery	42.5	24.778
HSBC	USD 310,000	US$ 7,380.95 monthly instalments	Mortgage bond for USD 310,000 over Moveable machinery	USD 310,000	40.568
Hatton National Bank PLC	10Mn	LKR 308,300 monthly instalments	Concurrent Mortgage bond for LKR 110 Mn over immovable property	110	0.003
					65.349
Company : Horana Plantations Limited					
People's Leasing Co., Ltd (Out of DFCC e-Friends line of credit)	12.001Mn	48 monthly instalments	Promissory note and Primary mortgage over the leasehold rights of Hillstream Estate of Horana Plantations PLC to the value of 12.00 million.	12	2.056
Hatton National Bank PLC	150Mn	72 monthly instalments	Primary mortgage for 150 million over the leasehold rights of Frocester Estate	150	545.800
	200Mn				
	200Mn				

15 INTEREST BEARING LOANS AND BORROWINGS (Contd.)

15.5 Interest Bearing Loans and Borrowings (Contd.)

Details of the Long Term Loans;

Lender	Approved Facility	Repayment Terms	Security	Security Amount Rs.Mn	Balance As At 31st March 2015 Rs.Mn
Indian Bank	75Mn	54 monthly instalments	Primary mortgage over leasehold rights of Tillicoultry Estate		42
Hatton National Bank PLC	100Mn		Primary mortgage over leasehold rights of Alton, Bambarakelly,Eildon Hall and Gouravilla	100	100
					689.856
Company : Swisstek (Ceylon) PLC					
Bank of Ceylon	25,817	58 monthly installments	Mortgage over immovable property at Balummahara, Imbulgoda		8.202
					8.202
Company : Swisstek Aluminium Limited					
DFCC Bank	290Mn	78 monthly installments	Mortgage over land, building, plant & machinery stocks & book debts		159.872
	50Mn	60 monthly installments			32.850
	10Mn	60 monthly installments			9.511
					202.233
Company: Vallibel Plantation Management Limited					
Commercial Bank of Ceylon PLC	144.79Mn	60 monthly installments	12,750,000 shares of Horana Plantation PLC		113.59
					113.59
Total Long Term Loans - Group					7,480.019

16 RETIREMENT BENEFIT OBLIGATIONS

	Company		Group	
	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	151,061,887	124,132,009	883,354,555	157,272,531
Interest cost	15,106,189	12,413,201	88,786,907	80,092,253
Current Service Cost	13,467,340	12,204,414	69,407,017	64,022,265
Benefits Paid	(5,136,647)	(3,303,378)	(79,202,573)	(86,088,691)
Benefits Payable	(3,303,378)	(70,170)	(4,390,691)	(313,040)
Acturial (gain)/loss	488,076	5,685,811	5,413,130	101,635,437
On acquisition of Subsidiary	-	-	-	566,733,800
At the end of the year	171,683,467	151,061,887	963,368,345	883,354,555

16.1 Maturity Profile of the Defined benefit obligation

	Company	
	2015	2014
	Rs.	Rs.
Future Working Life Time		
Within the next 12 months	43,924,466	37,430,859
Between 1-2 Years	34,713,826	34,767,041
Between 2-5 Years	40,393,018	35,904,385
Between 5-10 Years	36,379,444	29,237,919
Beyond 5-10 Years	16,272,713	13,721,683
Total	171,683,467	151,061,887

16 RETIREMENT BENEFIT OBLIGATIONS (Contd.)

16.2 Sensitivity Analysis

In order to illustrate the significance of the salary escalation rates and discount rates assumed in these valuations a sensitivity analysis for all employees of Royal Ceramics Lanka PLC and its subsidiaries is carried out as follows;

	Company Rs.	Group Rs.
Discount Rate as at 31 March 2015		
Effect on DBO due to decrease in the discount rate by 1%	7,592,300	73,082,015
Effect on DBO due to increase in the discount rate by 1%	(6,960,105)	(65,089,143)
Salary Escalation Rate as at 31 March 2015		
Effect on DBO due to decrease in salary escalation rate by 1%	(7,502,423)	(51,795,336)
Effect on DBO due to increase in salary escalation rate by 1%	8,061,057	55,368,590
Discount Rate as at 31 March 2014		
Effect on DBO due to decrease in the discount rate by 1%	6,388,037	69,538,611
Effect on DBO due to increase in the discount rate by 1%	(5,870,030)	(56,706,269)
Salary Escalation Rate as at 31 March 2014		
Effect on DBO due to decrease in salary escalation rate by 1%	(6,405,432)	(41,362,517)
Effect on DBO due to increase in salary escalation rate by 1%	6,865,302	45,637,833

16.3 Principle Assumptions used for Actuarial Valuation

Royal Ceramics Lanka PLC/Rocell Bathware Ltd/ Royal Porcelain (Pvt) Ltd/ Ever Paint and Chemical Industries (Pvt) Ltd

Messrs. Actuarial & Management Consultants (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity using the Projected Unit Credit Method as at 31st March 2014 and 31 March 2015. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2015	2014
Discount rate assumed	9.5% p.a	10% p.a
Future salary increase rate	10% p.a	10% p.a
Staff Turn Over	15% p.a	16% p.a

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

Lanka Ceramic PLC

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Lanka Ceramic PLC of the defined benefit plan gratuity as at 31 March 2014.

The principal assumptions used are as follows:

		2015	2014
Discount rate (per annum)		10.0%	10.5%
Future salary increase rate (per annum)	- Executives	10.0%	10.0%
	- Non Executives	5.0%	5.0%
Retirement Age		55 years	55 years

Lanka Walltiles PLC

The defined benefit liability as of 31 March 2014 and 31 March 2015 was actuarially valued by M/s Piyal S. Goonetilleke and Associates qualified actuary.

The principal assumptions underlying the valuation are as follows;

		2015	2014
Discount rate (per annum)		10.1%	10.5%
Future salary increase rate	- Executives	12.8%	12.9%
	- Non Executives	11.0%	11.1%
Retirement Age		55 Years	55 Years

16 RETIREMENT BENEFIT OBLIGATIONS (Contd.)

16.3 Principle Assumptions used for Actuarial Valuation (Contd.)

Lanka Tiles PLC

The defined benefit liability of Lanka Tiles PLC was actuarially valued by M/s Piyal S Goonathilake and Associates qualified actuary on 31 March 2015

Principal Actuarial Assumptions are as follows

		2015	2014
Discount rate		10.14%	10.3%
Future salary increase rate	- Executives	13.65%	11.0%
	- Non Executives	8%	8.1%

In addition to above, demographic assumptions such as mortality, withdrawal disability and retirement age were considered for the acturial valuation. GA 1983 mortality table issued by the Society of Actuaries USA was taken as the base for the valuation.

Horana Plantations PLC

An acturial valuation of the retirement benefit obligation was carried out as at 31st March 2015 by Acturial and Management Consultants (Pvt) Ltd.

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

Principal Actuarial Assumptions are as follows

	2015	2014
Rate of interest	10.50%	10.5% per annum
Rate of future salary increase		
Workers	15%	16.0% every two years beyond
Staff	12.50%	12.5% per annum
Head Office Staff	8.00%	8.00% per annum beyond
Retirement age		
Workers	60	60 years
Staff	60	60 years
Head Office Staff	55	55 years
Daily wage rate		
Tea	Rs.450	Rs.450
Rubber	Rs.450	Rs.450

Uni-Dil Packaging Ltd and Uni-Dil Paper Sacks (Pvt) Ltd

An acturial valuation of the retirement benefit obligation was carried out as at 31st March 2015 by M/s Acturial and Management Consultants (Pvt) Ltd.

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

Principal Actuarial Assumptions are as follows

	2015	2014
Discount rate	10%	10.0%
Future salary increase rate	10%	10%
Staff turnover	8%	8%
Retirement age (Years)	55	55

Swisstek (Ceylon) PLC

Gratuity liability based on the actuarial valuation carried out by Messrs. Piyal S Gunathilake & Associates on 31 March 2015.

Principal Actuarial Assumptions are as follows

	2015	2014
Discount rate	9.80%	10.0%
Future salary increase rate	14%	12%

Swisstek Aluminium Limited

Gratuity liability based on the actuarial valuation carried out by Messrs. Piyal S Gunathilake & Associates on 31 March 2015.

Principal Actuarial Assumptions are as follows

	2015	2014
Discount rate	9.34%	10.96%
Future Salary increase rate	10%	12%
Retirement age (Years)	55	55

17. CAPITAL GRANTS

	Group 2015 Rs.	Group 2014 Rs.
Capital grants (17.1)	121,613,000	118,411,000
	121,613,000	118,411,000

17.1 Capital grants

Capital grants received on plantations

Granted by	Purpose of the grant	Basis of amortisation	Amount received Rs.'000	Balance at the 01.04.2014 Rs.'000	Received during the year Rs.'000	Amortised during the year Rs.'000	Balance as at 31.03.2015 Rs.'000
Sri Lanka Tea Board	Tea factory modernization	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	419	231	-	(31)	200
	Tea replanting subsidy	Will be amortised at rate applicable to Tea mature plantations, after become mature (3.00%)	1,215	1,215	-	-	1,215
Plantation development project / Asian Development Bank	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	31,588	21,198	-	(790)	20,408
Plantation human development trust	Improvement of workers living environment	Rate of depreciation applicable to buildings and furniture & fittings (2.5% & 10% p.a.)	45,143	33,697	-	(1,120)	32,577
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	342	-	(12)	330
Plantation development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	16,836	-	(501)	16,335

Granted by	Purpose of the grant	Basis of amortisation	Amount received Rs.'000	Balance at the 01.04.2014 Rs.'000	Received during the year Rs.'000	Amortised during the year Rs.'000	Balance as at 31.03.2015 Rs.'000
	Ergonomic equipment	Rate of depreciation applicable to equipment (12.5% p.a.)	5,853	1,288	-	(732)	556
	Internal road development and boundary posts	Rate of depreciation applicable to permanent land development cost (2.5% p.a.)	4,622	3,976	-	(116)	3,860
	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	8,771	-	(252)	8,519
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	39,246	30,546	7,803	(1,048)	37,301
	Rubber factory development	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	675	311	-	(51)	260
Export Agriculture Department (EAD)	Cinnamon Replanting Subsidy	Rate applicable to cinnamon mature plantations, after become mature(6.67% p.a)	52	-	52	-	52
Total			159,452	118,411	7,855	(4,653)	121,613

18. TRADE AND OTHER PAYABLES

	Company		Group	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Trade Creditors - Others	102,813,788	104,015,615	982,171,198	1,066,353,173
Payables - Other	161,191,575	156,546,563	212,957,384	219,616,173
Sundry Creditors Including Accrued Expenses	92,185,768	80,559,650	899,369,793	747,028,074
Payable to Related Parties (Note 18.1)	1,036,392,262	804,744,818	-	-
	1,392,583,393	1,145,866,646	2,094,498,375	2,032,997,420

18.1 Payable to Related Parties

	2015	2014
Royal Porcelain (Pvt) Ltd	587,885,479	452,631,428
Rocell Bathware Ltd	448,506,783	346,956,922
Ever Paint & Chemical Industries (Pvt) Ltd	-	5,156,468
	1,036,392,262	804,744,818

19 OTHER CURRENT LIABILITIES

	Company		Group	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Provisions	46,083,470	49,138,252	68,741,982	75,481,298
Advances	426,662,772	166,081,482	427,863,714	174,293,582
Other	34,596,621	47,319,761	85,536,904	119,462,555
	507,342,863	262,539,495	582,142,600	369,237,435

20 CASH AND CASH EQUIVALENTS

	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Components of Cash and Cash Equivalents				
20.1 Favorable Cash & Cash Equivalent Balances				
Cash & Bank Balances	287,324,543	160,880,808	1,329,056,539	353,861,243
Short term bank deposits	-	-	-	23,813,000
	287,324,543	160,880,808	1,329,056,539	377,674,243
20.2 Unfavorable Cash & Cash Equivalent Balances				
Bank Overdraft	(435,145,226)	(183,616,842)	(2,109,451,686)	(1,796,625,824)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(147,820,683)	(22,736,034)	(780,395,147)	(1,418,951,581)

21 REVENUE

21.1 Summary

		Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Sales	- Export	101,763,998	116,049,692	1,587,419,199	843,612,895
	- Local	2,833,326,598	2,553,287,422	22,910,787,850	20,867,840,267
Gross		2,935,090,596	2,669,337,114	24,498,207,049	21,711,453,162
Less: Sales Taxes	- Value Added Tax	(285,157,859)	(255,519,876)	(2,119,137,828)	(1,962,653,058)
		2,649,932,737	2,413,817,238	22,379,069,221	19,748,800,104

21.2 Goods and Services Analysis

	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Sale of Goods	2,649,932,737	2,413,817,238	22,379,069,221	19,748,800,104

22. OTHER OPERATING INCOME AND EXPENSES

22.1 Other Operating Income

	Company		Group	
	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
Income from Investments with Related Parties - Non Quoted	1,093,353,926	1,384,433,286	-	-
Dividends on long-term & current investments	472,784	1,835,528	472,784	1,835,528
Net Profit on financial Assets at fair value through profit or loss	-	31,302,483	-	31,302,483
Service Fee Income - Related Parties	999,996	999,996	-	-
Technical fee - Related Parties	137,774,518	-	-	-
Sales Commission - Related Party	6,505,618	5,440,482	-	-
Rent Income - Related Parties	8,632,618	5,872,500	-	-
Rent Income - Others	20,000	1,552,233	26,988,000	38,302,233
Profit/(Loss) on Disposal of Property, Plant & Equipment	1,973,071	-	35,452,552	49,394,612
Sundry Income	5,645,648	2,464,503	120,480,629	76,942,820
Amortisation of capital and revenue grants	-	-	4,653,000	5,659,000
Reversal of debtors impairment	-	-	-	1,246,000
Change in fair value of consumable biological assets	-	-	56,640,000	26,052,000
	1,255,378,179	1,433,901,011	244,686,965	230,734,677

22.2 Other Operating Expenses

	Company 2015	Company 2014	Group 2015	Group 2014
Net loss on financial Assets at fair value through profit or loss	8,393,707	-	8,393,707	-
Loss on Disposal of Short Term Investments	-	24,286,617	-	24,286,617
	8,393,707	24,286,617	8,393,707	24,286,617

	Company		Group	
	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.

23. FINANCE COST AND INCOME

23.1 Finance Cost

Interest Expense on Overdrafts	25,155,762	38,823,430	143,942,588	201,973,147
Interest Expense on Loans & Borrowings	349,697,410	477,466,146	852,928,363	1,178,815,075
Finance Charges on Lease Liabilities	1,662,046	2,699,364	20,849,180	23,645,045
Write off of Intercompany Balances	-	-	2,032,000	-
Interest expense on TR bills	-	-	-	43,846,000
Less : Capitalisation of borrowing costs on immature plantations	-	-	(48,664,000)	(43,195,000)
	376,515,218	518,988,940	971,088,131	1,405,084,267

23.2 Finance Income

Interest Income	1,091,332	1,540,308	1,803,658	28,449,557
	1,091,332	1,540,308	1,803,658	28,449,557

24. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	Company		Group	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Stated after Charging /Crediting				
Included in Cost of Sales				
Depreciation	83,480,989	80,880,511	928,421,484	857,726,525
Employee Benefits including the following	256,911,094	249,007,803	2,754,225,280	2,604,202,679
- Defined Benefit Plan Costs - Gratuity	19,036,821	11,212,799	115,035,508	168,373,241
- Defined Contribution Plan Costs - EPF & ETF	18,784,321	16,960,265	210,306,307	202,517,289
Export duty rebate	(2,100,904)	(2,038,807)	(8,662,402)	(8,710,627)
Included in Administrative Expenses				
Depreciation	33,377,195	22,992,864	64,466,318	37,733,235
Employee Benefits including the following	180,178,848	171,115,969	469,177,575	325,310,583
- Defined Benefit Plan Costs -Gratuity	4,057,477	9,186,746	28,142,477	33,814,646
- Defined Contribution Plan Costs - EPF & ETF	19,296,906	17,488,905	39,370,080	29,172,276
Auditors' Fees and Expenses	1,200,000	956,250	8,446,280	7,301,005
Loss on translation of foreign currency	9,553,301	12,838,702	14,919,199	25,052,415
Amortisation of intangible assets	7,403,559	7,403,559	7,403,559	7,403,559
Included in Selling and Distribution Costs				
Depreciation	102,191,535	68,764,759	166,004,523	104,768,485
Damage Stocks net of insurance claims received	10,387,189	682,108	33,473,034	21,736,499
Sales Promotion	138,609,298	103,448,122	339,742,258	227,984,007
Employee Benefits including the following	238,634,246	194,803,148	427,900,894	328,550,726
- Defined Benefit Plan Costs -Gratuity	5,479,231	4,218,070	5,479,231	4,272,020
- Defined Contribution Plan Costs - EPF & ETF	20,193,390	16,172,030	28,538,302	23,058,211

25 INCOME TAX EXPENSE

25.1 The major components of income tax expense

For the years ended 31 March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Statement of Profit or Loss				
Current Income Tax				
Current Income Tax charge	-	-	348,006,350	227,305,150
Dividend Tax	-	279,000	29,257,497	32,581,192
Under/(Over) Provision of current taxes in respect of prior years	-	-	(91,270,455)	1,373,891
Share of Associate Company Income Tax	-	-	252,839,454	139,257,319
	-	279,000	538,832,846	400,517,552
Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (Note 25.5)	(143,881,333)	(186,059,191)	(43,828,621)	(48,091,021)
Deferred Taxation on Un distributable Associate Profit	-	-	30,703,810	-
Share of Associate Company Deferred Tax	-	-	50,966,346	(33,895,219)
Income tax expense reported in the statement of profit or loss	(143,881,333)	(185,780,191)	576,674,381	318,531,312
Statement of Changes in Equity				
Deferred Income Tax related to items charged or credited directly to equity :				
Deferred Tax effect on Employee Benefits	(133,662)	(1,546,541)	(3,416,741)	(15,190,923)
Net gain on revaluation of buildings	-	-	-	-
Income tax expense reported in equity	(133,662)	(1,546,541)	(3,416,741)	(15,190,923)

25.2 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :

	Company		Group	
	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
Accounting Profit (Profit before Taxation)	635,642,463	668,861,161	3,643,581,631	2,293,814,155
Share of results of associates	-	-	(830,546,236)	(388,598,646)
	635,642,463	668,861,161	2,813,035,395	1,905,215,509
Exempt Profit	(1,093,826,710)	(1,386,268,814)	(2,437,963,923)	(829,180,490)
Non deductible expenses	375,077,285	336,609,672	1,784,217,167	1,345,871,930
Deductible expenses	(424,353,418)	(431,904,557)	(2,409,463,694)	(2,116,596,613)
Tax losses utilized	-	-	(181,219,090)	(56,789,000)
Interest Income	-	-	-	-
Rent Income	-	-	-	-
Taxable Income	(507,460,380)	(812,702,538)	(431,394,144)	248,521,336
Income Tax on Profit of the local sales @ 28%	-	-	332,681,956	217,307,069
Income Tax on Profit of the export sales @ 12%	-	-	15,324,394	9,998,080
Dividend Tax @ 10%	-	279,000	29,257,497	32,581,192
Deferred Taxation on Un distributable Associate Profit	-	-	30,703,810	-
Current and Deferred Tax share of Associates	-	-	303,805,800	105,362,100
Charge/(Reversal) of Deferred Tax (Note 25.5)	(143,881,333)	(186,059,191)	(43,828,622)	(48,091,021)
Adjustment of taxes in respect of prior years	-	-	(91,270,455)	1,373,891
	(143,881,333)	(185,780,191)	576,674,380	318,531,311

25.3 Deferred Tax Assets

Statement of Financial Position

	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
At the beginning of the year	165,336,310	-	195,831,689	(3,211,728)
Transferred from Deferred Tax Liability	-	(22,269,422)	(7,767,379)	
On acquisition of Subsidiary			-	22,369,000
Charge/(Reversal) for the year	143,881,333	186,059,191	173,546,333	173,642,303
Deferred Tax release on components of other comprehensive Income	133,662	1,546,541	90,662	3,032,114
At the end of the year	309,351,305	165,336,310	361,701,305	195,831,689
The closing net deffered tax liability relate to the following;				
Capital allowances for tax purposes	(252,382,278)	(199,071,592)	(303,876,278)	(213,003,738)
Defined Benefit Obligation	47,016,479	41,088,833	49,085,479	52,324,358
Provision			740,000	145,000
Unutilised tax losses	514,717,104	323,319,069	615,752,104	356,366,069
	309,351,305	165,336,310	361,701,305	195,831,689

25.4 Deferred Tax Liability

Statement of Financial Position

	Group 2015 Rs.	Group 2014 Rs.
At the beginning of the year	604,138,639	491,105,166
Transferred from Deferred Tax asset	(7,767,379)	
Recognised in Profit or loss	160,421,540	125,398,282
Recognised in other comprehensive income	(3,325,640)	(12,364,809)
At the end of the year	753,546,160	604,138,639
The closing net deffered tax liability relate to the following;		
Capital allowances for tax purposes	1,165,094,582	1,004,658,017
Defined Benefit Obligation	(139,413,636)	(120,601,378)
Unutilised tax losses	(278,013,322)	(254,982,000)
Deferred Taxation on Un distributable Associate Profit	30,703,810	
Provisions	(24,825,274)	(24,936,000)
	753,546,160	604,138,639

25.5 Statement of Profit or Loss

	Company		Group	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Deferred tax expense/(reversal) arising from;				
Capital allowances for tax purposes	53,310,686	54,408,864	249,848,869	282,973,537
Defined Benefit Obligation	(5,793,984)	(5,778,386)	(10,775,393)	(22,470,889)
Provision	-	-	(483,740)	10,392,000
Unutilised tax losses	(191,398,035)	(234,689,669)	(282,418,357)	(318,985,669)
	(143,881,333)	(186,059,191)	(43,828,621)	(48,091,021)
Deferred Taxation on Un distributable Associate Profit	-	-	30,703,810	-
Share of Associate Company Deferred Tax	-	-	50,966,346	(33,895,219)
Total Deferred Tax Charge/(Reversal) for the year	(143,881,333)	(186,059,191)	37,841,535	(81,986,240)

Deferred tax has been computed at 28% for all standard rate companies and at 12% for export sale business other than Rocell Bathware Ltd which has been computed at 15%

Royal Ceramics Distributors (Private) Limited which is a fully owned subsidiary of Royal Ceramics Lanka PLC has a tax loss that is available indefinitely for offset against future taxable profit of the Company subject to the limit of 35% of taxable profit each year of assessment. A deferred tax asset has not been recognized in respect of this tax loss as it is anticipated that the deferred tax asset will not realize in the foreseeable future.

26. EARNINGS PER SHARE

26.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.

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

	Company		Group	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Amount Used as the Numerator:				
Net Profit for the year attributable to equity holders of the parent	779,523,796	854,641,351	2,134,584,315	1,125,669,580
	779,523,796	854,641,351	2,134,584,315	1,125,669,580

	2015 Number	2014 Number	2015 Number	2014 Number
Number of Ordinary Shares Used as the Denominator:				
Weighted Average number of Ordinary Shares in issue				
Applicable to basic Earnings Per Share	110,789,384	110,789,384	110,789,384	110,789,384

26.3 There were no potentially dilutive Ordinary Shares outstanding at any time during the year.

27. DIVIDEND PER SHARE

	Company/Group	
	2015 Rs.	2014 Rs.
Final Dividends for 2013/14:	110,789,384	-
1st Interim Dividends for 2014/15	221,578,768	
2nd Interim Dividends for 2014/15	110,789,384	
Total Gross Dividends	443,157,536	-
No of shares	110,789,384	110,789,384
Total Dividend per Share	4.00	-

Proposed for approval at AGM (not recorded as liability as at 31 March 2015)

Equity dividend on ordinary shares

Final dividend for 2014/15 - Rs.2/- per share (2013/2014 Rs. 1/- per share)	221,578,768	110,789,384

28 SEGMENT INFORMATION

Primary Reporting Format - Business Segments

For management purposes, the group is organised into business units based on its products and services and has seven reportable segments ,as follows:

- Tile & Associated Items
- Paints
- Packing Material
- Finance
- Sanitary Ware
- Plantation
- Aluminium
- Other

The following tables present revenue and profit and certain assets and liability information regarding the Company's business segments:

	Tiles & Associated Items		Sanitaryware		Paints and Allied Products		Plantation		Packing Material	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Revenue										
Sales to external customers	14,824,351,788	13,946,860,321	1,353,789,249	1,124,666,917	96,191,319	106,654,144	2,164,859,000	2,069,471,000	2,286,461,214	1,967,088,413
Inter-Segment Sales	-	-	-	-	2,603,844	-	-	-	95,823,523	97,234,587
Total Revenue	14,824,351,788	13,946,860,321	1,353,789,249	1,124,666,917	98,795,163	106,654,144	2,164,859,000	2,069,471,000	2,382,284,737	2,064,323,000
Results										
Gross Profit	5,950,552,339	5,077,045,017	473,558,628	414,703,426	(1,613,449)	7,577,391	141,576,000	272,475,000	334,465,096	245,737,000
Other Income	69,204,298	106,502,194	307,157	592,575	2,729,683	428,063	69,493,000	29,085,000	63,942,827	54,187,000
Distribution Expenses	(2,165,089,442)	(1,827,516,669)	(56,448,823)	(33,680,932)	(103,866,107)	(60,024,075)	-	-	(90,151,087)	(78,172,000)
Administrative Expenses	(989,882,610)	(939,037,216)	(25,370,917)	(20,861,214)	(9,440,214)	(13,292,208)	(87,406,000)	(81,770,000)	(76,187,805)	(62,202,000)
Other Operating Expenses	(8,393,707)	(24,286,617)	-	-	-	-	-	-	-	-
Finance Costs	(759,576,381)	(1,074,989,068)	(36,204,311)	(51,832,407)	(20,705,166)	(23,234,621)	(39,793,000)	(58,644,000)	(33,785,272)	(44,661,000)
Finance Income	1,244,156	27,481,175	1,501	-	-	-	-	315,000		-
Share of Associate Company's Profit	-	-	-	-	-	-	-	-	-	-
Net Profit before Income Tax	2,098,058,653	1,345,198,818	355,843,236	308,921,447	(132,895,253)	(88,545,450)	83,870,000	161,461,000	198,283,759	114,889,000
Income Tax Expense	(131,798,466)	(112,481,718)	(16,695,227)	(16,916,767)	-	-	(24,576,000)	(29,969,000)	(25,096,581)	(30,130,000)
Net Profit for the Year	1,966,260,187	1,232,717,100	339,148,009	292,004,680	(132,895,253)	(88,545,450)	59,294,000	131,492,000	173,187,178	84,759,000

No operating segments have been aggregated to form the reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Aluminium Products		Finance		Other		Total Segments		Eliminations/ Adjustments		Total	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1,525,986,652	1,180,893,000	-	-	127,430,000	124,109,471	22,379,069,221	20,519,743,267	-	-	22,379,069,221	19,748,800,104
1,477,348	-	-	-	35,840,713	60,768,095	135,745,428	158,002,682	(135,745,428)	(158,002,682)	-	-
1,527,464,000	1,180,893,000	-	-	163,270,713	184,877,566	22,514,814,649	20,677,745,949	(135,745,428)	(158,002,682)	22,379,069,221	19,748,800,104
339,245,000	252,214,000	-	-	70,246,000	68,594,135	7,308,029,614	6,338,345,969	-	-	7,308,029,614	6,338,345,969
2,776,000	4,006,000	-	-	40,374,000	37,313,845	248,826,965	232,114,677	(4,140,000)	(1,380,000)	244,686,965	230,734,677
(25,524,000)	(40,899,000)	-	-	(1,430,000)	(1,659,419)	(2,442,509,459)	(2,041,952,094)	-	-	(2,442,509,458)	(2,041,952,095)
(90,536,000)	(57,457,000)	-	-	(44,810,000)	(47,752,077)	(1,323,633,545)	(1,222,371,715)	4,140,000	1,380,000	(1,319,493,545)	(1,220,991,716)
-	-	-	-	-	-	(8,393,707)	(24,286,617)	-	-	(8,393,707)	(24,286,617)
(45,766,000)	(87,141,000)	-	-	(35,258,000)	(64,582,171)	(971,088,131)	(1,405,084,267)	-	-	(971,088,131)	(1,405,084,267)
-	-	-	-	558,000	653,382	1,803,658	28,449,557	-	-	1,803,658	28,449,557
-	-	868,947,457	487,276,324	(38,401,222)	(98,677,678)	830,546,236	388,598,646	-	-	830,546,236	388,598,646
180,195,000	70,723,000	868,947,457	487,276,324	(8,721,222)	(106,109,984)	3,643,581,631	2,293,814,155	-	-	3,643,581,632	2,293,814,156
(9,392,000)	-	(299,848,956)	(137,796,663)	(9,305,844)	32,434,563	(516,713,074)	(294,859,585)	(59,961,307)	(23,671,727)	(576,674,381)	(318,531,312)
170,803,000	70,723,000	569,098,502	349,479,661	(18,027,066)	(73,675,421)	3,126,868,558	1,998,954,569	(59,961,307)	(23,671,727)	3,066,907,251	1,975,282,843

	Tiles & Associated Items		Sanitaryware		Paints and Allied Products		Plantation		Packing Material	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 31st March										
Assets and Liabilities										
Segment Assets	31,781,805,153	30,281,066,813	3,416,563,244	3,137,785,387	303,057,993	362,269,006	3,705,607,000	3,437,996,000	1,924,649,847	1,342,117,000
Total assets	31,781,805,153	30,281,066,813	3,416,563,244	3,137,785,387	303,057,993	362,269,006	3,705,607,000	3,437,996,000	1,924,649,847	1,342,117,000
Segment liabilities	14,139,381,598	14,629,721,088	721,123,027	779,365,629	372,714,163	299,173,287	2,070,230,000	1,860,766,000	856,608,058	546,401,000
Total Liabilities	14,139,381,598	14,629,721,088	721,123,027	779,365,629	372,714,163	299,173,287	2,070,230,000	1,860,766,000	856,608,058	546,401,000
Other Segment Information										
Total cost incurred during the period to acquire										
Property, Plant & Equipment	911,544,791	1,516,007,749	111,748,626	174,324,565	1,314,933	29,048,837	277,779,000	365,921,000	77,193,615	14,919,000
Depreciation & Amortisation	821,726,763	620,184,416	100,912,895	98,401,388	16,769,651	15,272,440	121,246,000	146,453,000	44,046,574	44,633,000
Amortisation of leasehold right over land	-	-	-	-	-	-	-	-	-	-
Provisions for retirement benefit liability	89,665,668	82,017,061	321,294	2,379,731	337,776	526,478	62,526,000	153,034,000	6,097,316	5,819,685

Aluminium Products		Finance		Other		Total Segments		Eliminations/ Adjustments		Total	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1,331,896,000	1,187,087,000	-	-	1,136,345,500	1,107,815,057	43,599,924,737	40,856,136,262	(8,503,392,305)	(7,462,032,262)	35,096,532,432	33,331,604,152
1,331,896,000	1,187,087,000	-	-	1,136,345,500	1,107,815,057	43,599,924,737	40,856,136,262	(8,503,392,305)	(7,462,032,262)	35,096,532,432	33,394,104,000
776,165,000	800,590,000	-	-	407,910,000	480,776,550	19,344,131,846	19,396,793,555	(2,258,411,461)	(1,657,208,555)	17,085,720,385	17,739,584,692
776,165,000	800,590,000	-	-	407,910,000	480,776,550	19,344,131,846	19,396,793,555	(2,258,411,461)	(1,657,208,555)	17,085,720,385	17,739,584,692
9,693,000	36,238,000	-	-	345,000	8,905,000	1,389,618,965	2,145,364,151	-	-	1,389,618,965	2,145,364,151
48,611,000	49,559,000	-	-	12,983,000	25,725,000	1,166,295,884	1,000,228,245	-	-	1,166,295,884	1,000,228,245
-	-	-	-	715,000	-	715,000	-	-	-	715,000	1,252,500
3,420,000	617,000	-	-	1,239,000	1,356,000	163,607,054	245,749,955	-	-	163,607,054	245,749,955

28 SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment revenues, Profit or loss ,assets and liabilities and other material items.

	2015	2014
Reconciliation of Net Profit for the year		
Segment Net Profit for the year	3,126,868,557	1,998,954,569
Dividend Tax on Intercompany dividend Income	(29,257,497)	(23,671,727)
Deferred Tax effect on Associate undistributable Profit	(30,703,810)	-
Group Net Profit for the year	3,066,907,250	1,975,282,843
Reconciliation of assets		
Segment assets	43,599,924,737	40,856,136,262
Investment in subsidiaries (elimination)	(7,273,955,832)	(6,509,058,285)
Inter company balances (elimination)	(2,289,115,272)	(1,657,208,863)
Share of associate company's accumulated profit net of dividend received (elimination)	1,059,678,799	641,735,037
Group assets	35,096,532,432	33,331,604,152
Reconciliation of Liabilities		
Segment Liabilities	19,344,131,846	18,807,875,388
Deferred Tax effect on Associate undistributable Profit	30,703,810	-
Inter company balances (elimination)	(2,289,115,272)	(1,657,208,863)
Group Liabilities	17,085,720,385	17,739,584,692

29. CONTINGENT LIABILITIES

a) Companies with in the group issued corporate guarantees in favour of Royal Ceramics Lanka PLC ,Royal Porcelain (Pvt) Ltd ,Rocell Bathware Ltd and Ever Paint and Chemical Industries (Pvt) Ltd guaranteeing loans, interest and other charges of the loans as stated in note 15

b) "Super Gain Tax (SGT) - As per the interim Budget 2015 passed in the Parliament of Sri Lanka on 07th February 2015, the government proposed a one off 25% Super Gain Tax (SGT) be imposed on companies which have earned in excess of Sri Lankan Rupees 2,000 million profit before income tax on Group profit as per the Audited Financial Statement in the Financial Year 2013/14. The Gazette notification in respect of the above budget proposal was issued by the Government of Sri Lanka on 30 March 2015.

Accordingly, liable Companies will be assessed for SGT based on taxable income for the year of assessment 2013/14 and would be required to pay such SGT in three installments commencing from 15 May 2015. However, as of date, this bill has not been passed in the Parliament. In the event the Bill is enacted as a law in the future, the Company would become liable to pay the above SGT. The quantum of such have not yet been estimated by the company.

c) The Lanka Walltiles PLC, Ceytea Plantation Management Limited and Horana Plantations PLC are defendants in lawsuits in respect of labour tribunal cases filed by employees for which maximum liability cannot be reliably measured as at the balance sheet date. Although there can be no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the results of operations, financial position or liquidity. Accordingly no provision for any liability has been made in the financial statements.

d) **Lanka Walltiles PLC**
As at the reporting date, the Lanka Walltiles PLC has received assessments issued by the Department of Inland revenue in respect of Income tax, Value added tax and economic service charge totalling Rs. 224,275,000/- for the year of assessment 2008/09, 2009/10. The Company has appealed against the assessments in the appeal hearing branch.

The Directors believe, based on the information currently available, the ultimate resolution of such assessment is not likely to have a material adverse effect on the Company. Accordingly no provision for liability has been made in these financial statements.

e) **Horana Plantation PLC**
Unfulfilled condition on capital grants received from Ceylon Electricity Board for stand by power generators is subject to a condition of minimum usage of CEB power as against the Generator power. A liability will arise only if the above condition is not fulfilled.

The case bearing No 27692/L filed by Rev Hadapanagoda Mahinda Thero , claiming the possession of Dumbara Estate, on the basis that the terms of the indenture of the aforesaid lease agreement have been violated. The thero also made the claims for the value of rubber trees excavated together with the interest. Furthermore he claims for the loss incurred due to the non cultivation on the property leased.

There are no other material contingent liabilities as at the reporting date

30. CAPITAL COMMITMENTS

The Group and Company's commitment for acquisition of Property, Plant and Equipment incidental to the Ordinary course of business as at 31st March. as follows.

	Company		Group	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Contracted but not provided for	92,461,290	138,174,430	106,568,084	253,813,296
	92,461,290	138,174,430	106,568,084	253,813,296

No provision has been made in these Financial Statements in this regard as at 31st March 2015

31. EVENTS AFTER THE REPORTING PERIOD

Subject to the approval of the shareholders at the Annual General Meeting, Directors recommended payment of a final dividend of Rs 2/- per share for the year ended 31 March 2015 on 15 May 2015.

Other than the above there have been no material events occurring after the balance sheet date that require adjustment or disclosure in the financial statements.

32. ASSETS PLEDGED

The group has pledged its assets as security for the interest bearing loans and borrowings obtained as stated in note 15.5.

33. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

33.1 Transactions with the Related Entities

	Parent		Subsidiaries		Associates and other	
	2015	2014	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Nature of Transaction						
Statement of Profit or Loss						
Sale of Goods/Services	-	-	23,017,833	23,243,656	-	-
Purchase of Goods/Services	-	-	(106,208,486)	(120,815,710)	-	(1,049,616)
Rendering of Services & Commission	-	-	(773,114)	-	-	-
Dividend Income	-	-	987,693,472	1,278,369,941	105,660,454	105,275,974
Dividend Payment	(226,010,400)	-	-	-	-	-
Technical Fee Income	-	-	155,768,458	-	-	-
Service Charges	-	-	1,140,301	1,142,781	-	-
Investments made by the Company	-	-	(124,709,925)	(2,879,651,745)	-	7,712,921
Reimbursement of Expenses	-	-	713,887,206	476,592,768	-	-
Net of funds Transferred	-	-	(1,937,324,426)	(1,934,461,128)	-	-
Statement of Financial Position						
Balance outstanding as at end of the year						
Lease Creditors	-	-	-	-	-	(349,858)
Trade Debtors	-	-	-	-	183,802	-
Other Receivables	-	-	92,722,614	2,509,602	-	-
Due to Related Parties	-	-	(1,036,240,662)	(794,068,984)	-	-
Trade Creditor	-	-	(16,530,186)	-	-	-

Parent company is Vallibel One PLC

Transactions With the Subsidiaries of the Group include Royal Porcelain (Pvt) Limited, Rocell Bathware Limited, Royal Ceramics Distributors (Pvt) Ltd. Ever Paint & Chemical industries (Pvt) Ltd, Lanka Ceramic PLC, Lanka Walltiles PLC, Lanka Tiles PLC,Swisstek Ceylon PLC, Swisstek aluminium Ltd. Horana Plantation PLC and Uni-Dil Packaging Ltd.

Associates of the Group include L. B. Finance PLC and Delmage Limited.

The company carried out above transactions under the ordinary course of its business at commercial rates. Fund transfers represents the sales proceeds of the subsidiaries received by the parent company and it will be settled by transferring of funds back to the relevant companies.

33.2 Transactions with Key Management Personnel (*)

33.2.1 Compensation to Key Management Personnel

		Company		Group	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Nature of Transaction					
Short term Employee Benefits	- Executive Directors	59,511,504	54,101,362	110,284,316	104,874,174
	- Non Executive Directors	7,550,000	7,304,285	19,897,500	19,651,785
Post Employment Benefits	- Executive Directors	12,442,518	10,369,427	12,442,518	13,626,927
		79,504,022	71,775,074	142,624,334	138,152,886

33.2.2 Other Transactions with Key Management Personnel

	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Rent Expenses	8,184,306	6,906,262	8,184,306	6,906,262
Transport Expenses	1,327,500	1,190,155	1,327,500	1,190,155
Sales	61,136	964,770	879,629	1,928,660

(*) Key management personnel include the Board of Directors of the Company and its parent entity.

33.2.3 Transactions, arrangements and agreements involving companies controlled by or with significant influence of the Key Management Personnel**.

a) Statement of Profit or Loss

	Company		Group	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Sale of Goods/Services	16,000,179	2,587,333	101,317,273	11,701,163
Purchase of Goods/Services	2,198,108	5,963,121	210,962,462	59,250,538
Dividend Income	472,760	-	472,760	-
Investment	-	740,276	-	740,276

b) Statement of Financial Position

	Company		Group	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Balance outstanding as at end of the year				
Cash and Cash equivalents	35,148,449	11,524,555	38,652,369	11,524,555
Trade Debtors	2,074,189	9,785,315	4,112,521	11,680,082
Investments	-	197,136,773	-	197,136,773
Term Loan	-	-	-	102,499,981

** Other Related Companies as cited below represent transactions of its business at commercial rates under the ordinary course with entities either controlled or in which significant influence is held by key management personnel or their close family members.

Aitken Spence Hotels PLC, Chemanex PLC, Colombo land and development Company, Douglas and sons Ltd, Expo Lanka Holding PLC, Fentons Ltd, Haycarb PLC, Hayleys MGT Knitting Mills PLC, Hayleys PLC, Kandyan Resort (Pvt) Ltd, Link Natural Products (Pvt) Ltd, Renuka Hotels Ltd, Sampath bank PLC and The Kingsbury PLC.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise interest bearing loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The senior management of the Group oversees the management of these risks. The Senior management of the Group determine on financial risks and the appropriate financial risk governance framework for the Group. The financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk such as equity price risk. Financial instruments affected by market risk include loans and borrowings, equity investments classified as fair value through profit or loss.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt and short term borrowings with floating interest rates. The Group manages its risk by striking a balance between long term and short term debts. The company has easy access to funds at competitive interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of the long term and short term borrowings. With all other variables held constant, the Groups profit before tax is affected through the impact on floating rate borrowings as follows;

	Company		**Group**	
	Change in basis points	Change in Profit before tax	Change in basis points	Change in Profit before tax
2015	100 (1%)	Rs. 45.1 Mn	100 (1%)	Rs. 112.6 Mn
2014	100 (1%)	Rs. 46.7 Mn	100 (1%)	Rs. 114.3 Mn

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in United State Dollars (USD), Euro (EUR), Australian Dollars (AUD) rates with all other variables held constant, the Groups profit before tax. The Group exposure to all the other currencies are not material.

	Company		**Group**	
	Change in basis points	Change in Profit before tax	Change in basis points	Change in Profit before tax
2015	5%	Rs. 18.4 Mn	5%	Rs. 48.4 Mn
2014	5%	Rs. 19.3 Mn	5%	Rs. 42.1 Mn

The Groups listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about the future values of the investments securities. The Group manages the equity price risk by diversification and placing limits on individual and total investment equity instruments. The group Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to listed equity securities at fair value was Rs. 123.1 Mn (2014 - 120.3 Mn). A change in 5% of the ASPI could have an impact on approximately Rs. 7.0 Mn (2014 - 13.7 Mn) on the Company/Groups profit before tax.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks,.

Trade receivables

Customer credit risk is managed in accordance with the Group's established policy, procedures and control relating to customer credit risk management. Individual credit limits are defined in accordance with the prior experience with the customers. Outstanding customer receivables are regularly monitored. The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. Part of the trade receivable of the group are backed by bank guarantees. Hence the Group evaluates the concentration of risk with respect to trade receivables as low.

Liquidity risk

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

As at 31 March 2015	On demand Rs	Less than 3 months Rs	3 to 12 months Rs	1 to 5 years Rs	Over 5 years Rs	Total Rs
Company						
Interest-bearing loans and borrowings	435,145,225	422,614,963	540,076,492	3,315,570,609	-	4,713,407,289
Trade and other payables	-	1,392,583,392	-	-	-	1,392,583,392
	435,145,225	1,815,198,355	540,076,492	3,315,570,609	-	6,105,990,681
Group						
Interest-bearing loans and borrowings	2,109,451,678	2,887,091,045	1,313,843,150	5,562,207,415	421,710,736	12,294,304,025
Trade and other payables	-	2,094,498,375	-	-	-	2,094,498,375
	2,109,451,678	4,981,589,420	1,313,843,150	5,562,207,415	421,710,736	14,388,802,400

As at 31 March 2014	On demand Rs	Less than 3 months Rs	3 to 12 months Rs	1 to 5 years Rs	Over 5 years Rs	Total Rs
Company						
Interest-bearing loans and borrowings	183,616,842	370,892,831	406,108,657	3,708,063,034	-	4,668,681,364
Trade and other payables	-	1,145,866,646	-	-	-	1,145,866,646
	183,616,842	1,516,759,477	406,108,657	3,708,063,034	-	5,814,548,010
Group						
Interest-bearing loans and borrowings	915,958,824	4,486,313,728	1,423,376,021	6,645,557,193	186,517,000	13,657,722,766
Trade and other payables	-	2,064,248,125	-	-	-	2,064,248,125
	915,958,824	6,550,561,853	1,423,376,021	6,645,557,193	186,517,000	15,721,970,891

35. CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2015 and 31 March 2014.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company/Group includes within net debt, interest bearing loans and borrowings trade and other payable less cash and cash equivalents.

	Company		Group	
	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
Interest Bearing Borrowings	4,713,407,290	4,668,681,365	12,294,304,027	13,657,722,766
Trade and Other payables	1,392,583,393	1,145,866,646	2,094,498,375	2,032,997,420
Less: Cash and Cash Equivalents	(287,324,543)	(160,880,808)	(1,329,056,539)	(353,861,243)
Net Debt	5,818,666,140	5,653,667,203	13,059,745,863	15,336,858,943
Equity	7,127,789,045	6,787,688,975	18,010,812,046	15,592,019,463
Gearing ratio	45%	45%	42%	50%

36 MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Company Name	Country of incorporation and operation	2015	2014
Lanka Ceramic PLC	Sri Lanka	23.07%	23.30%
Lanka Walltile PLC	Sri Lanka	51.10%	51.24%
Lanka Tiles PLC	Sri Lanka	64.03%	65.36%
Vallibel Plantation Limited	Sri Lanka	51.18%	51.33%
Swisstek (Ceylon) PLC	Sri Lanka	77.19%	77.85%
Swisstek Aluminium Limited	Sri Lanka	80.07%	80.64%
Horana Plantation PLC	Sri Lanka	75.10%	75.18%
Uni-Dil Packaging (Private) Limited	Sri Lanka	51.18%	51.33%
Uni-Dil Papersacks (Private) Limited	Sri Lanka	51.18%	51.33%

36 MATERIAL PARTLY-OWNED SUBSIDIARIES (Contd.)

Accumulated Balances of Material Non - Controlling Interest

	2015 Rs. 000's	2014 Rs. 000's
Lanka Ceramic PLC	168,049	146,120
Lanka Walltile PLC	1,517,842	1,441,246
Lanka Tiles PLC	2,864,377	2,679,109
Vallibel Plantation Limited	106,020	103,004
Swisstek (Ceylon) PLC	611,532	442,547
Swisstek Aluminium Limited	444,969	311,677
Horana Plantation PLC	1,072,659	1,034,858
Uni-Dil Packaging (Private) Limited	486,671	428,463
Uni-Dil Papersacks (Private) Limited	59,991	42,790
Less - Cross investments	(1,422,476)	(1,432,208)
Add - Attributed Goodwill	226,379	-
Accumulated Material Non- Controlling Interest	6,136,012	5,197,606
Profit allocated to Material Non - Controlling Interest		
Lanka Ceramic PLC	5,454	14,314
Lanka Walltile PLC	131,321	128,238
Lanka Tiles PLC	463,378	430,977
Vallibel Plantation Limited	(3,216)	20,831
Swisstek (Ceylon) PLC	63,436	49,518
Swisstek Aluminium Limited	136,708	57,032
Horana Plantation PLC	46,546	103,171
Uni-Dil Packaging (Private) Limited	71,269	39,664
Uni-Dil Papersacks (Private) Limited	17,374	5,867
Accumulated Material Non- Controlling Interest	932,323	849,613

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

	Lanka Ceramic PLC Rs.'000	Lanka Walltiles PLC Rs.'000	Lanka Tiles PLC Rs.'000	Vallibel Plantation Mgt Limited Rs.'000	Swisstek (Ceylon) PLC Rs.'000	Swisstek Aluminium Limited Rs.'000	Horana Plantation PLC Rs.'000	Uni-Dil Packaging (Private) Limited Rs.'000	Uni-Dil Papersacks (Private) Limited Rs.'000
Summarised statement of profit or loss for year ended 31 March 2015:									
Revenue	163,271	3,078,121	5,349,670	13,279	339,096	1,527,464	2,164,859	1,939,929	442,356
Cost of sales	(93,025)	(2,142,319)	(3,421,137)	-	(277,112)	(1,188,219)	(2,023,284)	(1,645,239)	(402,581)
Administrative expenses	(46,379)	(201,007)	(373,674)	(5,445)	(21,061)	(103,976)	(95,240)	(70,968)	(6,506)
Finance costs	(35,258)	(165,140)	(49,242)	(10,945)	(19,103)	(45,766)	(29,406)	(29,590)	(4,195)
Profit before tax	249,711	554,478	956,226	29,289	79,339	166,755	86,980	172,791	25,493
Income tax	(5,349)	(37,425)	(225,949)	428	2,842	(9,392)	(25,004)	(33,549)	8,452
Profit for the year from continuing operations	244,362	517,053	730,277	29,717	82,181	157,363	61,976	139,243	33,945
Total comprehensive income	243,897	512,786	719,693	29,717	237,930	155,794	76,685	139,336	33,841
Attributable to non-controlling interests	5,454	131,321	463,378	(3,216)	63,436	136,760	46,546	71,269	17,374
Dividends paid to non-controlling interests	33,067	131,569	105,194	-	5,573	-	12,250	-	-
Summarised statement of profit or loss for year ended 31 March 2014:									
Revenue	184,878	2,599,659	5,109,318	12,816	320,128	1,180,893	2,269,092	1,761,739	454,155
Cost of sales	(116,283)	(1,951,099)	(3,452,185)	-	(273,006)	(928,679)	(1,997,931)	(1,532,542)	(423,190)
Administrative expenses	(47,752)	(186,504)	(297,529)	(14,562)	(14,660)	(57,457)	(92,297)	(62,674)	(5,137)
Finance costs	(64,582)	(226,973)	(172,814)	(5,897)	(23,599)	(87,141)	(50,399)	(40,887)	(6,649)
Profit before tax	58,577	194,787	826,482	37,627	53,400	70,723	162,562	104,923	14,430
Income tax	-	(755)	(174,426)	(24)	(3,738)	-	(25,325)	(27,648)	(3,000)
Profit for the year from continuing operations	58,577	194,032	652,056	37,603	49,662	70,723	137,237	77,275	11,430
Total comprehensive income	57,676	191,815	649,086	37,603	48,393	69,016	70,786	87,897	15,076
Attributable to non-controlling interests	13,440	72,525	429,047	25,223	21,098	54,938	58,900	58,958	10,112
Dividends paid to non-controlling interests	-	41,286	96,456	35,337	-	-	-	-	-

36 MATERIAL PARTLY-OWNED SUBSIDIARIES (Contd.)

	Lanka Ceramic PLC Rs.'000	Lanka Walltiles PLC Rs.'000	Lanka Tiles PLC Rs.'000	Vallibel Plantation Mgt Limited Rs.'000	Swisstek (Ceylon) PLC Rs.'000	Swisstek Aluminium Limited Rs.'000	Horana Plantation PLC Rs.'000	Uni-Dil Packaging (Private) Limited Rs.'000	Uni-Dil Papersacks (Private) Limited Rs.'000
Summarised statement of financial position as at 31 March 2015:									
Current Assets	141,653	2,102,749	2,963,346	4,308	188,508	719,977	393,363	962,649	262,781
Non- Current Assets	994,693	3,509,250	3,416,757	350,189	879,904	611,919	2,957,747	530,550	108,676
Current Liabilities	92,727	2,047,954	1,036,291	64,970	264,746	627,643	494,553	434,585	313,009
Non- Current Liabilities	315,183	593,616	870,037	82,390	11,726	161,962	1,428,316	107,779	1,235
Total equity	728,436	2,970,429	4,473,773	207,137	792,237	542,291	1,428,240	950,835	117,207
Attributable to:									
Equity holders of parent	715,732	2,104,652	1,807,138	278,420	358,077	97,322	355,581	526,813	57,216
Non-controlling interest	12,703	865,777	2,666,635	(71,283)	434,160	444,969	1,072,659	424,022	59,991
	728,436	2,970,429	4,473,773	207,137	792,237	542,291	1,428,240	950,835	117,207
Summarised statement of financial position as at 31 March 2014:									
Current Assets	98,209	2,131,883	2,957,747	4,081	149,043	535,501	362,557	821,336	282,074
Non- Current Assets	1,009,607	3,582,141	3,579,475	351,607	753,029	651,586	2,719,751	477,780	169,997
Current Liabilities	100,735	2,151,226	1,260,388	41,296	198,658	591,773	516,599	378,097	367,958
Non- Current Liabilities	380,042	750,255	916,758	113,716	134,920	184,392	1,189,155	86,270	748
Total equity	627,039	2,812,543	4,098,909	200,676	568,493	386,497	1,376,554	834,750	83,366
Attributable to:									
Equity holders of parent	637,836	2,025,214	1,621,667	275,477	304,823	74,820	341,696	469,112	40,576
Non-controlling interest	(10,797)	787,329	2,477,242	(74,801)	263,670	311,677	1,034,858	365,638	42,790
	627,033	2,812,543	4,098,909	200,676	568,493	386,497	1,376,554	834,750	83,366
Summarised cash flow information for year ending 31 March 2015:									
Operating Cash Flow	30,852	496,695	1,688,420	21,995	19,135	174,845	105,620	280,461	24,960
Investing Cash Flow	154,767	136,680	(196,896)	32,400	37,863	(7,528)	(261,167)	(81,457)	(1,444)
Financing Cash Flow	(208,635)	(670,495)	(563,431)	(54,456)	(43,042)	(140,942)	147,153	(173,073)	(30,910)
Net increase / (decrease) in cash and cash equivalents	(23,016)	(36,760)	928,093	(61)	13,956	26,375	(8,394)	25,931	(7,394)
Summarised cash flow information for year ending 31 March 2014:									
Operating Cash Flow	14,237	83,964	568,423	8,407	(7,663)	169,431	235,387	8,302	12,991
Investing Cash Flow	58,658	(592,234)	(236,793)	45,401	3,363	(35,677)	(361,631)	(14,706)	(213)
Financing Cash Flow	(67,557)	459,087	(400,977)	(55,402)	4,713	(132,984)	8,798	31,046	(16,516)
Net increase / (decrease) in cash and cash equivalents	5,338	(49,183)	(69,347)	(1,594)	413	770	(117,446)	24,642	(3,738)

37. SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

	L. B. Finance PLC		Delmage Limited	
	2015	2014	2015	2014
	Rs	Rs	Rs	Rs
Revenue / Operating Income	6,818,493,812	4,548,308,648	6,431,803,518	5,309,619,360
Cost of sales / Operating Expenses	(3,171,407,968)	(2,559,981,444)	(4,879,186,997)	(4,125,518,881)
Other Income and Gains	-	-	84,630,263	146,874,775
Administrative expenses	-	-	(737,803,382)	(763,993,029)
Selling and Distribution Costs	-	-	(711,066,431)	(657,917,975)
Other Operating Expenses	-	-	(9,487,856)	(48,359,031)
Finance costs	-	-	(385,531,374)	(359,692,031)
Tax on Financial Services	(315,232,097)	(119,936,392)	-	-
Profit before tax	3,331,853,747	1,868,390,812	(206,642,259)	(498,986,812)
Income tax Expenses	(1,149,727,591)	(528,361,437)	(21,292,323)	154,450,299
Profit for the year	2,182,126,156	1,340,029,375	(227,934,582)	(344,536,513)
Other comprehensive income	(11,551,663)	18,328,836	(588,319)	796,676,197
Total comprehensive income	2,170,574,493	1,358,358,211	(228,522,901)	452,139,684
Group share of profit for the year	569,098,502	349,479,661	(42,358,066)	(66,243,115)
Group share of Total comprehensive income for the year	566,085,828	354,259,822	(42,481,613)	82,670,610

	2015	2014	2015	2014
	Rs	Rs	Rs	Rs
Current Assets	39,991,449,703	36,039,520,248	4,535,309,943	3,420,826,149
Non- Current Assets	27,551,069,302	24,774,860,477	2,666,932,902	2,676,652,177
Current Liabilities	42,358,178,246	44,522,343,475	4,795,162,760	4,144,546,104
Non- Current Liabilities	17,257,248,790	10,085,348,352	831,142,500	163,888,916
Total equity	7,927,091,968	6,206,688,898	1,575,937,586	1,789,043,306
Group Carrying amount of the investments	3,617,167,128	3,156,741,754	605,449,161	647,930,774
Group Share of Contingent liabilities	71,094,056	23,401,182	-	22,362,900
Capital and other commitments	217,346,788	142,949,406	-	-

38 FAIR VALUE MEASUREMENT

Accounting Policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

01 In the principal market for the asset or liability, or

02 In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses various valuation methodologies that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our fair value hierarchy assessment.

Level 1 : Inputs include quoted prices for identical instruments and are the most observable

Level 2 : Inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates, and yield curves

Level 3 : Inputs include data not observable in the market and reflect management judgment about the assumptions market participants would use in pricing the instruments

We review the inputs to the fair value measurements to ensure they are appropriately categorized within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period.

38.1 Assets Measured at Fair Value

As at 31 March

	Notes	2015 Fair Value Measurement Using Quoted prices in active markets Level 1 Rs.	2015 Significant observable inputs Level 2 Rs.	2015 Significant unobservable inputs Level 3 Rs.	2015 Total Fair Value Rs.	2014 Fair Value Measurement Using Quoted prices in active markets Level 1 Rs.	2014 Significant observable inputs Level 2 Rs.	2014 Significant unobservable inputs Level 3 Rs.	2014 Total Fair Value Rs.
Other Financial Assets - Non Current	12.1								
Investments Available for Sale-Non Quoted		-	-	-	-	-	-	197,210,279	197,210,279
Other Financial Assets - Current	12.2								
Investments at fair value through profit or loss		123,068,312	-	-	123,068,312	120,295,600	-	-	120,295,600
Investments Available for Sale-Non Quoted		-	-	8,666,667	8,666,667	-	-	8,666,667	8,666,667
		123,068,312	-	8,666,667	131,734,979	120,295,600	-	8,666,667	128,962,267
Property, Plant & Equipment	3.6								
Freehold and Clay Mining Land		-	-	3,455,183,582	3,455,183,582	-	-	2,977,532,091	2,977,532,091

There were no transfers into and transfers out of the hierarchy levels during 2014 & 2015.

Financial assets and financial liabilities at amortized cost

Fair value of financial assets and financial liabilities at amortized cost does not materially deviate from carrying value of those as at the reporting date.

38.2 Assets for which fair values are disclosed:

As at 31 March

	Notes	2015 Fair Value Measurement Using Quoted prices in active markets Level 1 Rs.	2015 Significant observable inputs Level 2 Rs.	2015 Significant unobservable inputs Level 3 Rs.	2015 Total Fair Value Rs.	2014 Fair Value Measurement Using Quoted prices in active markets Level 1 Rs.	2014 Significant observable inputs Level 2 Rs.	2014 Significant unobservable inputs Level 3 Rs.	2014 Total Fair Value Rs.
Investment property	4.1	-	445,000,000		445,000,000	-	397,500,000		397,500,000

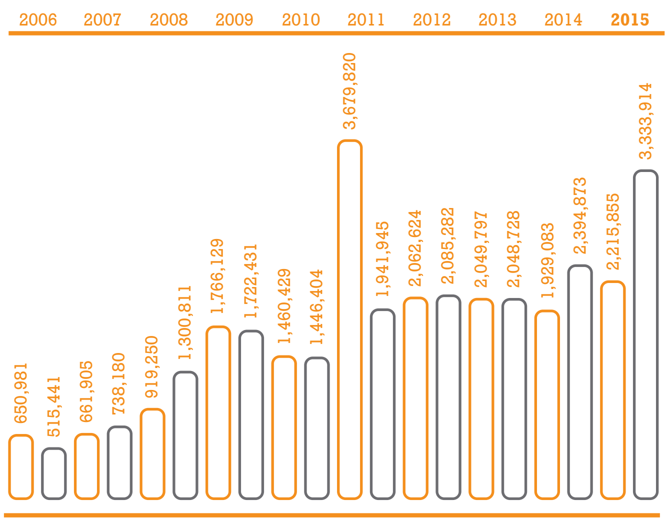
Details of valuation methodologies and assumptions are disclosed in the relevant footnote to the financial statements.

TEN YEAR SUMMARY - COMPANY

Trading results (RS.'000)	SLFRS				SLAS					
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net Turnover	2,649,933	2,413,817	2,296,295	2,178,913	2,180,608	1,529,017	1,435,112	1,484,123	1,362,397	1,193,481
Other Income	1,256,470	1,435,441	1,425,346	2,128,946	1,431,648	876,799	481,761	202,217	200,300	119,820
Profit before interest	1,012,158	1,187,850	1,283,316	2,104,973	1,540,223	879,642	441,083	356,391	337,323	441,354
Interest	(376,515)	(518,989)	(364,554)	(834,642)	(72,735)	(132,419)	(215,386)	(207,114)	(126,998)	(76,291)
Profit After Interest Before Tax	635,642	668,861	918,762	1,270,331	1,467,488	747,223	225,697	149,277	210,325	365,063
Tax Reversal/(Expense)	143,881	185,780	67,724	(15,716)	(93,663)	(36,611)	(20,011)	(27,310)	(57,511)	(44,048)
After Tax Profit from Discontinued Operations		-	31,386	-	-	-	-	-	-	-
Net Profit	779,524	854,641	1,017,873	1,254,614	1,373,825	710,612	205,686	121,966	152,814	321,015

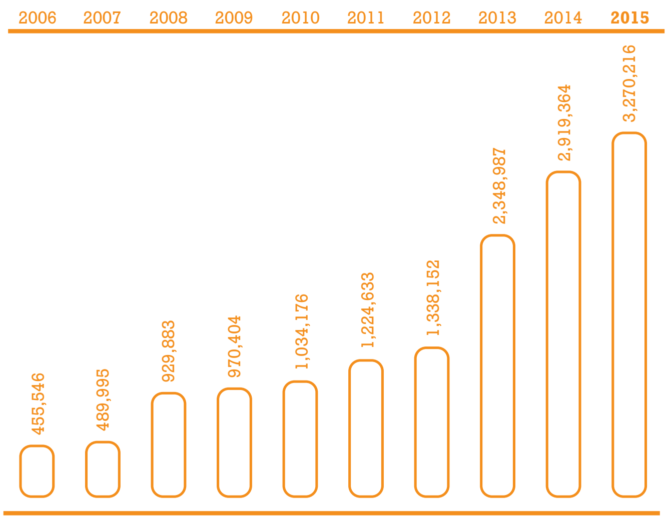
Statement of Financial Position (RS.'000)	SLFRS				SLAS					
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Stated Capital	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	814,726	814,726	814,726	814,726	814,726
Capital Reserve	213,634	213,634	213,634	-	-	365,714	367,343	418,388	4,168	4,168
Retained Earnings	5,545,481	5,205,381	4,354,879	3,558,585	2,747,129	1,150,357	576,602	430,660	415,134	373,109
Shareholders Funds	7,127,789	6,787,689	5,937,187	4,927,259	4,115,802	2,330,797	1,758,671	1,663,775	1,234,028	1,192,003
Fixed Assets	3,270,216	2,919,364	2,348,987	1,338,152	1,224,633	1,034,176	970,404	929,883	489,995	455,546
Investments	8,153,536	7,830,693	4,616,800	4,602,552	1,430,000	1,603,941	1,264,888	1,772,020	1,306,903	979,964
Other Financial Assets	-	197,210	196,470	192,395	183,962					
Current Assets	2,215,855	1,929,083	2,049,797	2,062,624	3,679,820	1,460,429	1,766,129	919,250	661,905	650,981
Current Liabilities	(3,333,914)	(2,394,872)	(2,048,728)	(2,085,282)	(1,941,945)	(1,446,404)	(1,722,431)	(1,300,811)	(738,180)	(515,441)
Non Current Liabilities	(3,487,254)	(3,859,125)	(1,226,138)	(1,183,183)	(460,667)	(321,345)	(520,319)	(656,568)	(486,596)	(379,047)
Total Equity	7,127,789	6,787,689	5,937,187	4,927,259	4,115,802	2,330,797	1,785,671	1,663,775	1,234,028	1,192,003

Ratios and Statistics	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Ordinary Dividends (Rs.'000)	443,158	-	221,579	443,158	276,973	138,487	110,789	55,395	110,789	55,395
Dividend per Share (Rs)*	4.00	-	2.00	4.00	2.50	1.25	1.00	0.50	1.00	0.50
Dividend Payout Ratio(%)	56	-	22	35	20	19	54	45	72	17
Earnings Per Share (Rs.)*	7.04	7.71	9.19	11.32	12.40	6.41	1.86	1.10	1.38	2.90
Market value per share-closing (Rs.)	111.00	79.30	99.50	115.00	157.00	113.00	27.50	42.50	35.00	34.00
Market value per share-Highest (Rs.)	125.00	112.00	118.50	167.50	335.00	116.50	51.00	45.00	43.00	50.00
Price Earnings Ratio (Times)	15.77	10.29	10.83	10.16	12.66	17.62	14.81	38.61	25.37	11.73
Net Assets Per Share (Rs.)	64.40	61.27	53.59	44.47	37.15	21.04	15.87	15.02	11.14	10.76
Return on Equity (%)	11	13	17	25	33	30	12	7	12	27



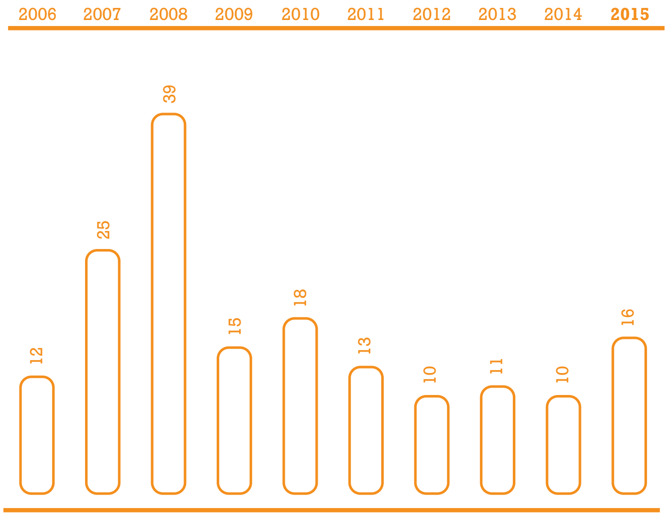
CURRENT ASSETS AND LIABILITIES (Rs.'000)

Current Assets   Current Liabilities

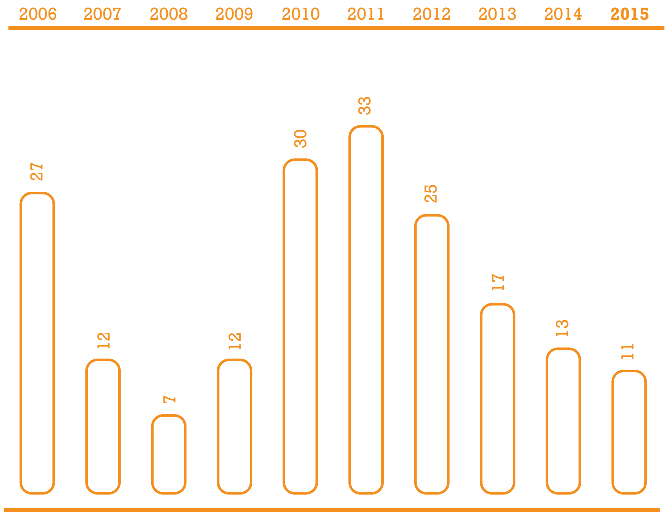


FIXED ASSETS (Rs.'000)

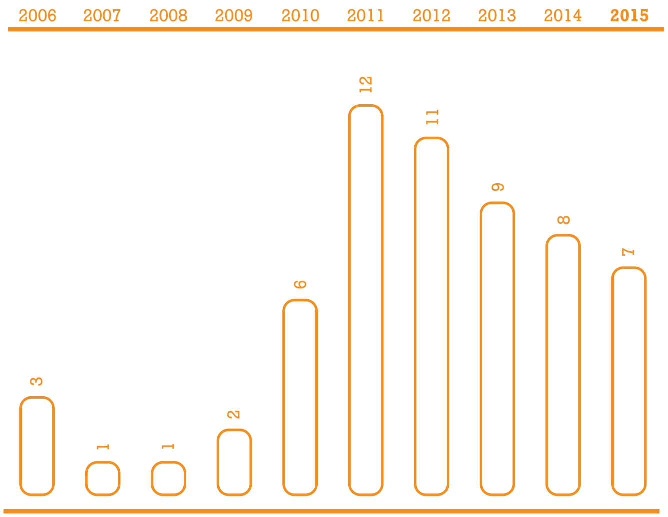
TEN YEAR SUMMARY



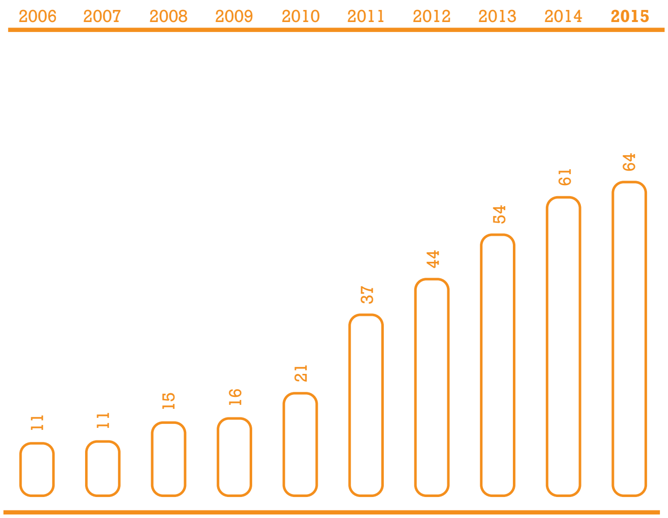
PRICE EARNINGS RATIO (Times)



RETURN ON EQUITY (%)



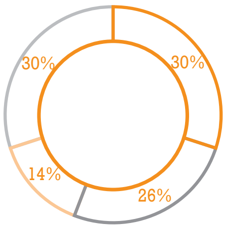
EARNINGS PER SHARE (Rs)



NET ASSETS PER SHARE (Rs.)

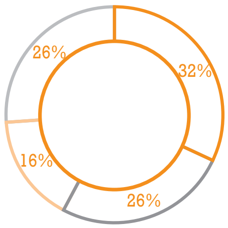
GROUP VALUE ADDED STATEMENT

		2015 Rs.'000			2014 Rs.'000	
Turnover		24,498,207			21,711,453	
Finance & Other Income		246,491			259,184	
Share of Associate Company's profit		830,546			388,599	
		25,575,244			22,359,236	
Less: Cost of Material & Services bought in		(13,618,385)			(12,232,078)	
		11,956,859			10,127,158	
Value Allocated to Employees						
Salaries and Wages and Other Benefits		3,651,304	30%		3,258,064	32%
To Government						
Income Tax	576,634			318,531		
VAT/NBT	2,478,763	3,055,397	26%	2,288,771	2,607,302	26%
To Providers of Capital						
Dividends	730,809			173,094		
Finance Cost	971,088	1,701,897	14%	1,405,084	1,578,178	16%
To Expansion and Growth						
Retained in Business	2,390,059			1,683,386		
Depreciation	1,158,202	3,548,261	30%	1,000,228	2,683,614	26%
		11,956,859	100%		10,127,158	100%



VALUE ADDED 2015

Value Allocated to Employees
To Government
To Providers of Capital
To Expansion and Growth



VALUE ADDED 2014

SHARE INFORMATION

Shareholders

There were 10867 registered shareholders as at 31st March 2015, distributed as follows.

Number of shares held	Number of shareholders	Number of shares	% Shareholding
1 - 1000	9,727	2,103,525	1.90
1,001 - 10,000	915	2,991,345	2.70
10,001 - 100,000	173	5,463,936	4.93
100,001 - 1,000,000	42	10,723,175	9.68
1,000,000 - over	10	89,507,403	80.79
Total	10,867	110,789,384	100.00

*47.030% of shares were held by public comprising of 10,855 shareholders as at 31st March 2015.

Shareholder category	Number of Shareholders	No of shares	Total holding %
Local Individuals	10,445	11,122,370	10.04
Local Institutions	311	93,295,740	84.21
Foreign Individuals	97	891,108	0.80
Foreign Institutions	14	5,480,166	4.95
Total	10,867	110,789,384	100

Share prices for the year

	2014/2015		2013/2014	
	Date	Price	Date	Price
Highest during the year	11/02/2015 and 13/11/2014	125.00	13/05/2013	112.00
Lowest during the year	04/04/2014	78.10	27/03/2014	77.00
As at end of the year	-	111.00	-	79.30

Twenty major Shareholders

	Number of shares as at 31/03/2015	% of issued capital	Number of shares as at 31/03/14	% of issued capital
Vallibel One PLC	56,502,600	51.00	56,502,600	51.00
Employees Provident Fund	16,367,800	14.77	11,063,410	9.99
HSBC Intl nominees Ltd-bbh grandeur peak emerging market	3,593,775	2.24	-	-
Sri Lanka Insurance Corporation Ltd- General Fund	2,730,000	2.46	2,730,000	2.46
Bank of Ceylon No. 01 Account	2,177,634	1.97	711,339	0.64
Bank of Ceylon A/C Ceybank Unit Trust	1,895,649	1.71	3,138,177	2.83
National Savings Bank	1,844,159	1.67	747,700	0.68
Janashakthi Insurance PLC (Policy Holders)	1,582,000	1.43	-	-
HSBC Intl Nominees Ltd-bbh-grandeur peak global reach fund	1,460,600	1.32	-	-
Sri Lanka Insurance Corporation Ltd- Life Fund	1,353,186	1.22	2,183,279	1.97
Mr. A.M. Weerasinghe	749,928	0.68	7,142,614	6.45
Mr. D.L.B.C. Perera and Mrs. I.V. Kariyakarawana	612,250	0.55	736,649	0.66
Bank of Ceylon A/C Ceybank Century Growth Fund	609,610	0.55	802,869	0.72
MAS Capital (Private) Ltd	597,898	0.54	442,900	0.40
Mercantile Investment And Finance PLC	550,000	0.50	550,000	0.50
Amaya Leisure PLC	521,600	0.47	521,600	0.47
Pan Asia Banking Corporation PLC / Mr. R.P.L Eheliyagoda And Mr. S.U.R. Eheliyagoda	510,000	0.46	565,000	0.51
Bank of Ceylon- No. 02 A/C	469,410	0.42	443,100	0.40
Mr. M.T.L Fernando	405,954	0.37	405,954	0.37
AIA Insurance Lanka PLC A/C No. 7	305,385	0.28	1,169,782	1.06
	94,839,438	84.6	89,856,973	81.11
Others	15,949,946	15.39	19,486,594	18.89
Total	110,789,384	100.00	110,789,384	100.00

GLOSSARY OF FINANCIAL TERMS

Accounting Policies

Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

Capital Employed

Total assets less interest free liabilities

Capital Reserves

Profits of a Company that, for various reasons, are not regarded as distributable to Shareholders as dividends. These include gains on revaluation of capital assets and share premium.

Cash and Cash Equivalent

Short-term highly liquid assets those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Contingencies

A condition or situation existing at the reporting date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Current Ratio

Current assets divided by current liabilities

Deffered Taxation

Sum set aside for tax in the accounts of an entity that will become liable in a period other than that under review.

Dividend Cover

Post-Tax profit divided by gross dividend. Measures the number of times dividend is covered by distributable profit.

Dividend Payout Ratio

Dividends Per Share divided by Earnings Per Share

Earnings Per Share

Profits attributable to ordinary Shareholders divided by the number of ordinary shares in issue and ranking for dividend.

Gross Dividend

Portion of profits, inclusive of tax withheld, distributed to Shareholders.

Interest Cover

Earnings before interest and tax divided by interest expenses.

Net Assets per Share

Shareholders' funds divided by the number of ordinary shares issued.

Operating Profit Margin

Operating profit divided by turnover

Price Earnings Ratio

Market price of a share divided by Earnings per share

Related Parties

Parties who could control or significantly influence the financial and operating policies of the business

Return on Equity

Net profit for the year divided by Equity Shareholders' fund

Revenue Reserves

Reserves considered as being available for distributions and investments.

Shareholders' Funds

Total of issued and fully paid up capital and reserves.

Value Additions

The quantum of wealth generated by the activities of the group and its application.

Working Capital

Capital required to finance the day-to-day operations (current assets minus current liabilities)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty Fifth (25th)Annual General Meeting of Royal Ceramics Lanka PLC will be held at the Victorian, The Kingsbury on the 29th day of June 2015 at 12.00 noon for the following purposes:

1. ORDINARY BUSINESS

1.1 To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31st March 2015 and the Report of the Auditors thereon.

1.2 To declare a dividend as recommended by the directors.

1.3 To re-elect Mr. M D S Goonatilleke,who retires by rotation in terms of Articles 85 and 86 of the Articles of Association, as a Director of the Company

1.4 To pass the ordinary resolution set out below to re-appoint Mr. R N Asirwatham who is 72 years of age, as a Director of the Company;

"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. R N Asirwatham who is 72 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"

1.5 To pass the ordinary resolution set out below to re-appoint Mr. R B Thambiayah who is 70 years of age, as a Director of the Company;

"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. R B Thambiayah who is 70 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"

1.6 To re-elect Mr. S H Amarasekara, who retires in terms of Article 92 of the Articles of Association, as a Director of the Company

1.7 To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.

1.8 To authorize the Directors to determine payments for the year 2015/2016 for charitable and other purposes as set out in the Companies Donations Act (Cap 147).

2 SPECIAL BUSINESS

2.1 To consider and if thought fit to pass the following resolution as a special resolution as set out below to change the name of the company.

"IT IS HEREBY RESOLVED THAT the name of the Company be changed to Rocell PLC."

2.2 To consider and if thought fit to pass the following resolution as a Special Resolution as set out below for the amendment to the Articles of Association:

"IT IS HEREBY RESOLVED THAT the Articles of Association be amended as follows

1. By the deletion of Article 106(i) and the substitution therefore of the following:

   106 (i) Any Director may at any time by notice in writing left at the Office appoint any person approved by the Directors to be an Alternate Director of the Company to act in his place provided that such appointment shall be in compliance with the applicable Statutory Provisions and the following provisions of this Article shall apply to any person so appointed.

2. By the insertion of the following as Article 106 (v):

   Where an Alternate Director is appointed in terms of sub paragraph (i) hereof for a specific period or until the happening of a specific event; if during such period or prior to the completion of such event, the appointor acts in the capacity of a Director, such appointors actions shall take precedence over the acts of the Alternate Director.

3. By the existing Article 106(v) being renumbered as Article 106 (vi)

By Order of the Board
ROYAL CERAMICS LANKA PLC

P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

At Colombo
29th May 2015

Notes:

1) A shareholder entitled to attend or attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend or attend and vote instead of him/her. A Proxy may vote on a poll (and join in demanding a poll) but not on a show of hands.

2) A Form of Proxy is enclosed in this Report.

3) The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 10, R.A. de Mel Mawatha, Colombo 03, by 12.00 noon on 27th June 2015

NOTES

NOTES

FORM OF PROXY

*I/We…………………………………………………………..of……………………………………………..being a *Shareholder /Shareholders of Royal Ceramics Lanka PLC, do hereby appoint ………………………………………………….. …of ……………………………………………or failing him/her

Mr. Dhammika Perera	of Colombo or failing him	Mr. L. T. Samarawickrama	of Colombo or failing him
Mr. A. M. Weerasinghe	of Colombo or failing him	Mr. M. D. S. Goonatilleke	of Colombo or failing him
Mr. W. D. N. H. Perera	of Colombo or failing him	Mr. G. A. R. D. Prasanna	of Colombo or failing him
Mr. T. G. Thoradeniya	of Colombo or failing him	Mr. R. N. Asirwatham	of Colombo or failing him
Mr. R. B. Thambiayah	of Colombo or failing him	Mr. S H Amarasekara	of Colombo

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 29th June 2015 at 12.00 noon and any adjournment thereof and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1. ORDINARY BUSINESS		
1.1 To receive and consider the Annual Report of the Board of Directors along with the Financial Statements of the company and its subsidiaries for the year ended 31st March 2015		
1.2 To declare a dividend as recommended by the directors.		
1.3 To re-elect Mr. M D S Goonatilleke, who retires by rotation in terms of Article 85 and 86 of the Articles of Association as a Director of the Company.		
1.4 To pass the ordinary resolution set out below to re-appoint Mr. R N Asirwatham who is 72 years of age, as a Director of the Company; "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. R N Asirwatham who is 72 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"		
1.5 To pass the ordinary resolution set out below to re-appoint Mr. R B Thambiayah who is 70 years of age, as a Director of the Company; "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. R.B. Thambaiyah who is 70 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"		
1.6 To re-elect Mr. S H Amarasekara, who retires in terms of Article 92 of the Articles of Association, as a Director of the Company		
1.7 To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.		
1.8 To authorize the Directors to determine payments for the year 2015/2016 for Charitable and other purposes as set out in the Companies Donations Act (Cap 147).		

	FOR	AGAINST
2. SPECIAL BUSINESS		
2.1 To consider and if thought fit to pass the following resolution as a special resolution as set out below to change the name of the company.		
"IT IS HEREBY RESOLVED THAT the name of the Company be changed to Rocell PLC."		
2.2 To consider and if thought fit to pass the following resolution as a Special Resolution as set out below for the amendment to the Articles of Association:		

"IT IS HEREBY RESOLVED THAT the Articles of Association be amended as follows

1. By the deletion of Article 106(i) and the substitution therefore of the following:
   106 (i) Any Director may at any time by notice in writing left at the Office appoint any person approved by the Directors to be an Alternate Director of the Company to act in his place provided that such appointment shall be in compliance with the applicable Statutory Provisions and the following provisions of this Article shall apply to any person so appointed.

2. By the insertion of the following as Article 106 (v):
   Where an Alternate Director is appointed in terms of sub paragraph (i) hereof for a specific period or until the happening of a specific event; if during such period or prior to the completion of such event, the appointor acts in the capacity of a Director, such appointors actions shall take precedence over the acts of the Alternate Director.

3. By the existing Article 106(v) being renumbered as Article 106 (vi)

Signed this…………… day of ………………………Two Thousand and Fifteen

……………………
Signature

1) *Please delete the inappropriate words.
2) Instructions as to completion are noted below.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 67 of the Articles of Association of the Company;
   (i) in the case of an individual shall be signed by the appointer or by his attorney; and
   (ii) in the case of a Corporation shall be either under its common seal or signed by its attorney or by an officer on behalf of the Corporation.
4. In terms of Article 62 of the Articles of Association of the Company
   In the case of joint-holders of a share the senior who tenders a vote, whether in person or by proxy or by attorney or by representative, shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Shareholders in respect of the joint holding.
5. To be valid the completed Form of Proxy shall be deposited at the Registered Office of the Company situated at No. 10, R. A. de Mel Mawatha, Colombo 3, by 12.00 noon on 27th June 2015.

CORPORATE INFORMATION

Name of the Company
Royal Ceramics Lanka PLC

Legal Form
A Public Quoted Company with limited liabilty incorporated
Under the provisions of Companies Act No. 7 of 2007

Date of Incorporation
29th August 1990

Company Registration Number
PQ 125

Nature of Business
Manufacture and sale of Porcelain & Ceramic Tiles

Board of Directors

Mr. K.D.D. Perera	-	Chairman
Mr. A.M. Weerasinghe	-	Deputy Chairman
Mr. W.D.N.H. Perera	-	Managing Director
Mr. T.G. Thoradeniya	-	Director Marketing & Business Development

Mr. R.B. Thambiayah
Mr. L.T. Samarawickrama
Mr. M.D.S. Goonatilleke
Mr. G.A.R.D. Prasanna
Mr. R.N. Asirwatham
Mr. S. H Amarasekara

Head Office and Registered Office
10, R.A. de Mel Mawatha, Colombo 03
Tel : 011 4799400
Fax : 011 4720077
Email : ho.gen@rcl.lk
Website : www.rocell.com

Subsidiary Companies
Royal Porcelain (Pvt) Ltd.
Royal Bathware Ltd.
Royal Ceramics Distributors (Pvt) Ltd.
Ever Paint and Chemical Industries (Pvt) Ltd.
Lanka Ceramic PLC
Rocell Pty Limited
Rocell Ceramics Limited

Associate Companies
Delmege Limited
L B Finance PLC

Secretaries
P W Corporate Secretarial (Pvt) Ltd.
3/17, Kynsey Road, Colombo 08
Tel : 011 4640360-3
Fax : 011 4740588
Email : pwcs@pwcs.lk

External Auditors
Ernest & Young,
Chartered Accountants
201, De Saram Place, P.O. Box 101, Colombo 10.

Bankers
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Standard Chartered Bank Ltd.
HSBC Ltd.
DFCC Bank PLC
Seylan Bank PLC
Bank of Ceylon
NDB Bank PLC
PABC Bank PLC
Sampath Bank PLC
MCB Bank Ltd.

Designed & produced by
emagewise
Digital Plates & Printing by
Softwave Printing and Publishing (Pvt) Ltd

VALUE
CRAFTING

www.rocell.com